

LOGSTOR A/S

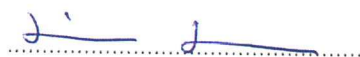
Danmarksvej 11, DK-9670 Løgstør

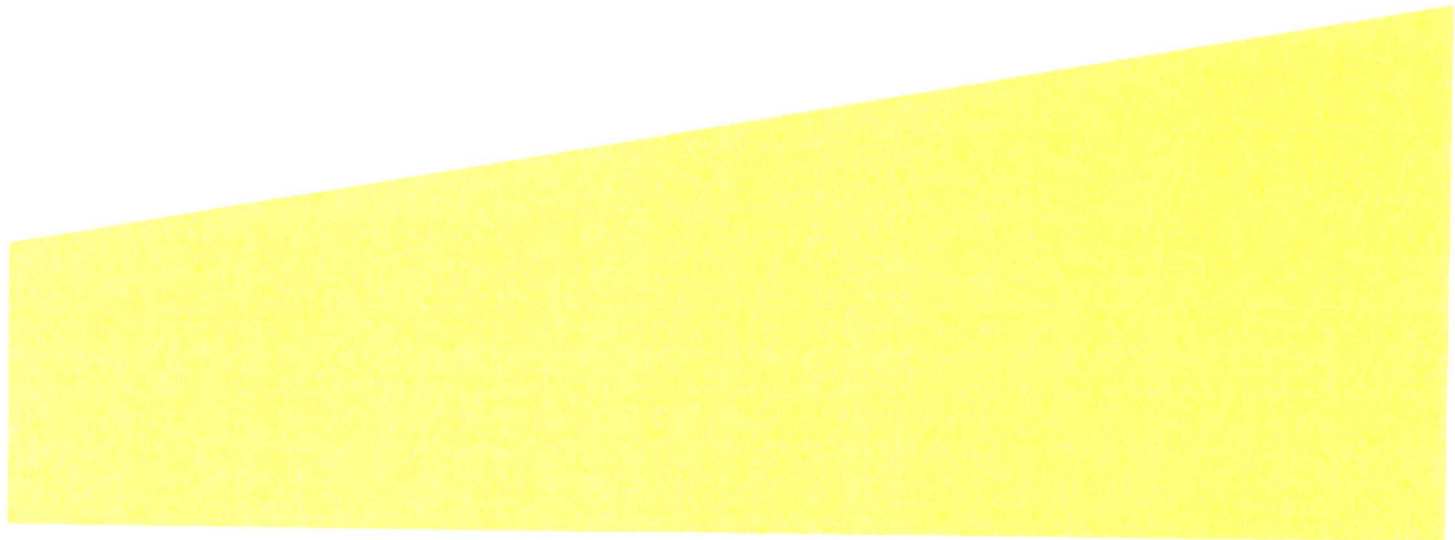
CVR no. 21 33 02 48

Annual report 2018

Approved at the Company's annual general meeting on 18.03.2019

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 A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in 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 approved at the annual general meeting.

Løgstør, 18 March 2019
Executive Board:



Christian Borgstrøm
Schrøder
CEO



Johnny Iversen
CEO

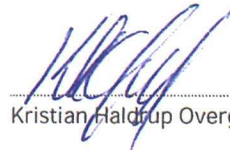
Board of Directors:



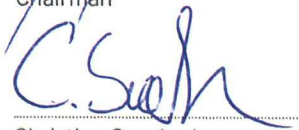
Henning Bejer Beck
Chairman



Line Dissing Mønster



Kristian Haldrup Overgaard



Christian Svanhede



John Nielsen

Independent auditor's report

To the shareholders of LOGSTOR A/S

Opinion

We have audited the financial statements of LOGSTOR A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 18 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Steen Skorstengaard
State Authorised Public Accountant
mne19709



Søren Jensen
State Authorised Public Accountant
mne34132



Management's review

Company details

Name	LOGSTOR A/S
Address, Postal code, City	Danmarksvej 11, DK-9670 Løgstør
CVR no.	21 33 02 48
Established	1 December 1998
Registered office	Vesthimmerlands Kommune
Financial year	1 January - 31 December
Website	www.logstor.com
E-mail	logstor@logstor.com
Telephone	+45 99 66 10 00
Board of Directors	Henning Bejer Beck, Chairman Line Dissing Mønster Kristian Haldrup Overgaard Christian Svanhede John Nielsen
Executive Board	Christian Borgstrøm Schrøder, CEO Johnny Iversen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	704,880	735,767	725,582	939,338	932,805
Gross margin	174,180	159,678	168,402	252,637	203,956
Operating profit/loss	17,087	-9,195	-7,947	53,521	19,614
Net financials	-5,132	-6,235	-10,153	-15,425	-6,207
Profit/loss for the year	8,732	-12,185	-15,130	29,835	5,760
Balance sheet					
Fixed assets	157,026	176,718	190,880	206,536	219,889
Non-fixed assets	291,585	295,337	299,111	294,678	246,146
Total assets	448,611	472,055	489,991	501,214	466,035
Investment in property, plant and equipment	-12,278	-18,575	-12,176	-16,638	-34,304
Share capital	41,000	41,000	41,000	41,000	41,000
Equity	258,948	90,650	101,532	157,525	127,866
Provisions	32,091	36,398	36,185	57,327	71,931
Non-current liabilities other than provisions	46,682	41,986	47,288	52,628	58,172
Current liabilities other than provisions	110,890	303,021	304,986	233,734	294,433
Financial ratios					
EBITDA-margin	7.3%	3.5%	3.6%	9.3%	5.1%
Return on assets	3.7%	-1.9%	-1.6%	11.1%	4.2%
Current ratio	262.9%	97.5%	98.1%	126.1%	83.6%
Return on equity	5.0%	-12.7%	-11.7%	20.9%	4.4%
Average number of employees	258	276	294	329	352

For ratios, reference is made to definitions under accounting policies.

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/Gas sector, and the marine industry.

LOGSTOR is an international enterprise with sales and production companies in Denmark, Sweden, Finland and Poland 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.

Financial review

Revenue for the year amounted to DKK 704.9 million against DKK 735.8 million prior year. Profit before net financials is DKK 17.1 million compared to loss of -9.2 million the year before. The profit for the year after tax amounted to DKK 8.7 million compared to DKK -12.2 million last year. The results of operation for 2018 are acceptable as the level of activity in the Oil/Gas business has been very low and as 2018 was a recovery year.

Cash flows

The Company's cash flows from operating activities amounted to DKK 48.7 million, cash flows from investing activities amounted to DKK 137.1 million, and cash flows from financing activities amounted to DKK -16.6 million.

The total net change in cash and cash equivalents as well as short-term bank debt is DKK 169.2 million.

Non-financial matters

2018 was a recovery year with satisfying results of operation even though we were still faced with low sales in the Oil/Gas business, due to low oil prices and thereby lower investment levels causing postponed projects within the Oil/Gas industry. The District Energy market in Europe in 2018 has shown signs of recovery and moderate growth. Therefore, we believe that we are looking into a higher level of investments in the Oil/Gas business in the coming years.

Special risks

The results, cash flows and equity are affected by the exchange rate development of several currencies as a consequence of the Company's international activities.

The Parent manages the financial risks of the Company and coordinates the cash management of the Group, including funding and investment of surplus liquidity.

The Company's currency policy aims at hedging against commercial currency risks.

Foreign branches

LOGSTOR has production on mobile plants in Indonesia and Canada to ensure delivery on major projects and both Indonesia and Canada are established as branches.

Statutory CSR report

LOGSTOR recognises the United Nations (UN) and the International Labour Organization's (ILO) declarations regarding human rights, labour rights, environment and anti-corruption. LOGSTOR has therefore chosen to structure the CSR work, including the policies, in accordance with the UN Global Compact guidelines. LOGSTOR works systematically with CSR, and operate plants, which are certified in accordance with ISO 9001 (Quality Management), ISO 14.001 (Environmental Management) and compliant with OHSAS 18.001 (Occupational Health and Safety Standard). The management systems use a risk based approach to ensure that the efforts are concentrated in the areas with the greatest risk.

Management's review

The CSR policy is supported by LOGSTOR's Code of Conduct, which contains the company's demands to suppliers within the CSR area. Through the Code of Conduct LOGSTOR require suppliers to comply with the CSR demands in their own Supply Chain. During 2018, no breach of Code of Conduct have been recorded. External audits of the suppliers, as well as their sub suppliers, are carried out when there is a concrete suspicion of breach of the Code of Conduct. No audits have been carried out in 2018. LOGSTOR procurement department has prepared a set of guidelines: "Code of Conduct for suppliers", which includes internal anti-corruption guidelines for e.g. gift exchange, negotiation principles and handling of conflicts of interest. The internal anti-corruption guidelines have been extended to include the sales organization, which is especially relevant for new markets where LOGSTOR is currently expanding the business. To support the guidelines, LOGSTOR sat up a whistleblower function in 2016, which is an externally administered hotline where the employees can report unethical behavior anonymously.

We have developed corporate social responsibility policies in most areas relevant to LOGSTOR's business. The policies aim to ensure proper business conduct and optimum working, health and safety conditions for our employees.

Our corporate social responsibility policies currently comprise human rights, social and environmental issues, anti-bribery and climate issues. Detailed information about each of the matters are continuously available from our website: <https://www.logstor.com/about-us/hseq/csr>.

Management continuously follows up on compliance with these policies in practice.

Risk Area	Main Risks Identified	Targets & KPI's	Actions & Efforts in 2018	Results in 2018
Environment and climate	<ul style="list-style-type: none"> - High energy consumption - Risk of HDPE pallets pollution - Risk of noise - Risk of chemicals spillage - Risk of fire 	<ul style="list-style-type: none"> - CO₂ reduction by energy savings in facilities by 5% - Raw materials consumption reduction (foam components and granulates) - Wastes in processes reduction ab. 20% vs 2017 	<ul style="list-style-type: none"> - Energy savings actions implemented - Optimization projects to reduce foam components reduction - Optimization projects to reduce HDPE material consumption by lowering of wall thickness - Wastes reduction projects introduced - Special action to eliminate HDPE pallets pollution during deliveries 	<ul style="list-style-type: none"> Energy reduction by 4% Foam components reduction on target Granulates reduction on target Wastes in processes reduction of 20%

Management's review

<i>Risk Area</i>	<i>Main Risks Identified</i>	<i>Targets & KPI's</i>	<i>Actions & Efforts in 2018</i>	<i>Results in 2018</i>
<i>Social and working conditions</i>	<ul style="list-style-type: none"> - Risk of incidents increase due to new seasonal employees - Risk of incidents increase due to different nationalities of employees (PL) - Poor leadership resulting in high attrition and loss of key competences; In 2018 LOGSTOR launched an initiative to increase leadership quality in the group. The aim of the initiative is to increase the engagement level of LOGSTORs employees and the Group performance through a change in leadership behavior. 	<ul style="list-style-type: none"> - LTIF (Lost Time Incidents Frequency) max 16,5 - The leadership index score for 2018 is 61. For 2019 our ambition is to reach a leadership index score of 68 	<ul style="list-style-type: none"> - Employees engagement in improving of safety by suggestions system and awards - Management involvement by active participation in BBSW (Behavior Based Safety Walks) - Improvement of work condition by investments (yard surface, machined modernization) - Knives and sharp tools elimination project - Safety Topic of the Month - increasing of awareness - Improvement in Onboarding training for new employees (including translators for other nationalities) - Initiatives to support this increase in leadership index score are establishing LOGSTOR Leadership Best Practice including training, workshops and follow up on leaderships behavior. 	-LTIF result 11,0
<i>Human rights</i>	<ul style="list-style-type: none"> - Risk of long term illnesses due to lack of life balance - Risk of suppliers not fulfilling Code of conduct 	<p>Health initiatives program in place</p> <p>Audit at min 5 key suppliers with extended questions about Code of conduct rules</p>	<ul style="list-style-type: none"> - Health initiatives have been defined, specific for each country. - Audits at suppliers procedure change to include questions about Code of conduct 	<ul style="list-style-type: none"> - Program started in 2018 with continuation in Q1 2019. - Audits performed for 4 suppliers.

Management's review

<i>Risk Area</i>	<i>Main Risks Identified</i>	<i>Targets & KPI's</i>	<i>Actions & Efforts in 2018</i>	<i>Results in 2018</i>
Anti-bribery	<ul style="list-style-type: none"> - Risk in own business - Suppliers located in high risk countries - Distributors and Agents 	<p>LOGSTOR does not tolerate the acceptance, offering, promising, or paying of bribes of any form.</p> <p>Management has no knowledge of any actual bribery including facility payments or other irregularities.</p>	<ul style="list-style-type: none"> - In addition to the Anti-Corruption policy, a Business Partner Policy is implemented, including official sign of on the principles herein from all Distributors and Agents. 	<ul style="list-style-type: none"> - Policy in place, with a Compliance Officer appointed to monitor. - Throughout 2018 all relevant employees have attended e-learning - Supplier audits conducted

Environment and climate

We produce pre-insulated pipes which are energy-efficient solutions and therefore reduce the world's emission of greenhouse gases and work as a company on being as energy-efficient as possible in what we do every day. Outside our organisation, we want to contribute to efficiency improvements of the world's energy supply, and reduce the global energy loss by using pre-insulated pipes and thereby help reducing the world's emission of greenhouse gases. LOGSTOR technologies are based on blowing agents all meeting the latest international requirements with regards to ODP (ozone depletion potential) and GWP (global warming potential).

Inside our organisation, we wish to document and reduce emissions by optimising our own production and logistics as well as demanding that our suppliers do their best to reduce the emission of greenhouse gases in cooperation with LOGSTOR.

It is important for LOGSTOR to:

- ▶ Contribute to the limitation and reduction of our environmental impact, encourage cooperation with authorities, and communicate openly about our environmental conditions
- ▶ Observe the requirements of the international Business Charter for Sustainable Development (ICC)
- ▶ Minimise the consumption of resources and waste during production
- ▶ Prioritise both optimization of production and the use of cleaner technology during product development

Social and working conditions

With expanding government regulations and increasing societal expectations, the Management team continued their increased focus on health, safety and environmental issues in 2018. This work is carried out with reference to the Health, Safety and Environment (HSE) Policy, which reaffirmed the organizations commitment to an Incident and Injury Free (IIF) workplace.

The HSEQ function has transformed into a true business partner in the support of operations versus a separate silo function. The changes more closely integrated the site-based HSEQ resources through reporting and accountability relationships with the respective Plant Management, from which they receive their day-to-day direction. Group HSEQ provides functional direction with a dotted line reporting relationship.

The Group Safety Leadership Team (GSLT) meets monthly and membership includes the CEO and other key members of the management team. The GSLT is chartered to provide the leadership and commitment necessary for the organization's IIF journey.

Key initiative in 2018 was high focus on HSE, by leading strong commitment on different organizational levels. LOGSTOR have started a Safety Campaign project, as well as many technical improvements on our operational areas, including various investment projects.

Management's review

The Safety Campaign project continued with "Days without incidents" records celebration in each location. To increase our employees' engagement we continue monthly to award for the best suggestion for improvement reported by employees. We continue our initiative with Safety Topic of the Month distributed to all facilities and services. We have implemented a project "Knives and sharp tools elimination" which involves knowledge-sharing between plants and replacement of hazardous knives with safe tools.

Additionally in 2018, we have prepared a detailed Safety Strategy Plan for 2019-2021 with high focus on incidents prevention.

Human rights

In our code of conduct, which has been circulated to our suppliers, we have published our zero-tolerance regarding forced labor, child labor, discrimination, freedom of association, workplace health and safety and conditions of employment.

Since 2015, we started to obtain direct compliance confirmations from our suppliers and/or perform independent compliance reviews, if there is a concrete suspicion of breach of the Code of Conduct.

Anti-bribery

A zero-tolerance policy regarding any kind of bribery has been adopted and implemented. All relevant employees with market-orientated activities has been trained in our policies.

During 2018, a training program, which included basic knowledge and understanding of the Group's "Anti-Corruption Policy" has been completed. Similar sessions will be conducted in 2019.

Account of the gender composition of Management

On a current basis, the LOGSTOR Group supervisory board assess the composition of its members as well as how their internal processes work, including an appraisal of the cooperation between board and CEO. Further, a part of this assessment is a consideration of multitude and the need for specific competencies. The boards are generally composed by business people, possessing a combination of professional competencies and practical experience, deemed to match the needs of LOGSTOR Group.

In order to promote and facilitate an equal gender representation in management level positions at LOGSTOR, LOGSTOR will pursue the following objectives:

1. Target an equal gender representation at management level as vacancies arise, subject to identification of candidates with appropriate skills, and in this connection ensure that engaged search and selection firms are requested to identify at least one candidate of each gender for such positions. All internal and external searches for vacant positions are to include at least one candidate of each gender on a short list, subject to identification of candidates with appropriate skills.
2. Ensure appropriate level of participants from both genders at LOGSTOR programs intended to develop talent.
3. Ensure that targets are set for a potential under-represented gender, to ensure a more equal gender representation in the management of the company. The target is that by the end of year 2020, each gender shall represent at least 20 % of all managers and board members.

In comparison, the realised ratio by the end of 2018 was 16% female managers, whereas no shareholder elected board members are female. Main reason behind the gap between the defined target to be achieved by the end of year 2020, and the current realised ratio, remain lack of qualified candidates from the underrepresented gender.

Events after the balance sheet date

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	2018	2017
	Revenue	704,880	735,767
	Cost of sales	-500,176	-525,032
	Change in inventories of finished goods and work in progress	509	5,735
2	Profit/loss from sale of intangible assets and property, plant and equipment	145	453
	Other external expenses	-31,178	-57,245
	Gross margin	174,180	159,678
3	Staff costs	-122,726	-133,999
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-34,367	-34,874
	Profit/loss before net financials	17,087	-9,195
5	Financial income	3,407	4,750
6	Financial expenses	-8,539	-10,985
	Profit/loss before tax	11,955	-15,430
7	Tax for the year	-3,223	3,245
	Profit/loss for the year	8,732	-12,185

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Completed development projects	15,078	17,452
	Acquired intangible assets	1,690	3,042
	Goodwill	15,874	20,065
	Development projects in progress and prepayments for intangible assets	4,061	3,502
		<u>36,703</u>	<u>44,061</u>
9	Property, plant and equipment		
	Land and buildings	65,354	70,819
	Plant and machinery	43,549	57,721
	Property, plant and equipment under construction	11,420	4,117
		<u>120,323</u>	<u>132,657</u>
	Total fixed assets	<u>157,026</u>	<u>176,718</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	31,183	29,627
	Work in progress	7,191	4,863
	Finished goods and goods for resale	42,974	44,792
		<u>81,348</u>	<u>79,282</u>
	Receivables		
	Trade receivables	30,791	47,362
10	Construction contracts	13,734	368
	Receivables from group enterprises	155,057	145,103
14	Deferred tax assets	180	6,649
	Corporation tax receivable	4,393	11,196
	Other receivables	1,344	1,726
11	Prepayments	4,688	3,164
		<u>210,187</u>	<u>215,568</u>
	Cash	<u>50</u>	<u>487</u>
	Total non-fixed assets	<u>291,585</u>	<u>295,337</u>
	TOTAL ASSETS	<u>448,611</u>	<u>472,055</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	41,000	41,000
	Reserve for development costs	7,872	6,676
	Retained earnings	210,076	42,974
	Total equity	258,948	90,650
	Provisions		
14	Deferred tax	10,224	17,125
	Other provisions	21,867	19,273
15	Total provisions	32,091	36,398
	Liabilities other than provisions		
13	Non-current liabilities other than provisions		
	Bank debt	46,682	41,986
		46,682	41,986
	Current liabilities other than provisions		
13	Short-term part of long-term liabilities other than provisions	0	5,350
	Bank debt	0	169,647
	Trade payables	57,697	58,272
	Payables to group enterprises	24,187	37,492
	Other payables	29,006	32,260
		110,890	303,021
	Total liabilities other than provisions	157,572	345,007
	TOTAL EQUITY AND LIABILITIES	448,611	472,055

- 1 Accounting policies
- 16 Contractual obligations and contingencies, etc.
- 17 Collateral
- 18 Related parties
- 19 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2018	41,000	6,676	42,974	90,650
20	Transfer, see "Appropriation of profit/loss"	0	1,196	7,536	8,732
	Adjustment of hedging instruments at fair value	0	0	-557	-557
	Tax on items recognised directly in equity	0	0	123	123
	Contribution from group	0	0	160,000	160,000
	Equity at 31 December 2018	41,000	7,872	210,076	258,948

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2018	2017
	Profit/loss for the year	8,732	-12,185
21	Adjustments	38,236	33,598
	Cash generated from operations (operating activities)	46,968	21,413
22	Changes in working capital	-4,214	21,348
	Cash generated from operations (operating activities)	42,754	42,761
	Interest received, etc.	1,451	0
	Income taxes paid	4,537	-3,494
	Other cash flows from operating activities	0	26
	Cash flows from operating activities	48,742	39,293
	Additions of intangible assets	-4,486	-2,149
	Additions of property, plant and equipment	-12,278	-18,575
	Disposals of property, plant and equipment	145	463
	Cash flows to investing activities	-16,619	-20,261
	Repayments, long-term liabilities	-654	-5,386
	Repayments, borrowings from group enterprises	-22,259	-62,086
	Cash capital increase, debt conversion	160,000	0
	Cash flows from financing activities	137,087	-67,472
	Net cash flow	169,210	-48,440
	Cash and cash equivalents at 1 January	-169,160	-120,720
	Cash and cash equivalents at 31 December	50	-169,160

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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 Entity, and the value of the asset can be measured reliably.

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

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

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 rate 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 recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of costs of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Raw materials and consumables, etc.

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary write-downs of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet.

Staff costs

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

Amortisation/depreciation and impairment

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	7 years
Acquired intangible assets	15 years
Goodwill	10-20 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	25 years
Operating equipment	5-10 years
Transport vehicles	5 years
IT equipment	3 years

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

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

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.

Financial expenses comprise interest expenses, net capital loss on financial statement items in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax

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

The Entity is jointly taxed with LOGSTOR Denmark Holding ApS 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). Tax for the year relates to income in the Danish company as well as in foreign permanent establishments.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. In certain cases, the amortization period is up to 10-20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant sources.

Goodwill is amortised over 10-20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount

Intellectual property rights etc comprise acquired licenses and patent and development projects relating to products intended to be produced and sold.

Acquired licenses and patents are measured at cost less accumulated amortisation.

Acquired licenses and patent rights are amortised over 15 years as the investments made are expected to contribute to earnings during this period.

Development projects relating to products intended to be produced and sold are recognised as intangible assets.

Other development costs are recognised as costs in the income statement as incurred.

Development costs comprise costs that are directly or indirectly attributable to the development projects.

Straight-line amortisation is provided on the basis of the useful life of the product, up to 7 years as the development costs are expected to contribute to earnings during this period.

Development costs comprise expenses, salaries and amortisation charges directly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 7 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings are measured at cost and less accumulated depreciation.

Plant and machinery as well as operating equipment are measured at cost and less accumulated depreciation.

Cost comprises the acquisition cost and costs related to the preparation of the asset. For company-manufactured assets, cost comprises direct and indirect costs.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured in the lower of the acquisition costs or cost using the FIFO method and net realisable value.

Cost of raw materials, consumables and goods for resale comprises the invoiced price plus landing costs.

Cost of manufactured goods and work in progress consists of acquisition costs of materials and direct labour costs plus indirect production costs.

Obsolete and slow-moving items are written down to expected net realisable value.

Receivables

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

Construction contracts

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the state of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Provisions

Provisions comprise anticipated costs of non-recourse guarantee commitments and restructuring provisions.

Provisions for guarantee commitments are provided on the basis of the Company's sales conditions and delivery terms and the Company's experience.

Restructuring provisions comprise expected costs relating to decided and published restructuring.

Restructuring provisions are measured as the best estimate of the costs necessary to settle the liabilities at the balance sheet date. Restructuring provisions with an expected time of maturity of more than one year from the balance sheet date are measured at the discounted value.

Income taxes & Deferred Taxes

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 in the Danish company and the foreign branches.

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Payables to credit institutions

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other payables

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise purchases and sale of fixed assets.

Cash flows from financing activities comprise incurrence and repayments of long-term debt and distributed dividends.

Cash and cash equivalents comprise cash and securities with an insignificant price risk less short-term bank debt.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITA)} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
2 Profit/loss from sale of intangible assets and property, plant and equipment		
Gain on the sale of property, plant and equipment	145	453
	<u>145</u>	<u>453</u>
3 Staff costs		
Wages/salaries	110,106	121,425
Pensions	9,192	9,906
Other social security costs	2,610	2,008
Other staff costs	818	660
	<u>122,726</u>	<u>133,999</u>
Average number of full-time employees	<u>258</u>	<u>276</u>
Remuneration to members of management:		
Executive board	2,841	3,278
Board of Directors	20	20
	<u>2,861</u>	<u>3,298</u>
4 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	9,760	9,819
Impairment of intangible assets	0	788
Depreciation of property, plant and equipment	24,607	24,267
	<u>34,367</u>	<u>34,874</u>
5 Financial income		
Interest receivable, group entities	3,348	2,618
Other financial income	59	2,132
	<u>3,407</u>	<u>4,750</u>
6 Financial expenses		
Interest expenses, group entities	1,173	427
Other financial expenses	7,366	10,558
	<u>8,539</u>	<u>10,985</u>
7 Tax for the year		
Estimated tax charge for the year	2,266	-1,440
Deferred tax adjustments in the year	944	-425
Tax adjustments, prior years	13	-1,380
	<u>3,223</u>	<u>-3,245</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	51,659	21,821	66,858	3,502	143,840
Additions	0	0	0	2,643	2,643
Disposals	0	0	0	-241	-241
Transferred	1,843	0	0	-1,843	0
Cost at 31 December 2018	53,502	21,821	66,858	4,061	146,242
Impairment losses and amortisation at 1 January 2018	34,207	18,779	46,793	0	99,779
Amortisation for the year	4,217	1,352	4,191	0	9,760
Impairment losses and amortisation at 31 December 2018	38,424	20,131	50,984	0	109,539
Carrying amount at 31 December 2018	15,078	1,690	15,874	4,061	36,703

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Property, plant and equipment under construction	Total
Cost at 1 January 2018	141,022	240,604	4,117	385,743
Additions	695	1,684	9,899	12,278
Disposals	0	-3,807	0	-3,807
Transferred	267	2,329	-2,596	0
Cost at 31 December 2018	141,984	240,810	11,420	394,214
Impairment losses and depreciation at 1 January 2018	70,203	182,883	0	253,086
Depreciation	6,427	18,180	0	24,607
Depreciation and impairment of disposals	0	-3,802	0	-3,802
Impairment losses and depreciation at 31 December 2018	76,630	197,261	0	273,891
Carrying amount at 31 December 2018	65,354	43,549	11,420	120,323

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
10 Construction contracts		
Selling price of work performed	13,967	1,287
Progress billings	-233	-919
	<u>13,734</u>	<u>368</u>
recognised as follows:		
Construction contracts (assets)	<u>13,734</u>	<u>368</u>
	<u>13,734</u>	<u>368</u>

11 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at costs.

12 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 41,000 thousand over the past 5 years.

13 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	46,682	0	46,682	36,740
	<u>46,682</u>	<u>0</u>	<u>46,682</u>	<u>36,740</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
14 Deferred tax		
Deferred tax at 1 January	10,476	10,899
Deferred tax adjustments, prior year	-1,253	1,382
Deferred tax adjustments for the year	943	-2,173
Tax on equity	-122	368
Deferred tax at 31 December	10,044	10,476
Deferred tax relates to:		
Intangible assets	8,033	9,652
Property, plant and equipment	1,522	6,776
Inventories	669	696
Provisions	-177	0
Liabilities	-3	-29
Tax loss	0	-6,619
	10,044	10,476
Analysis of the deferred tax		
Deferred tax assets	-180	-6,649
Deferred tax liabilities	10,224	17,125
	10,044	10,476

15 Provisions

Other provisions are DKK 20,064 thousand at 31 December 2018 (2017: DKK 19,273 thousand) and comprise anticipated costs of non-recourse guarantee commitments and provision for restructuring.

The carrying amount of non-recourse guarantees is DKK 19,258 thousand at 31 December 2018 and DKK 19,273 thousand at 31 December 2017.

16 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly and severally liable with LOGSTOR Holding 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 2013 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.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	16,268	18,165

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Notes to the financial statements

17 Collateral

The mortgage debt is secured by mortgage of a nominal value of DKK 46,811 thousand at 31 December 2018 (2017: 99,997) over real property. The carrying amount of real property is DKK 65,355 thousand at 31 December 2018 (2017: DKK 70,820 thousand).

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 358,500 thousand at 31 December 2018 (2017: DKK 862.278 thousand). Debt in other companies, which have signed this guarantee, amounts to DKK 80,866 thousand at 31 December 2018 (2017: DKK 634,794 thousand), and guarantees in the other companies, which have signed this guarantee, amounts to DKK 18,450 thousand at 31 December 2018 (2017: DKK 28,915).

Mortgage deed of DKK 31,500 thousand (2017: DKK 31,500 thousand) nominal over real property also constitutes security for fulfilment of any obligation incurred by the Group towards banks.

Guarantee provided to third party for subsidiaries' guarantees is DKK 11,625 thousand at 31 December 2018 (2017: DKK 9,725 thousand).

18 Related parties

LOGSTOR A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
LOGSTOR Holding A/S	Danmarksvej 11, DK-9670 Løgstør	Capital possession

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
LOGSTOR International Holding S.á.r.l	Luxembourg	www.cvr.dk

Related party transactions

LOGSTOR A/S was engaged in the below related party transactions:

<u>DKK'000</u>	<u>2018</u>	<u>2017</u>
Sales of goods to group enterprises	244,080	251,218
Interest income from group enterprises	3,348	2,618
Interest expenses to group enterprises	1,173	427
Intercompany fee from group enterprises	37,073	30,801
Intercompany fee to group enterprises	5,347	11,795
Receivables at group enterprises	98,884	145,103
Receivables at associated enterprises	0	317
Payables to group enterprises	24,187	37,492

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
LOGSTOR Holding A/S	Danmarksvej 11, DK-9670 Løgstør

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
19 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	332	265
Assurance engagements	0	15
Tax assistance	211	773
Other assistance	449	417
	<u>992</u>	<u>1,470</u>
20 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Other reserves	1,196	-448
Retained earnings/accumulated loss	7,536	-11,737
	<u>8,732</u>	<u>-12,185</u>
21 Adjustments		
Amortisation/depreciation and impairment losses	34,367	34,874
Gain/loss on the sale of non-current assets	-145	-453
Provisions	791	2,423
Tax for the year	3,223	-3,246
	<u>38,236</u>	<u>33,598</u>
22 Changes in working capital		
Change in inventories	-2,065	315
Change in receivables	4,081	19,889
Change in trade and other payables	-5,681	-527
Unrealised loss on hedge interest	-549	1,671
	<u>-4,214</u>	<u>21,348</u>