

LOGSTOR A/S

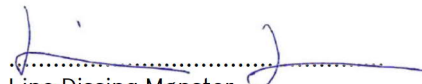
Danmarksvej 11, DK-9670 Løgstør

CVR no. 21 33 02 48

Annual report 2020

Approved at the Company's annual general meeting on 2 March 2021

Chair of the meeting:


Line Dissing Mønster





Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes to the financial statements	15

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 2 March 2021
Executive Board:



Christian Borgstrøm
Schrøder
CEO



Johnny Iversen
CEO

Board of Directors:



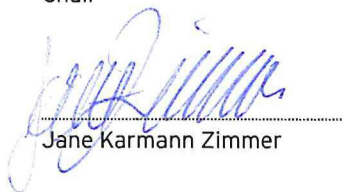
Henning Bejer Beck
Chair



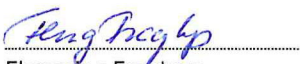
Line Dissing Mønster



Kristian Haldrup Overgaard



Jane Karmann Zimmer



Flemming Fragtrup

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 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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, 2 March 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Steen Skorstengaard
State Authorised Public Accountant
mne19709



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 Jane Karmann Zimmer Flemming Fragtrup
Executive Board	Christian Borgstrøm Schrøder, CEO Johnny Iversen, CEO
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	651,091	639,717	704,860	735,767	725,582
Gross profit	242,952	218,064	174,179	159,678	168,402
Operating profit/loss	99,455	58,681	16,941	-9,195	-7,947
Net financials	-6,030	-2,211	-5,132	-6,235	-10,153
Profit for the year	72,634	49,909	8,732	-12,185	-15,130
Balance sheet					
Fixed assets	124,480	143,512	157,026	176,718	190,880
Non-fixed assets	385,530	263,517	291,585	295,337	299,111
Total assets	510,010	407,029	448,611	472,055	489,991
Share capital	41,000	41,000	41,000	41,000	41,000
Equity	301,621	228,839	258,948	90,650	101,532
Provisions	19,085	21,208	32,091	36,398	36,185
Non-current liabilities other than provisions	46,724	46,703	46,682	41,986	47,288
Current liabilities other than provisions	142,580	110,277	110,890	303,021	304,986
Financial ratios					
EBITDA-margin	20.2%	16.0%	7.3%	3.5%	3.6%
Return on assets	21.7%	13.7%	3.7%	-1.9%	-1.6%
Current ratio	270.4%	239.0%	262.9%	97.5%	98.1%
Return on equity	27.4%	20.5%	5.0%	-12.7%	-11.7%
Other metrics					
Average number of employees	220	238	258	276	294

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 Oil and Gas sector, and various industrial verticals.

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 651.1 million against DKK 639.7 million prior year. Profit before net financials is DKK 99.5 million compared to profit of 71.1 million the year before. The profit for the year after tax amounted to DKK 72.6 million compared to DKK 50.0 million last year. The results of operation for 2020 are acceptable.

Non-financial matters

After a successful turnaround in 2018 with the "Back to Black" plan LOGSTOR launched the "Back for Good" plan in 2019. The "Back for Good" plan continued to focus on margin improvement initiatives and tight cost control, while also preparing the Company for growth into 2020. The transformations that the Company has been through has also created agile and responsive Company to cope with changes in Markets and external influences such as COVID-19.

Financial risks and use of financial instruments

The results, cash flows and equity are affected by the exchange rate development of several currencies because 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 India and Canada to ensure delivery on major projects. Logstor are established as a branch in Indonesia and Canada.

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 14001 (Environmental Management) and compliant with ISO 45001 (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 highest risk.

The CSR policy is supported by LOGSTOR's Code of Conduct, which contains the company's demands to suppliers within the CSR area, including human rights and anti-corruption. Through the Code of Conduct, LOGSTOR requires that suppliers comply with the CSR demands in their own Supply Chain. During 2020, no breach of Code of Conduct has been recorded. External audits of the suppliers, as well as their sub-suppliers, were carried out in accordance with an audit plan. Seven suppliers were audited during 2020. In 2020, Supply Management continued readdressing the Logstor guidelines:

Code of Conduct for Suppliers, Responsible Business Partner Policy, Anti-Trust Policy, Anti-Corruption Policy to make sure it has been acknowledged by the supplier base. 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 whistle-blower function in 2016, which is an externally administered hotline where the employees can report unethical behaviour anonymously. In 2020, no reports were received.

Management's review

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 follow up on compliance with these policies in practice.

During 2020, LOGSTOR held a number of e-learning courses, with mandatory attendance for all relevant employees. The courses included e-learning in anti-corruption and anti-bribery, anti-trust, GDPR and Cyber risk. Most courses include, in addition to a full-scope course, also annual updates/brush-ups, to ensure a continued high level of awareness.

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

Environment and climate

LOGSTOR produce pre-insulated pipes, which are energy-efficient solutions and therefore reduce the world's emission of greenhouse gases and as a company we work 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 concerning 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 and develop products, which are recyclable or produced from recycled materials.

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)
- ▶ Minimize 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 2020. 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. In 2020, we reported on LTIF at 4,1 vs 5,8 in 2019.

The HSEQ function has transformed into a true business partner in 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. Functional direction is provided by Group HSEQ with a dotted line reporting relationship.

The Group Safety Leadership Team (GSLT) meets on a quarterly basis 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 2020 was continued high focus on HSE by leading strong commitment on different levels of organisation. LOGSTOR has continued 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 employees' engagement, we continued with the monthly award for the best improvement suggestion reported by employees. We also continue with the Safety Topic of the Month initiative distributed to all facilities and services. We have implemented project "Knives and sharp tools elimination" with knowledge-sharing between plants and replacement of hazardous knives with safe tools. Additionally, we have introduced an interactive on boarding training methodology in Poland, where we have majority of activities. This way of training is based on practical testing and visualization of hazards.

Additionally, in 2020, we executed a detailed Safety Strategy Plan for 2019-2021, with high focus on incidents prevention. One of the points in our strategy was a safety system certification in Finland and Sweden, as extension of existing system in Poland. It was done based on ISO 45001. It is the intention to extend this certificate to Denmark in next years.

On the top of all HSE and HR initiatives, in 2020 we were extremely focused on COVID-19 preventive measures, to assure safe work conditions also in this aspect, and also ensure the continued operations. In this regard a number of actions have been implemented during the year, hereunder introduction of guidelines for working from home, usage of PPE, restrictions on travel and meeting activities, increase IT security awareness etc. As a consequence of the various measures put in place, operations have throughout the year been running with no material delays, just as there has been no material outbreaks on any of the sites (solely fewer isolated cases). To ensure a continued follow up, and optimization of all efforts in this regard, there has during the year been made two surveys among all employees with access to a computer. Responses to the surveys have been positive, and the general opinion was that the precautions implemented and the communication was satisfying. The surveys also shows that the vast majority of our employees working from home assess that information, tools and physical space are sufficient to be able to work efficient when working from home.

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.

Since 2015, we have obtained direct compliance confirmations from our suppliers and/or performed independent compliance reviews, if there is a specific suspicion of breach of our 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 have received training in our policies.

During 2020, 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 2021.

To further increase the awareness and acknowledgement of the Group's ethical standards, including but not limited to the "Anti-Corruption Policy", a Responsible Business Partner Policy has been implemented. This policy covers not only the supply chain, but also all advisers, distributors, agents, customers and clients. During 2020, the LOGSTOR Group has continued its initiatives in this regard.

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 of business people, possessing a combination of professional competencies and practical experience, deemed to match the needs of the LOGSTOR Group.

Management's review

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 2022, each gender shall represent at least 20% of all managers and board members.

The realized ratio by the end of 2020 was 17% female managers in management positions whereas no shareholder selected board members are female, out of the total of 3 shareholder elected board members in the LOGSTOR Group board. The current expectations are that the fulfilment of the LOGSTOR target of at least 20% of the under-represented gender in management positions will be reached by executing the initiatives listed above in point 1 and 2, and the evaluated main reason for the gap between the defined target to be achieved by the end of 2022 and the current realized ratio is a combination of no replacements made in 2020 and a lack of qualified candidates of the underrepresented gender at the time of recruitment. The company recognises the importance of a diverse workforce and wants to encourage diversity and create equal opportunities for all regardless of gender, age, ethnicity, political, and religious convictions.

The LOGSTOR Group supervisory board will consider new targets going forward, including specific plans for the achievement hereof.

Events after the balance sheet date

The COVID-19 outbreak is impacting the global economy and the market environment. The final impact of the coronavirus outbreak on the financial result for the Company is hard to predict. The Management has considered any subsequent impact from COVID-19 and has not identified any event to be considered in the accounts or disclosed in the notes.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Revenue	651,091	639,717
	Cost of sales	-394,533	-418,704
	Change in inventories of finished goods and work in progress	743	-6,615
2	Other operation income	60	12,426
	Other external expenses	-14,409	-8,760
	Gross profit	242,952	218,064
3	Staff costs	-111,623	-115,557
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-31,813	-31,400
	Profit before net financials	99,516	71,107
5	Financial income	155	2,142
6	Financial expenses	-6,185	-4,353
	Profit before tax	93,486	68,896
7	Tax for the year	-20,852	-18,987
	Profit for the year	72,634	49,909

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Completed development projects	9,701	13,521
	Acquired intangible assets	0	338
	Goodwill	10,603	13,097
	Development projects in progress and prepayments for intangible assets	2,523	2,545
		<u>22,827</u>	<u>29,501</u>
9	Property, plant and equipment		
	Land and buildings	56,197	61,710
	Plant and machinery	42,103	50,569
	Property, plant and equipment under construction	3,353	1,732
		<u>101,653</u>	<u>114,011</u>
	Total fixed assets	<u>124,480</u>	<u>143,512</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	29,435	36,463
	Work in progress	3,544	4,884
	Finished goods and goods for resale	40,749	38,666
		<u>73,728</u>	<u>80,013</u>
	Receivables		
	Trade receivables	15,471	36,796
10	Construction contracts	164	0
	Receivables from group enterprises	288,726	140,996
13	Deferred tax assets	12	21
	Other receivables	3,956	590
11	Prepayments	3,367	5,033
		<u>311,696</u>	<u>183,436</u>
	Cash	106	68
	Total non-fixed assets	<u>385,530</u>	<u>263,517</u>
	TOTAL ASSETS	<u>510,010</u>	<u>407,029</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	41,000	41,000
	Reserve for development costs	7,281	8,065
	Retained earnings	253,340	179,774
	Total equity	<u>301,621</u>	<u>228,839</u>
	Provisions		
13	Deferred tax	7,805	9,660
	Other provisions	11,280	11,548
15	Total provisions	<u>19,085</u>	<u>21,208</u>
	Liabilities other than provisions		
14	Non-current liabilities other than provisions		
	Bank debt	46,724	46,703
		<u>46,724</u>	<u>46,703</u>
	Current liabilities other than provisions		
	Bank debt	6,816	0
10	Prepayments on work in progress	184	7,780
	Trade payables	61,635	48,939
	Payables to group enterprises	9,454	6,830
	Joint taxation contribution payable	23,141	17,063
	Other payables	41,350	29,665
		<u>142,580</u>	<u>110,277</u>
	Total liabilities other than provisions	<u>189,304</u>	<u>156,980</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>510,010</u></u>	<u><u>407,027</u></u>

- 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
- 20 Appropriation of profit

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 2019	41,000	7,872	210,076	258,948
20	Transfer, see "Appropriation of profit"	0	193	49,732	49,925
	Adjustment of hedging instruments at fair value	0	0	-43	-43
	Tax on items recognised directly in equity	0	0	9	9
	Extraordinary dividend distributed	0	0	-80,000	-80,000
	Equity at				
	1 January 2020	41,000	8,065	179,774	228,839
20	Transfer, see "Appropriation of profit"	0	-784	73,418	72,634
	Adjustment of hedging instruments at fair value	0	0	200	200
	Tax on items recognised directly in equity	0	0	-52	-52
	Equity at				
	31 December 2020	41,000	7,281	253,340	301,621

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of LOGSTOR A/S for 2020 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.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company LOGSTOR International Holding S.à r.l.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

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

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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.

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other payables

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 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:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
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	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
2 Other operation income		
Courtcase regarding disputes won	0	4,864
Settlement of closing of business in China	0	7,559
Gain on the sale of property, plant and equipment	60	3
	<u>60</u>	<u>12,426</u>
3 Staff costs		
Wages/salaries	101,849	105,138
Pensions	7,836	8,224
Other social security costs	1,426	1,459
Other staff costs	512	736
	<u>111,623</u>	<u>115,557</u>
Average number of full-time employees	<u>220</u>	<u>238</u>
Remuneration to members of Management:		
Executive Board	2,829	2,827
Board of Directors	20	20
	<u>2,849</u>	<u>2,847</u>
4 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	8,297	8,732
Depreciation of property, plant and equipment	23,516	22,668
	<u>31,813</u>	<u>31,400</u>
5 Financial income		
Interest receivable, group entities	52	2,464
Other financial income	103	-322
	<u>155</u>	<u>2,142</u>
6 Financial expenses		
Interest expenses, group entities	185	1,138
Other financial expenses	6,000	3,215
	<u>6,185</u>	<u>4,353</u>
7 Tax for the year		
Estimated tax charge for the year	22,681	20,472
Deferred tax adjustments in the year	-1,846	-1,105
Tax adjustments, prior years	17	-380
	<u>20,852</u>	<u>18,987</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 2020	56,548	21,821	66,858	2,545	147,772
Additions	0	0	0	1,623	1,623
Transferred	937	0	0	-937	0
Cost at 31 December 2020	57,485	21,821	66,858	3,231	149,395
Impairment losses and amortisation at 1 January 2020	43,027	21,483	53,761	0	118,271
Impairment losses for the year	0	0	0	708	708
Amortisation for the year	4,757	338	2,494	0	7,589
Impairment losses and amortisation at 31 December 2020	47,784	21,821	56,255	708	126,568
Carrying amount at 31 December 2020	9,701	0	10,603	2,523	22,827

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Property, plant and equipment under construction	Total
Cost at 1 January 2020	145,111	255,641	1,732	402,484
Additions	1,335	6,557	3,326	11,218
Disposals	-19	-8,862	0	-8,881
Transferred	1	1,704	-1,705	0
Cost at 31 December 2020	146,428	255,040	3,353	404,821
Impairment losses and depreciation at 1 January 2020	83,401	205,072	0	288,473
Depreciation	6,847	16,669	0	23,516
Depreciation and impairment of disposals	-17	-8,804	0	-8,821
Impairment losses and depreciation at 31 December 2020	90,231	212,937	0	303,168
Carrying amount at 31 December 2020	56,197	42,103	3,353	101,653

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
10 Construction contracts		
Selling price of work performed	337	0
Progress billings	-357	-7,780
	<u>-20</u>	<u>-7,780</u>
recognised as follows:		
Construction contracts(assets)	164	0
Construction contracts(liabilities)	-184	-7,780
	<u>-20</u>	<u>-7,780</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.

DKK'000	2020	2019
13 Deferred tax		
Deferred tax at 1 January	9,639	10,044
Deferred tax adjustments, prior year	-840	705
Deferred tax adjustments for the year	-1,048	-1,105
Tax on equity	42	-5
Deferred tax at 31 December	<u>7,793</u>	<u>9,639</u>

Deferred tax relates to:

Intangible assets	5,022	6,470
Property, plant and equipment	2,029	2,539
Inventories	754	651
Provisions	0	-13
Liabilities	-12	-8
	<u>7,793</u>	<u>9,639</u>

Analysis of the deferred tax

Deferred tax assets	-12	-21
Deferred tax liabilities	7,805	9,660
	<u>7,793</u>	<u>9,639</u>

Financial statements 1 January - 31 December

Notes to the financial statements

14 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	46,724	0	46,724	0
	46,724	0	46,724	0

15 Provisions

Other provisions are DKK 11,280 thousand at 31 December 2020 (2019: DKK 11,528 thousand) and comprise anticipated costs of non-recourse guarantee commitments and provision for restructuring.

The carrying amount of non-recourse guarantees is DKK 11,280 thousand at 31 December 2020 and DKK 9,708 thousand at 31 December 2019.

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	2020	2019
Rent and lease liabilities	16,024	15,100

17 Collateral

The mortgage debt is secured by mortgage of a nominal value of DKK 46,811 thousand at 31 December 2020 (2019: 46,811) over real property. The carrying amount of real property is DKK 56,200 thousand at 31 December 2020 (2019: DKK 61,711 thousand).

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 358,500 thousand at 31 December 2020 (2019: DKK 358,500 thousand). Debt in other companies, which have signed this guarantee, amounts to DKK 0 thousand at 31 December 2020 (2019: DKK 0 thousand), and guarantees in the other companies, which have signed this guarantee, amounts to DKK 14,756 thousand at 31 December 2020 (2019: DKK 18,235).

Mortgage deed of DKK 31,500 thousand (2019: 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 10,277 thousand at 31 December 2020 (2019: DKK 11,730 thousand).

Financial statements 1 January - 31 December

Notes to the financial statements

18 Related parties

LOGSTOR A/S' related parties comprise the following:

Parties exercising control

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

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
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:

DKK'000	2020	2019
Sales of goods to group enterprises	184,585	247,682
Interest income from group enterprises	52	2,464
Interest expenses to group enterprises	185	1,138
Intercompany fee from group enterprises	43,965	45,126
Intercompany fee to group enterprises	2,942	4,056
Receivables at group enterprises	288,726	143,215
Payables to group enterprises	9,454	6,830

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:

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

DKK'000	2020	2019
19 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	315	309
Tax assistance	449	479
Other assistance	1,055	382
	<u>1,819</u>	<u>1,170</u>

20 Appropriation of profit

Recommended appropriation of profit		
Extraordinary dividend distributed in the year	0	80,000
Other reserves	-784	177
Retained earnings/accumulated loss	<u>73,418</u>	<u>-30,268</u>
	<u>72,634</u>	<u>49,909</u>