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LOGSTOR A/S
Central Business Registration No
21330248
Danmarksvej 11
9670 Løgstør

Annual report 2015

The Annual General Meeting adopted the annual report on 14.04.2016

Chairman of the General Meeting

Name: Line Dissing Mønster

Contents

Entity details

Entity

LOGSTOR A/S
Danmarksvej 11
9670 Løgstør

Central Business Registration No: 21330248
Registered in: Vesthimmerland
Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Henning Bejer Beck, chairman
Line Dissing Mønster
Kristian Haldrup Overgaard
Lars Erik Reichardt Petersen, employee representative

Executive Board

Mats Olav Gårdfors
Kristian Haldrup Overgaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

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 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 and cash flows 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, 14.04.2016

Executive Board

Mats Olav Gårdfors

Kristian Haldrup Overgaard

Board of Directors

Henning Bejer Beck
chairman

Line Dissing Mønster

Kristian Haldrup Overgaard

Lars Erik Reichardt Petersen
employee representative

Independent auditor's reports

To the owners of LOGSTOR A/S

Report on the financial statements

We have audited the financial statements of LOGSTOR 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, cash flow statement 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 and cash flows 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, 14.04.2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Henrik Vedel
State Authorised Public Accountant

Allan Søborg Olsen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000	2011 DKK'000
Financial highlights					
Key figures					
Revenue	939.339	932.805	772.996	1.052.707	1.030.701
Gross profit/loss	247.586	203.956	165.593	188.659	252.471
Operating profit/loss	48.573	19.614	-22.605	-59.724	38.391
Net financials	-8.954	-6.207	-9.057	-1.304	-7.196
Profit/loss for the year	29.835	5.760	-23.909	-47.141	22.435
Total assets	503.980	552.402	558.000	575.576	598.251
Investments in property, plant and equipment	16.638	34.304	21.916	22.105	14.749
Equity	157.525	127.866	133.634	157.582	207.097
Interest bearing debt, net	56.878	74.318	40.625	34.445	386
Ratios					
Return on equity (%)	20,9	4,4	(16,4)	(25,9)	11,6
Profit margin	2,0	(2,9)	(5,7)	3,7	3,9
Return on assets	3,3	(4,1)	(10,2)	6,6	7,2
Equity ratio	24,5	23,9	27,4	34,6	32,3

Key figures for 2011-2013 have not been adjusted due to the changes of accounting policies related to measurement of land and buildings at cost less accumulated depreciation.

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. The LOGSTOR Group is the world's leading supplier of pre-insulated pipe systems, not only for district heating, but also for the 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, Russia and China (divested in 2015) as well as sales to more than 50 markets through re-sellers and own sales companies in Germany, the Netherlands, Switzerland, Austria, France, Lithuania and Italy.

Development in activities and finances

Financial performance

Revenue for the year amounted to DKK 939.3 million against DKK 932.8 million prior year.

Operating totalled DKK 48.6 million compared to 19.6 million the year before.

The profit for the year after tax amounted to DKK 29.8 million compared to DKK 5.8 million prior year, the first step in the turnaround of the company. The result for 2015 is satisfactory.

Cash flows

The Company's cash flows from operating activities amounted to DKK 35.7 million, cash flows from investing activities amounted to DKK -20.6 million, and cash flows from financing activities amounted to DKK -0.6 million.

The total net change in cash and cash equivalents as well as short-term bank debt is DKK 14.6 million.

Financial exposure

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.

Management commentary

Change in accounting policies

Management has changed the accounting policies regarding measurement of land and buildings so that land and buildings are measured at cost less accumulated depreciation. Previously, land and buildings were measured at fair value continuously revalued in equity. The reason for the changes in accounting policies is a change in ownership. The new owners consider measurement of land and buildings at cost the most fair value.

After the changes in accounting policies, land and buildings are measured at original cost less accumulated depreciation, which historically would have been recognised without revaluation.

As a result of the changes in accounting policies, the comparative figures for last year have been restated.

Profit/loss for the year in 2014 affected positive with 1.0 DKK million.

The equity is at the end of 2014 affected with negative 10.6 DKK million.

Development

In 2015 LOGSTOR successfully finished the off-shore projects for Kraken and Maersk in the North Sea. The products was flawlessly installed using the reeling technology and LOGSTOR single pipe® is now formally accepted as a standard product by one of the biggest EPC contractors in the offshore installation business. As market leader and technical trendsetter, LOGSTOR continues the development of new solutions for energy efficient distribution networks and Oil & Gas applications. In 2015 we launched the Single pipe HT system which is an offshore pipe system rated for higher temperatures. We expect to begin the production of the first order in late 2016. The success for the Flextr® pipes continues and we are developing solutions and services to complete our offerings within Flexible pipes. Furthermore, we see a growing interest for our U-pipe system which is a pipe system developed for environmental friendly discharge of sewage water. In order to optimize our product portfolio we dedicated resources to support product management strategy, and we expect large efficiency gains and improved delivery services as a consequence of increased focus on product management.

Foreign branches

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

Outlook

2016 has started well, and results develop as expected. Due to the macro-economic situation prevailing in our main markets in Europe it is not possible to give an accurate forecast of the financial performance for 2016. However, as a result of performance enhancements in 2015, profitability is expected to improve in 2016 compared to 2015.

Management commentary

Environmental performance

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

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

Corporate social responsibility

Corporate social responsibility policies

LOGSTOR recognises the UN and 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 OHSAS 18.001 (Occupational Health and Safety Standard). The management systems contribute to ensure that the efforts are concentrated in the areas with main potential for improvement.

The manangement commitment to the policies are elaborated on the LOGSTOR website: https://www.logstor.com/about-us/hsqe/csr. 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. 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. 7 compliance reviews has been carried out in 2015 with satisfactory results.

Our corporate social responsibility policies currently comprise human rights, social and environmental issues, anti-bribery and gender representation. In 2016 LOGSTOR will implement an overall CSR policy to gather the code of conduct policies.

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.

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

Human rights

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

In 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. 7 compliance reviews has been carried out in 2015 with satisfactory results.

Management commentary

Social and working conditions

Management has increased the focus on quality, health and security issues and it is our policy to be a safe and healthy place to work. We will send our employees home after work in the same good state as they meet on work. We have therefore started to train, inform and motivate employees continuously to achieve the best safety, health and environmental conditions and thus allow for the environmental conditions to be compatible.

Internally we are improving our health and safety procedures with specific requirements to use personal protection equipment such as glasses, helmets, high visibility wests and safety shoes. Our target is zero accidents or near miss incidents.

A director will have direct responsibility for systematic investigation of all incidents and root cause analyse these to improve our safety.

A number of proactive measures has been put in place – one of the major being a lessons learned system, where all incidents and near misses are communicated between the production sites. This way the sites can share knowledge around safety and avoid further incidents.

The accidents have been reduced by 21% from year 2014 to year 2015 and stretched targets for 2016 have been defined.

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.

Inside our organisation, we wish to document and reduce emissions by optimising our own production and logistics as well as by demanding that our suppliers do their best to reduce the emission of greenhouse gases in cooperation with LOGSTOR. 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 A/S has conducted energy efficiency audits for all production sites. The result from the audit in Denmark has been used as part of the ongoing ISO 50001 Energy management certification. The aim is to be certified during 2016. As part of LOGSTOR's ISO 14001 environmental management certification action plans have been made, which covers reduction of energy consumption and continued focus on waste minimization and waste separation.
It is important to 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),

Management commentary

- Minimise the consumption of resources and waste during production,
- Prioritise both optimum production and the use of cleaner technology during product development

We map our consumption of electricity, district heating, fuels, and process emissions. Since 2004, LOGSTOR's total energy consumption has been decreasing. Every year, we prepare Green accounts in which we present our resource and energy consumption as well as our direct environmental impact. The Green accounts for 2015 have not been completed yet but will be uploaded to this website when it is finished: https://www.logstor.com/dk/om-os/hsqe/miljoepolitik-styring/. Previous we also prepared CO2 accounts however in recent years the company's CO2 impact have been reported in the Green accounts.

In 2015 we observed a small reduction in electricity consumption compared with production volume. We have initiated some energy projects e.g. converting light to LED in a big production area, compressor replacement and jointing of installations (airleader).

The main energy target for 2016-2018 is to reduce electricity consumption with 10% and to initiate other energy projects concerning district heating and fuel. We will also establish an energy management system, which in 2016 will be certified according to ISO 50001.

Anti-bribery
Recently a zero-tolerance policy regarding any kind of bribery has been adopted and is currently being implemented. All relevant staff with market orientated activities will be trained in our new policies.

Management has no knowledge of any actual bribery including facility payments or other irregularities.
It is management's intention to update the policy as adequate and to add more detailed policies and instructions as required by external as well as internal development.

A Training program has been carried out during 2015, which has comprised basic knowledge and understanding of the Group's "Anti-Corruption Policy". Similar sessions will be conducted in 2016.

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 organisation, which is especially relevant for new markets where LOGSTOR is currently expanding the business. In 2015 there has been implemented web-based training tools. To support the guidelines, LOGSTOR will set up a whistle-blower function in 2016, which is an externally run hotline where the employees can report unethical behaviour anonymously

Management commentary

Gender representation

On a current basis, the LOGSTOR Group supervisory board asses 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.

A gender representation policy was implemented in 2015 and going forward. It is the intention to include at least one female candidate in the selection process for recruitment of managers and members of the LOGSTOR Group supervisory board. In 2015 a new target was set concerning gender representation in the management and supervisory board. The target is that by the end of 2020, 20% of the managers and board members shall be female. In comparison, the realized ratio was 22% female managers and 25% female elected board members in 2015. The target has hence been reached at both the management and board level.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date 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 C enterprises (big).

The accounting policies applied for these financial statements are consistent with those applied last year except a change in valuation principles regarding land and buildings described below.

Changes in accounting policies

Management has changed the accounting policies regarding measurement of land and buildings so that land and buildings are measured at cost less accumulated depreciation. Previously, land and buildings were measured at fair value continuously revalued in equity. The reason for the changes in accounting policies is a change in ownership. The new owners consider measurement of land and buildings at cost the most fair value.

After the changes in accounting policies, land and buildings are measured at original cost less accumulated depreciation, which historically would have been recognised without revaluation.

As a result of the changes in accounting policies, the comparative figures for last year have been restated. The changes have had the following impact on profit/loss, balance sheet, deferred tax and equity:

	Profit/loss this year t.kr.	Balance sheet t.kr.	Equity t.kr.
Before changes in accounting policies 2014	4.766	566.043	138.507
Measurement of land and buildings at cost	994	(13.641)	(10.641)
After changes in accouting policies 2014	**5.760**	**552.402**	**127.866**
Before changes in accounting policies 2015	28.841	516.628	167.390
Measurement of land and buildings at cost	994	(12.648)	(9.865)
After changes in accouting policies 2015	**29.835**	**503.980**	**157.525**

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.

Accounting policies

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, 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 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 the 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 the 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 cost 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.

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).

Accounting policies

Changes in inventories of finished goods and work in progress
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.

Costs of raw materials and consumables
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.

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 entity staff.

Amortisation, depreciation and impairment losses
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.

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, net capital losses on financial statement items in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Income taxes

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 directly 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.

Balance sheet

Goodwill

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 resources.

Goodwill is amortised over 10-20 years.

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

Intellectual property rights etc

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.

Accounting policies

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.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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.

Inventories
Inventories are measured at the lower of acquisition cost 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 cost 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.

Contract work in progress
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 stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Accounting policies

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.

Income tax payable or receivable
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 related to income in the Danish company and in foreign permanent establishments.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

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.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments and restructing 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.

Accounting policies

Mortgage debt

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 financial liabilities

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

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 the purchase and sale of fixed assets.

Cash flows from financing activities comprise incurrence and repayment 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 highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Profit margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$	The Entity's return on average operating assets.
Return on assets	$\frac{\text{Operating profit/loss x 100}}{\text{Average operating assets}}$	The enterprise's operating profitabiliry less depreciation and amortisation.
Equity ratio	$\frac{\text{Equity x 100}}{\text{Balance sheet total}}$	The enterprise's financial strength.

Income statement for 2015

	Notes	2015 DKK'000	2014 DKK'000
Revenue	1	939.339	932.805
Changes in inventories of finished goods and work in progress		-7.064	-4.580
Costs of raw materials and consumables		-616.153	-649.970
Other external expenses	4	-68.536	-74.299
Gross profit/loss		**247.586**	**203.956**
Staff costs	2	-165.087	-156.028
Depreciation, amortisation and impairment losses	3	-33.926	-28.314
Operating profit/loss		**48.573**	**19.614**
Other financial income	5	1.549	2.477
Other financial expenses		-10.503	-8.684
Profit/loss from ordinary activities before tax		**39.619**	**13.407**
Tax on profit/loss from ordinary activities	6	-9.784	-7.647
Profit/loss for the year		**29.835**	**5.760**

Proposed distribution of profit/loss			
Dividend for the financial year		40.000	0
Retained earnings		-10.165	5.760
		29.835	**5.760**

Balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Completed development projects		15.892	15.153
Acquired patents		5.746	7.095
Goodwill		28.448	32.641
Development projects in progress		4.082	3.735
Intangible assets	7	**54.168**	**58.624**
Land and buildings		75.822	76.601
Plant and machinery		71.589	77.372
Property, plant and equipment in progress		4.957	7.292
Property, plant and equipment	8	**152.368**	**161.265**
Fixed assets		**206.536**	**219.889**
Raw materials and consumables		37.783	33.862
Work in progress		7.830	11.876
Manufactured goods and goods for resale		37.611	40.629
Inventories		**83.224**	**86.367**
Trade receivables		47.784	79.072
Contract work in progress	9	25.988	10.845
Receivables from group enterprises		125.817	142.641
Other short-term receivables		7.222	3.887
Income tax receivable		3.581	1.296
Prepayments	10	2.965	6.661
Receivables		**213.357**	**244.402**
Cash		**863**	**1.744**
Current assets		**297.444**	**332.513**
Assets		**503.980**	**552.402**

Balance sheet at 31.12.2015

	Notes	2015 DKK'000	2014 DKK'000
Contributed capital	11	41.000	41.000
Retained earnings		76.525	86.866
Proposed dividend		40.000	0
Equity		**157.525**	**127.866**
Provisions for deferred tax	12	14.853	11.134
Other provisions	13	37.370	60.797
Provisions		**52.223**	**71.931**
Mortgage debts		52.628	58.172
Non-current liabilities other than provisions	14	**52.628**	**58.172**
Current portion of long-term liabilities other than provisions	14	5.505	5.354
Bank loans		63.104	78.573
Trade payables		63.626	90.113
Debt to group enterprises		65.902	77.911
Other payables		43.467	42.482
Current liabilities other than provisions		**241.604**	**294.433**
Liabilities other than provisions		**294.232**	**352.605**
Equity and liabilities		**503.980**	**552.402**

	Notes
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Statement of changes in equity for 2015

	Contri-buted capital DKK'000	Revalu-ation reserve DKK'000	Retai-ned ear-nings DKK'000	Propo-sed divi-dend DKK'000	Total DKK'000
Equity beginning of year	41.000	17.125	80.445	0	138.570
Increase (decrease) of equity through changes in ac-counting policies	0	-17.125	6.421	0	-10.704
Fair value adjustments of hedging instruments	0	0	-229	0	-229
Tax of equity postings	0	0	53	0	53
Profit/loss for the year	0	0	-10.165	40.000	29.835
Equity end of year	**41.000**	**0**	**76.525**	**40.000**	**157.525**

Cash flow statement 2015

	Notes	2015 DKK'000	2014 DKK'000
Operating profit/loss		39.619	13.407
Amortisation, depreciation and impairment losses		33.926	28.314
Other provisions		-23.602	-11.274
Working capital changes	15	-5.853	-22.070
Cash flow from ordinary operating activities		**44.090**	**8.377**
Income taxes refunded/(paid)		-8.350	3.942
Cash flows from operating activities		**35.740**	**12.319**
Acquisition etc of intangible assets		-6.088	-3.356
Acquisition etc of property, plant and equipment		-16.638	-34.304
Sale of property, plant and equipment		2.152	118
Cash flows from investing activities		**-20.574**	**-37.542**
Instalments on loans etc		-5.393	-8.286
Incurrence of debt to group enterprises		4.815	56.053
Cash flows from financing activities		**-578**	**47.767**
Increase/decrease in cash and cash equivalents		**14.588**	**22.544**
Cash and cash equivalents beginning of year		-76.829	-99.373
Cash and cash equivalents end of year		**-62.241**	**-76.829**
Cash and cash equivalents at year-end are composed of:			
Cash		863	1.744
Short-term debt to banks		-63.104	-78.573
Cash and cash equivalents end of year		**-62.241**	**-76.829**

Notes

1. Revenue

	2015 DKK'000	2014 DKK'000
Denmark	370.994	370.692
Rest of the world	568.345	562.113
	939.339	932.805

2. Staff costs

	2015 DKK'000	2014 DKK'000
Wages and salaries	149.646	141.023
Pension costs	11.986	11.854
Other social security costs	2.594	2.584
Other staff costs	861	567
	165.087	156.028
Average number of employees	329	352

	Remuneration of management 2015 DKK'000	Remuneration of management 2014 DKK'000
Executive Board	7.089	5.218
Board of Directors	150	150
	7.239	5.368

Remuneration of Executive Board includes LOGSTOR A/S's share of salaries to the Executive Board in the LOGSTOR Group which is paid by Logstor Denmark Holding A/S.

3. Depreciation, amortisation and impairment losses

	2015 DKK'000	2014 DKK'000
Amortisation of intangible assets	9.833	8.471
Impairment losses on intangible assets	711	0
Depreciation of property, plant and equipment	23.561	19.709
Profit/loss from sale of intangible assets and property, plant and equipment	-179	134
	33.926	28.314

Notes

4. Fees to the auditor appointed by the Annual General Meeting

	2015 DKK'000	2014 DKK'000
Statutory audit services	400	404
Other assurance engagements	8	22
Tax services	1.299	765
Other services	368	1.602
	2.075	2.793

5. Other financial income

	2015 DKK'000	2014 DKK'000
Financial income arising from group enterprises	1.523	1.293
Other financial income	26	1.184
	1.549	2.477

6. Tax on ordinary profit/loss for the year

	2015 DKK'000	2014 DKK'000
Current tax	6.203	-130
Change in deferred tax for the year	3.719	3.499
Adjustment relating to previous years	-138	4.801
Effect of changed tax rates	0	-523
	9.784	7.647

Notes

7. Intangible assets

	Completed development projects DKK'000	Acquired patents DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	36.944	21.821	66.858	3.735
Transfer to and from other items	0	0	0	-4.834
Additions	5.030	0	0	5.892
Cost end of year	**41.974**	**21.821**	**66.858**	**4.793**
Amortisation and impairment losses beginning of year	-21.791	-14.726	-34.217	0
Impairment losses for the year	0	0	0	-711
Amortisation for the year	-4.291	-1.349	-4.193	0
Amortisation and impairment losses end of year	**-26.082**	**-16.075**	**-38.410**	**-711**
Carrying amount end of year	**15.892**	**5.746**	**28.448**	**4.082**

8. Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	129.811	240.934	7.292
Transfer to and from other items	1.974	5.226	-7.200
Additions	2.587	9.186	4.865
Disposals	0	-16.293	0
Cost end of year	**134.372**	**239.053**	**4.957**
Revaluations beginning of year	21.955	0	0
Changes in accounting policies	-21.955	0	0
Revaluations end of year	**0**	**0**	**0**
Depreciation and impairment losses beginning of the year	-61.524	-163.562	0
Changes in accounting policies	8.314	0	0
Depreciation for the year	-5.340	-18.221	0
Reversal regarding disposals	0	14.319	0
Depreciation and impairment losses end of the year	**-58.550**	**-167.464**	**0**
Carrying amount end of year	**75.822**	**71.589**	**4.957**

Notes

	2015 DKK'000	2014 DKK'000
9. Contract work in progress		
Contract work in progress	252.286	88.723
Progress billings regarding contract work in progress	-226.298	-77.878
	25.988	**10.845**

10. Prepayments

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

11. 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 41,000k the last five years.

12. Deferred tax

Deferred tax is calculated on the difference between the accounting and tax values of intangible assets, property, plant and equipment, inventories, trade receivables, work in progress, provision for restructuring, mortgage debt and tax loss.

13. Other provisions

Other provisions are DKK 37,370 k per 31.12.2015 (2014: DKK 60,797k) and comprise anticipated costs of non-recourse guarantee commitments and restructing provisions.

The carrying amount of non-recourse guarantee is DKK 19,329k per 31.12.2015 and DKK 29,210k per 31.12.2014.

The carrying amount of restructing provisions is DKK 18,041k per 31.12.2015 and DKK 31,587k per 31.12.2014.

Notes

14. Long-term liabilities other than provisions

	Instalments within 12 months 2014 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2015 DKK'000	Outstanding after 5 years 2015 DKK'000
Mortgage debts	5.354	5.505	52.628	31.285
	5.354	**5.505**	**52.628**	**31.285**

15. Change in working capital

	2015 DKK'000	2014 DKK'000
Increase/decrease in inventories	3.143	8.334
Increase/decrease in receivables	16.506	-15.995
Increase/decrease in trade payables etc	-25.502	-14.409
	-5.853	**-22.070**

16. Unrecognised rental and lease commitments

	2015 DKK'000	2014 DKK'000
Commitments under rental agreements or leases until expiry	**23.752**	**16.294**

17. Contingent liabilities

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

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 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 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.

Notes

18. Assets charged and collateral

The mortgage debt is secured by way of a deposited mortgage deed of a nominal value of DKK 131,497k per 31.12.2015 (2014: 131,497k) over real property and plant, machinery, etc. The carrying amount of real property is DKK 75,822k per 31.12.2015 (2014: DKK 76,601k). The carrying amount of plant, machinery, etc. is DKK 76,546k per 31.12.2015 (2014: DKK 84,664k).

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 726,1m per 31.12.2015 (2014: DKK 726,1m). Of this amount debt in the other companies which have signed this guarantee amounts to DKK 517,603k per 31.12.2015 (2014: DKK 502,731k)

Gurantee provided to third party for subsidiarias's guarantees is DKK 38,263k per. 31.12.2015 (2014: DKK 46,411k)

Gurantee provided to sister company's financing sources. Mortgage deed of DKK 131,497k (2014: DKK 131,497k) nominal on properties also constitutes security.

19. Related parties with control

Related parties with controlling influence on LOGSTOR A/S:
The Board of Directors and Executive Board of the company.
Parent company LOGSTOR Holding A/S.

20. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:
LOGSTOR Holding A/S, Vesthimmerland.

21. Consolidation

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

LOGSTOR International Holding S.a.r.l., Luxembourg.