

LOGSTOR Holding A/S

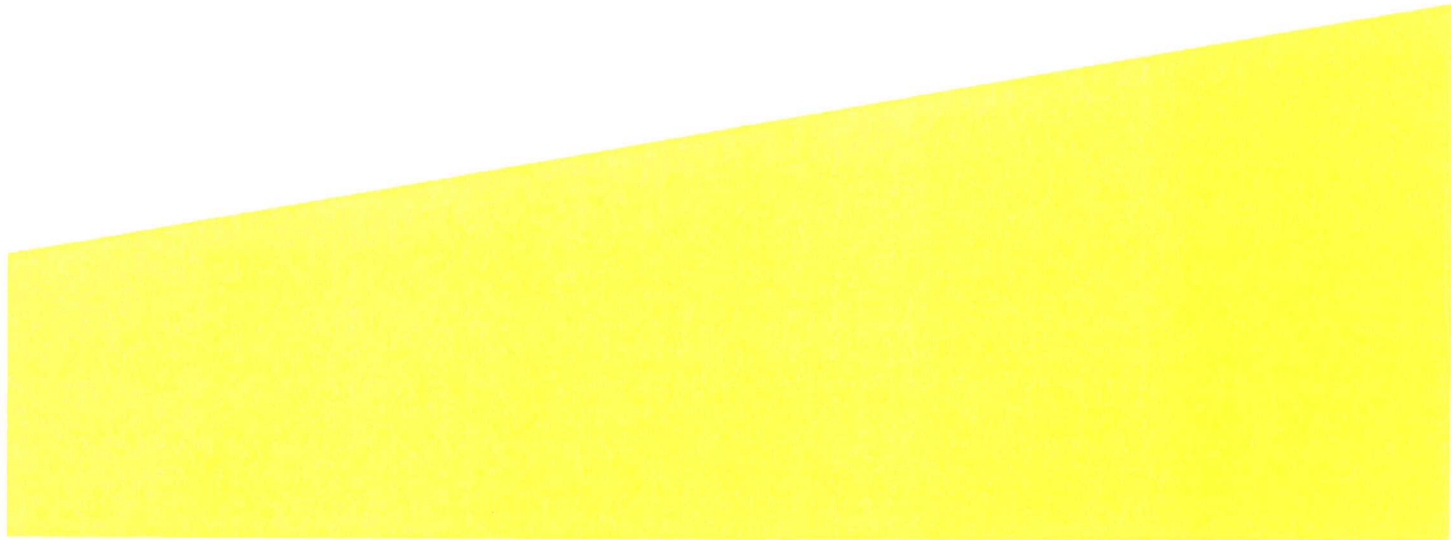
Danmarksvej 11, DK-9670 Løgstør

CVR no. 21 31 17 74

Annual report 2017

Approved at the Company's annual general meeting on 29 May 2018

Chairman:





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of LOGSTOR Holding A/S for the financial year 1 January - 31 December 2017.

The annual report is 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Løgstør, 29 May 2018
Executive Board:

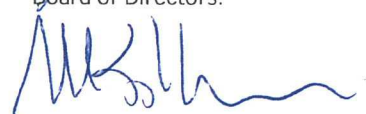


Kim Christensen
CEO



Henning Bejer Beck
CFO

Board of Directors:



Miguel Kohlmann
Chairman



Johan Daniel Perravi



Gustaf Backemar



Per Johan Ageback



Independent auditor's report

To the shareholders of LOGSTOR Holding A/S

Opinion

We have audited the financial statements of LOGSTOR Holding A/S for the financial year 1 January - 31 December 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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.

Auditor's responsibilities 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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 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.

Aarhus, 29 May 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Steen Skorstengaard
State Authorised Public Accountant
MNE no.: mne19709



Søren Jensen
State Authorised Public Accountant
MNE no.: mne34132



Management's review

Company details

Name	LOGSTOR Holding A/S
Address, Postal code, City	Danmarksvej 11, DK-9670 Løgstør
CVR no.	21 31 17 74
Established	1 November 1998
Registered office	Vesthimmerlands Kommune
Financial year	1 January - 31 December
Board of Directors	Miguel Kohlmann, Chairman Johan Daniel Pernvi Gustaf Backemar Per Johan Agebäck
Executive Board	Kim Christensen, CEO Henning Bejer Beck, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Business review

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 and Romania as well as sales to more than 50 markets through resellers and own sales companies in Germany, the Netherlands, Switzerland, Austria, France, Lithuania, Italy and United Kingdom.

Group Financing

Going into 2017 LOGSTOR's loan agreement with the main bank Nordea was only running until 31 March 2018, so the company, the owners and the bank have negotiated a new long term solution in place for the coming 5-6 years - securing LOGSTOR sufficient cash to run the business and execute on the Back to Black plan. (In November 2017, a new plan was announced - "Back to Black" - the plan included that 17% of all white-collar employees was dismissed to adjust the cost base going forward and bringing LOGSTOR back in profit.) The new finance structure is signed as of May 9, 2018 and includes element of both sufficient liquidity and a rebalance of the solidity of the group:

- ▶ Write down of existing bank loans amounting to DKK 200 millions
- ▶ New shareholder loans of DKK 160 millions
- ▶ Replacing remaining bank loans with line of credits amounting to a total DKK 661 millions
- ▶ Continuation of mortgage of DKK 47 millions

The loans are subject to financial covenants.

The new agreement will thereby result in an increase in funding amounting to DKK 160 millions and based on the current budgets and forecasts will provide LOGSTOR with sufficient liquidity and a solid platform for the future growth.

For LOGSTOR Holding A/S the adjusted equity as per 31.12.2017 would have been DKK 382 (after a Tax-exempt contribution from LOGSTOR Denmark Holding ApS) and in the Group debt are reduced with DKK 360 million had the agreement been valid of 31.12.2017 everything else equal.

Financial review

The 2017-result after tax for ended up with a profit of DKK 22 millions compared to a profit of DKK 1 million the year before.

Events after the balance sheet date

As described under "Group Finance" LOGSTOR has, as of 9 May 2018, signed a long term financing agreement with Nordea and the shareholders.

Besides the events mentioned above, no events have occurred after year-end, which would influence the evaluation of this annual report.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Gross margin	-65	-1,278
	Income/loss from investments in group enterprises	3,806	5,388
3	Financial income	36,830	18,773
4	Financial expenses	-12,952	-23,348
	Profit/loss before tax	27,619	-465
5	Tax for the year	-5,239	1,662
	Profit for the year	<u>22,380</u>	<u>1,197</u>
	Recommended appropriation of profit		
	Retained earnings	<u>22,380</u>	<u>1,197</u>
		<u>22,380</u>	<u>1,197</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
6	Investments		
	Investments in group enterprises	372,771	372,771
		<u>372,771</u>	<u>372,771</u>
	Total fixed assets	<u>372,771</u>	<u>372,771</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	268,935	249,463
	Deferred tax assets	0	2,822
	Other receivables	282	282
		<u>269,217</u>	<u>252,567</u>
	Total non-fixed assets	<u>269,217</u>	<u>252,567</u>
	TOTAL ASSETS	<u>641,988</u>	<u>625,338</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	219,000	219,000
	Retained earnings	2,533	-19,847
	Total equity	221,533	199,153
	Provisions		
	Deferred tax	208	0
	Total provisions	208	0
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Bank debt	0	211,423
		0	211,423
	Current liabilities other than provisions		
	Bank debt	288,073	48,597
	Payables to group enterprises	129,596	165,105
	Corporation tax payable	2,209	540
	Other payables	369	520
		420,247	214,762
	Total liabilities other than provisions	420,247	426,185
	TOTAL EQUITY AND LIABILITIES	641,988	625,338

- 1 Accounting policies
- 2 Going Concern
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties



Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	219,000	-19,847	199,153
Transfer through appropriation of profit	0	22,380	22,380
Equity at 31 December 2017	<u>219,000</u>	<u>2,533</u>	<u>221,533</u>



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of LOGSTOR Holding A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

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

Liabilities are recognised in the balance sheet when the Company 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 Company, 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

When recognising 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.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue consists of management fees to LOGSTOR Group's subsidiaries and is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is measured at fair value of the agreed consideration exclusive of VAT.

Gross margin

Gross margin comprises revenue and external expenses.

External expenses

External expenses comprise expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies etc.

Income from investments in subsidiaries

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

Financial income and expenses

Financial income comprises interest income, including interest income on receivables from group entities, net capital gains on financial statement items in foreign currencies as well as refunds under the on-account tax scheme, etc.

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 surcharges under the on-account tax scheme, etc.

Tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company 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).



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investments in subsidiaries

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.

Cash

Cash comprises cash and bank deposits.

Deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Income tax payable or receivable

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.

Liabilities

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

2 Going Concern

Going into 2018, LOGSTOR group's loan agreement with the main bank Nordea was only running until 31 March 2018. In order to ensure a going concern for the LOGSTOR group, the Company, the owners and the bank have negotiated a new long term solution in place for the coming 5-6 years. The refinance will ensure LOGSTOR Holding sufficient cash to run the business and execute on the Back to Black plan.

The new finance structure has been signed on 9 May 2018 and includes elements of both sufficient liquidity and a rebalance of the solidity of the Company.

Due to the refinance agreement, the Financial Statements for 2017 has been presented as going concern.



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
3 Financial income		
Interest receivable, group entities	21,630	18,758
Other financial income	15,200	15
	<u>36,830</u>	<u>18,773</u>
4 Financial expenses		
Interest expenses, group entities	3,543	3,401
Other financial expenses	9,409	19,947
	<u>12,952</u>	<u>23,348</u>
5 Tax for the year		
Estimated tax charge for the year	2,209	547
Deferred tax adjustments in the year	3,030	-2,209
	<u>5,239</u>	<u>-1,662</u>



Financial statements 1 January - 31 December

Notes to the financial statements

6 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2017	1,224,602
Additions	1,178
Cost at 31 December 2017	1,225,780
Value adjustments at 1 January 2017	-851,831
Impairment losses	-1,178
Value adjustments at 31 December 2017	-853,009
Carrying amount at 31 December 2017	372,771

7 Share capital

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

The Company's share capital has remained DKK 219,000 thousand over the past 6 years.

8 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 216,241 thousand falls due 31 March 2018 and DKK 0 falls due for payment after more than 5 years after the balance sheet date.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

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

The Company participates in a Danish joint taxation arrangement in which LOGSTOR Denmark Holding ApS 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.



Financial statements 1 January - 31 December

Notes to the financial statements

10 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 264,033 thousand and DKK 247,234 thousand at 31 December 2016.

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 862.278 thousand. Of this amount debt in the other companies which have signed the guarantee amounts to DKK 515,750 thousand per 31 December 2017 and DKK 407,716 thousand at 31 December 2016.

Guarantee provided to third party for subsidiaries's guarantees is DKK 475,486 thousand at 31 December 2017 and DKK 218,059 thousand at 31 December 2016.

Guarantee for fulfilment of obligation incurred by LOGSTOR Polska Sp.Z.o.o. towards LOGSTOR Sverige Holding AB. The debt amounts to DKK 264,033 at 31 December 2017 and DKK 0 at 31 December 2016.

11 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Logstor International S.à r.l.	Luxembourg	The consolidated financial statements are available at www.cvr.dk