LOGSTOR A/S

Danmarksvej 11, DK-9670 Løgstør

CVR no. 21 33 02 48

Annual report 2019

Approved at the Company's annual general meeting on 03.03.2020

Chairman:

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Contents

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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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, 3 March 2020
Executive Board:

Christian Borgstrøm Schrøder
CEO

Johnny Iversen
CEO

Board of Directors:

Henning Bejer Beck
Chairman

Line Dissing Mønster

Kristian Haldrup Overgaard

Christian Svanhede

John Nielsen

Independent auditor's report

To the shareholders of LOGSTOR A/S

Opinion

We have audited the financial statements of LOGSTOR A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2019 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.
- 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.

Independent auditor's report

- 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, 3 March 2020
ERNST & YOUNG
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 Christian Svanhede John Nielsen
Executive Board	Christian Borgstrøm Schrøder, CEO Johnny Iversen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	639,717	704,860	735,767	725,582	939,338
Gross profit	218,064	174,179	159,678	168,402	252,637
Operating profit/loss	58,681	16,941	-9,195	-7,947	53,521
Net financials	-2,211	-5,132	-6,235	-10,153	-15,425
Profit for the year	**49,909**	**8,732**	**-12,185**	**-15,130**	**29,835**
Fixed assets	143,512	157,026	176,718	190,880	206,536
Non-fixed assets	263,517	291,585	295,337	299,111	294,678
Total assets	**407,029**	**448,611**	**472,055**	**489,991**	**501,214**
Investment in property, plant and equipment	-16,386	-12,278	-18,575	-12,176	-16,638
Share capital	41,000	41,000	41,000	41,000	41,000
Equity	**228,839**	**258,948**	**90,650**	**101,532**	**157,525**
Provisions	21,208	32,091	36,398	36,185	57,327
Non-current liabilities other than provisions	46,703	46,682	41,986	47,288	52,628
Current liabilities other than provisions	110,279	110,890	303,021	304,986	233,734
Financial ratios					
EBITDA-margin	16.0%	7.3%	3.5%	3.6%	9.3%
Return on assets	13.7%	3.7%	-1.9%	-1.6%	11.1%
Current ratio	239.0%	262.9%	97.5%	98.1%	126.1%
Return on equity	20.5%	5.0%	-12.7%	-11.7%	20.9%
Average number of employees	**238**	**258**	**276**	**294**	**329**

For ratios, reference is made to defitinions 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 the United Kingdom.

Financial review

Revenue for the year amounted to DKK 639.7 million against DKK 704.9 million prior year. Profit before net financials is DKK 71.1 million compared to profit of 17.1 million the year before. The profit for the year after tax amounted to DKK 49.9 million compared to DKK 8.7 million last year. The results of operation for 2019 are acceptable.

Cash flows

The Company's cash flows from operating activities amounted to DKK 101.2 million, cash flows from investing activities amounted to a negative DKK -17.9 million, and cash flows from financing activities amounted to a negative DKK -83.3 million.
The total net change in cash and cash equivalents as well as short-term bank debt is DKK 0 million.

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

Non-financial matters

After a successful turnaround in 2018 with the "Back to Black" plan LOGSTOR launched the "Back for Good" plan for 2019. The "Back for Good" plan continued to focus on margin improvement initiatives and tight cost control, while also preparing the Company for growth.

Special risks

The results, cash flows and equity are affected by the exchange rate development of movements in 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 Indonesia and Canada to ensure delivery on major projects and both Indonesia and Canada are established as branches

Statutory CSR report

LOGSTOR recognises the United Nations (UN) and the International Labour Organization's (ILO) declarations regarding human rights, labour rights, environment and anti-corruption. LOGSTOR has therefore chosen to structure the CSR work, including policies, in accordance with the UN Global Compact guidelines. LOGSTOR works systematically with CSR and operates 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 directed at 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 2019, 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. Five suppliers were audited during 2019. In 2019, Supply Management continued readdressing the Logstor guidelines:

Management's review

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 its 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 2019, we received and handled 1 report.

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 2019, 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

We 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 2019. This work is carried out with reference to the Health, Safety and Environment (HSE) Policy, which reaffirmed the organizations commitment to an Incident and Injury Free (IIF) workplace.

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

The Group Safety Leadership Team (GSLT) meets on a monthly 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.

Management's review

Key initiative in 2019 was continued high focus on HSE by leading strong commitment on different levels of organisation. LOGSTOR has started a Safety Campaign project, as well as many technical improvements on our operational areas, including various investment projects.

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 continued with the Safety Topic of the Month initiative distributed to all facilities and services. We have implemented project "Knifes and sharp tools elimination" with knowledge-sharing between plants and replacement of hazardous knifes with safe tools. Additionally, we have introduced an interactive onboarding 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 2019, 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 Poland. It was done based on ISO 45001. It is the intention to extend this certificate to other locations in next years.

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 2019, 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 2020.

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 was implemented during 2018. This policy covers not only the supply chain, but also all advisers, distributors, agents, customers and clients. During 2019, 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.

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

1. 1.Target an equal gender representation at management level as vacancies arise, subject to identification of candidates with appropriate skills, and in this connection ensure that engaged search and selection firms are requested to identify at least one candidate of each gender for such positions. All internal and external searches for vacant positions are to include at least one candidate of each gender on a short list, subject to identification of candidates with appropriate skills.

2. Ensure appropriate level of participants from both genders at LOGSTOR programs intended to develop talent.

3. Ensure that targets are set for a potential under-represented gender, to ensure a more equal gender representation in the management of the company. The target is that by the end of year 2020, each gender shall represent at least 20% of all managers and board members.

Management's review

The realized ratio by the end of 2019 was 16% female managers in management positions whereas no shareholder-elected board members are female. The main reason for the gap between the defined target to be achieved by the end of 2020 and the current realized ratio is a combination of no replacements made in 2019 and a lack of qualified candidates of the under-represented 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

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

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Revenue	639,717	704,860
	Cost of sales	-418,704	-500,156
	Change in inventories of finished goods and work in progress	-6,615	509
2	Other operation income	12,426	145
	Other external expenses	-8,760	-31,179
	Gross profit	218,064	174,179
3	Staff costs	-115,557	-122,726
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-31,400	-34,366
	Profit before net financials	71,107	17,087
5	Financial income	2,142	3,407
6	Financial expenses	-4,353	-8,539
	Profit before tax	68,896	11,955
7	Tax for the year	-18,987	-3,223
	Profit for the year	49,909	8,732

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
8	**Intangible assets**		
	Completed development projects	13,521	15,078
	Acquired intangible assets	338	1,690
	Goodwill	13,097	15,874
	Development projects in progress and prepayments for intangible assets	2,545	4,061
		29,501	36,703
9	**Property, plant and equipment**		
	Land and buildings	61,710	65,354
	Plant and machinery	50,569	43,549
	Property, plant and equipment under construction	1,732	11,420
		114,011	120,323
	Total fixed assets	143,512	157,026
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	36,463	31,183
	Work in progress	4,884	7,191
	Finished goods and goods for resale	38,666	42,974
		80,013	81,348
	Receivables		
	Trade receivables	36,796	30,791
10	Construction contracts	0	13,734
	Receivables from group enterprises	140,996	155,057
13	Deferred tax assets	21	180
	Corporation tax receivable	0	4,393
	Other receivables	590	1,344
11	Prepayments	5,033	4,688
		183,436	210,187
	Cash	68	50
	Total non-fixed assets	263,517	291,585
	TOTAL ASSETS	407,029	448,611

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	41,000	41,000
	Reserve for development costs	8,065	7,872
	Retained earnings	179,774	210,076
	Total equity	228,839	258,948
	Provisions		
13	Deferred tax	9,660	10,224
	Other provisions	11,548	21,867
15	**Total provisions**	21,208	32,091
	Liabilities other than provisions		
14	**Non-current liabilities other than provisions**		
	Bank debt	46,703	46,682
		46,703	46,682
	Current liabilities other than provisions		
10	Prepayments on work in progress	7,780	0
	Trade payables	48,941	57,697
	Payables to group enterprises	6,830	24,187
	Joint taxation contribution payable	17,063	0
	Other payables	29,665	29,006
		110,279	110,890
	Total liabilities other than provisions	156,982	157,572
	TOTAL EQUITY AND LIABILITIES	407,029	448,611

1 Accounting policies
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Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2018	41,000	6,676	42,974	90,650
20	Transfer, see "Appropriation of profit"	0	1,196	7,536	8,732
	Adjustment of hedging instruments at fair value	0	0	-557	-557
	Tax on items recognised directly in equity	0	0	123	123
	Contribution from group	0	0	160,000	160,000
	Equity at 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 31 December 2019	41,000	8,065	179,774	228,839

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2019	2018
	Profit for the year	49,909	8,732
21	Adjustments	42,276	38,236
	Cash generated from operations (operating activities)	92,185	46,968
22	Changes in working capital	9,134	-4,214
	Cash generated from operations (operating activities)	101,319	42,754
	Interest received, etc.	1,377	1,451
	Interest paid, etc.	-4,240	0
	Income taxes paid	2,720	4,537
	Cash flows from operating activities	101,176	48,742
	Additions of intangible assets	-1,530	-4,486
	Additions of property, plant and equipment	-16,386	-12,278
	Disposals of property, plant and equipment	33	145
	Cash flows to investing activities	-17,883	-16,619
	Dividends paid	-80,000	0
	Repayments, long-term liabilities	0	-654
	Repayments, borrowings from group enterprises	-3,275	-22,259
	Cash capital increase, debt conversion	0	160,000
	Cash flows from financing activities	-83,275	137,087
	Net cash flow	18	169,210
	Cash and cash equivalents at 1 January	50	-169,160
	Cash and cash equivalents at 31 December	68	50

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of LOGSTOR A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

Basis of recognition and measurement

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

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

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

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

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts atributable 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 exhcange 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 transalted using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

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

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

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

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

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.

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

Financial income and expenses

Financial Income comprises interest income, including interest income on receivalbes 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.

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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 companymanufactured 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 prices 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 of 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 restructing provisions.

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

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 activitites are presented using the indirect methiod 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	$\frac{\text{Earnings before interest, taxes and amortisations (EBITA) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2019	2018
2	**Other operation income**		
	Courtcase regarding disputes won	4,864	0
	Settlement of closing of business in China	7,559	0
	Gain on the sale of property, plant and equipment	3	145
		12,426	145
3	**Staff costs**		
	Wages/salaries	105,138	110,106
	Pensions	8,224	9,192
	Other social security costs	1,459	2,610
	Other staff costs	736	818
		115,557	122,726
	Average number of full-time employees	238	258
	Remuneration to members of Management:		
	Executive Board	2,827	2,841
	Board of Directors	20	20
		2,847	2,861
4	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	8,732	9,760
	Depreciation of property, plant and equipment	22,668	24,606
		31,400	34,366
5	**Financial income**		
	Interest receivable, group entities	2,464	3,348
	Other financial income	-322	59
		2,142	3,407
6	**Financial expenses**		
	Interest expenses, group entities	1,138	1,173
	Other financial expenses	3,215	7,366
		4,353	8,539
7	**Tax for the year**		
	Estimated tax charge for the year	20,472	2,266
	Deferred tax adjustments in the year	-1,105	944
	Tax adjustments, prior years	-380	13
		18,987	3,223

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 2019	53,502	21,821	66,858	4,061	146,242
Additions	0	0	0	1,530	1,530
Transferred	3,046	0	0	-3,046	0
Cost at 31 December 2019	56,548	21,821	66,858	2,545	147,772
Impairment losses and amortisation at 1 January 2019	38,424	20,131	50,984	0	109,539
Amortisation for the year	4,603	1,352	2,777	0	8,732
Impairment losses and amortisation at 31 December 2019	43,027	21,483	53,761	0	118,271
Carrying amount at 31 December 2019	13,521	338	13,097	2,545	29,501

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Property, plant and equipment under construction	Total
Cost at 1 January 2019	141,984	240,810	11,420	394,214
Additions	1,456	13,198	1,732	16,386
Disposals	0	-8,116	0	-8,116
Transferred	1,671	9,749	-11,420	0
Cost at 31 December 2019	145,111	255,641	1,732	402,484
Impairment losses and depreciation at 1 January 2019	76,630	197,261	0	273,891
Depreciation	6,771	15,897	0	22,668
Depreciation and impairment of disposals	0	-8,086	0	-8,086
Impairment losses and depreciation at 31 December 2019	83,401	205,072	0	288,473
Carrying amount at 31 December 2019	61,710	50,569	1,732	114,011

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
10 **Construction contracts**		
Selling price of work performed	0	13,967
Progress billings	-7,780	-233
	-7,780	13,734
recognised as follows:		
Construction contracts(assets)	0	13,734
Construction contracts(liabilities)	-7,780	0
	-7,780	13,734

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.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
13 Deferred tax		
Deferred tax at 1 January	10,044	10,476
Deferred tax adjustments, prior year	705	-1,253
Deferred tax adjustments for the year	-1,105	943
Tax on equity	-5	-122
Deferred tax at 31 December	9,639	10,044
Deferred tax relates to:		
Intangible assets	6,470	8,033
Property, plant and equipment	2,539	1,522
Inventories	651	669
Provisions	-13	-177
Liabilities	-8	-3
	9,639	10,044
Analysis of the deferred tax		
Deferred tax assets	-21	-180
Deferred tax liabililties	9,660	10,224
	9,639	10,044

14 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	46,703	0	46,703	23,346
	46,703	0	46,703	23,346

15 Provisions

Other provisions are DKK 11,548 thousand at 31 December 2019 (2018: DKK 20,064 thousand) and comprise anticipated costs of non-recourse guarantee commitments and provision for restructuring.

The carrying amount of non-recourse guarantees is DKK 9,708 thousand at 31 December 2019 and DKK 19,258 thousand at 31 December 2018.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	15,100	16,268

17 Collateral

The mortgage debt is secured by mortgage of a nominal value of DKK 46,811 thousand at 31 December 2019 (2018: 46,811) over real property. The carrying amount of real property is DKK 61,710 thousand at 31 December 2019 (2018: DKK 65,355 thousand).

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 358,500 thousand at 31 December 2019 (2018: DKK 358,500 thousand). Debt in other companies, which have signed this guarantee, amounts to DKK 0 thousand at 31 December 2019 (2018: DKK 80,866 thousand), and guarantees in the other companies, which have signed this guarantee, amounts to DKK 18,235 thousand at 31 December 2019 (2018: DKK 18,450).

Mortgage deed of DKK 31,500 thousand (2018: DKK 31,500 thousand) nominal over real property also constitutes security for fulfilment of any obligation incurred by the Group towards banks.

Guarantee provided to third party for subsidiaries' guarantees is DKK 11,730 thousand at 31 December 2019 (2018: DKK 11,625 thousand).

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	2019	2018
Sales of goods to group enterprises	247,682	244,080
Interest income from group enterprises	2,464	3,348
Interest expenses to group enterprises	1,138	1,173
Intercompany fee from group enterprises	45,126	37,073
Intercompany fee to group enterprises	4,056	5,347
Receivables at group enterprises	143,215	155,057
Payables to group enterprises	6,830	24,187

Financial statements 1 January - 31 December

Notes to the financial statements

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	2019	2018
19	**Fee to the auditors appointed by the Company in general meeting**		
	Statutory audit	309	332
	Tax assistance	479	211
	Other assistance	382	449
		1,170	992
20	**Appropriation of profit**		
	Recommended appropriation of profit		
	Extraordinary dividend distributed in the year	80,000	0
	Other reserves	177	1,196
	Retained earnings/accumulated loss	-30,268	7,536
		49,909	8,732
21	**Adjustments**		
	Amortisation/depreciation and impairment losses	31,400	34,367
	Gain/loss on the sale of non-current assets	-3	-145
	Provisions	-10,319	791
	Financial income/expenses	2,211	0
	Tax for the year	18,987	3,223
		42,276	38,236
22	**Changes in working capital**		
	Change in inventories	15,918	-2,065
	Change in receivables	1,335	4,081
	Change in trade and other payables	-8,097	-5,681
	Unrealised loss on hedge interest	-22	-549
		9,134	-4,214