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# LOGSTOR A/S
# Central Business Registration No 21330248

# Annual report 2014

The Annual General Meeting adopted the annual report on 20.03.2015

**Chairman of the General Meeting**

Name: Peter G. Andersen

# Contents

# Entity details

## Entity

LOGSTOR A/S
Danmarksvej 11
9670 Løgstør

Central Business Registration No: 21330248
Registered in: Vesthimmerland
Financial year: 01.01.2014 - 31.12.2014

## Board of Directors

Peter Grønbjerg Andersen, chairman
Henning Bejer Beck
Kristian Haldrup Overgaard
Eva Elisabeth Jensen, employee representative
Lars Erik Reichardt Petersen, employee representative

## Executive Board

Lars Aaen Jensen, CEO
Kristian Haldrup Overgaard

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Vestervangsvej 6
8800 Viborg

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LOGSTOR A/S for the financial year 01.01.2014 - 31.12.2014.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2014 and of the results of its operations and cash flows for the financial year 01.01.2014 - 31.12.2014.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Løgstør, 20.03.2015

## Executive Board

| | |
|---|---|
| Lars Aaen Jensen<br>CEO | Kristian Haldrup Overgaard |

## Board of Directors

| | | |
|---|---|---|
| Peter Grønbjerg Andersen<br>chairman | Henning Bejer Beck | Kristian Haldrup Overgaard |
| Eva Elisabeth Jensen<br>employee representative | Lars Erik Reichardt Petersen<br>employee representative | |

# Independent auditor's reports

## To the owners of LOGSTOR A/S

## Report on the financial statements

We have audited the financial statements of LOGSTOR A/S for the financial year 01.01.2014 - 31.12.2014, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of the Company’s financial position at 31.12.2014 and of the results of its operations and cash flows for the financial year 01.01.2014 - 31.12.2014 in accordance with the Danish Financial Statements Act.

## Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

# Independent auditor's reports

Viborg, 20.03.2015

**Deloitte**
Statsautoriseret Revisionspartnerselskab

| | |
|---|---|
| Henrik Vedel | Allan Søborg Olsen |
| State Authorised Public Accountant | State Authorised Public Accountant |

# Management commentary

| | 2014 DKK'000 | 2013 DKK'000 | 2012 DKK'000 | 2011 DKK'000 | 2010 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Revenue | 932.805 | 772.996 | 1.052.707 | 1.030.701 | 1.035.330 |
| Gross profit/loss | 203.955 | 165.593 | 188.659 | 252.471 | 277.621 |
| Operating profit/loss | 18.620 | (22.605) | (59.724) | 38.391 | 40.103 |
| Net financials | (6.207) | (9.057) | (1.304) | (7.196) | (20.980) |
| Profit/loss for the year | 4.766 | (23.909) | (47.141) | 22.435 | 13.662 |
| Total assets | 566.043 | 558.000 | 575.576 | 598.251 | 561.577 |
| Investments in property, plant and equipment | 34.304 | 21.916 | 22.105 | 14.749 | 11.011 |
| Equity | 138.507 | 133.634 | 157.582 | 207.097 | 181.303 |
| Interest bearing debt, net | 74.318 | 40.625 | 34.445 | 386 | 71.373 |
| | | | | | |
| **Ratios** | | | | | |
| Return on equity (%) | 3,5 | (16,4) | (25,9) | 11,6 | 7,8 |
| Profit margin | 2,0 | (2,9) | (5,7) | 3,7 | 3,9 |
| Return on assets | 3,3 | (4,1) | (10,2) | 6,6 | 7,2 |
| Equity ratio | 24,5 | 23,9 | 27,4 | 34,6 | 32,3 |

# Management commentary

## Primary activities

The Group's primary activity is to develop, manufacture and sell high-quality pre-insulated pipe systems for transportation of liquids and gases. The LOGSTOR Group is the world's leading supplier of pre-insulated pipe systems, not only for district heating, but also for the district cooling, the chemical industry, the oil and gas sector and the marine industry.

LOGSTOR is an international enterprise with sales and production companies in Denmark, Sweden, Finland, Poland, Romania, Russia and China as well as sales to more than 50 markets through resellers and own salis companies in Germany, the Netherlands, Switzerland, Austria, France, Lithuania and Italy.

## Development in activities and finances

## Financial performance

Revenue for the year amounted to DKK 932.8 million against DKK 773 million prior year.

Operating totalled DKK 18.6 million compared to a loss of 22.6 million the year before.

The profit for the year after tax amounted to DKK 4.8 million against a loss of DKK 23.9 million prior year, the first step in the turnaround of the company.

### Cash flows

The Company's cash flows from operating activities amounted to DKK 12.4 million, cash flows from investing activities amounted to DKK -37.5 million, and cash flows from financing activities amounted to DKK -47.8 million.

The total net change in cash and cash equivalents as well as short-term bank debt is DKK 22.6 million.

### Financial exposure

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

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

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

### Development

As market leader and technical trendsetter, LOGSTOR continuously are developing new solutions for energy efficient distribution networks. In 2014 we saw a significant sales increase of our new Flextra® pipe, which is the most flexible PUR insulated pipe in the market. The new plate joint and our diffusion

# Management commentary

thight joints is expected to take off in 2015. In the Oil & Gas segment our off shore solution singlepipe qualified for reeling and was delivered to 2 key project in the North Sea.

### Foreign branches

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

## Outlook

2015 has started well, and results develop as expected. Due to the macro-economic situation prevailing in our main markets in Europe it is not possible to give an accurate forecast of the financial performance for 2015. However, as a result of performance enhancements in 2014, profitability is expected to improve in 2015 compared to 2014.

## Environmental performance

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

https://www.logstor.com/EN/Service-and-support/HQSE/Pages/Enviromental-Management.aspx

## Corporate social responsibility

### Corporate social responsibility policies

LOGSTOR recognises the UN and ILO declarations regarding human rights, labour rights, environment and anti-corruption. LOGSTOR has therefore chosen to structure the CSR work, including the policies, in accordance with the UN Global Compact guidelines. LOGSTOR works systematically with CSR, and operate plants, which are certified in accordance with ISO 9001 (quality management), ISO 14.001 (environmental management) and OHSAS 18.001 (Occupational Health and Safety Standard). The management systems contribute to ensure that the efforts are concentrated in the areas with main potential for improvement.

The CSR policy is supported by LOGSTOR’s Code of Conduct, which contains the company’s demands to suppliers within the CSR area. Through the Code of Conduct LOGSTOR require suppliers to comply with the CSR demands in their own Supply Chain. External audits of the suppliers, as well as their sub suppliers, are carried out when there is a concrete suspicion of breach of the Code of Conduct. No audits has been carried out in 2014. LOGSTOR procurement department has prepared a set of guidelines: “Code of Conduct for suppliers”, which includes internal anti-corruption guidelines for e.g. gift exchange, negotiation principles and handling of conflicts of interest. The internal anti-corruption guidelines have been extended to include the sales organisation, which is especially relevant for new markets where LOGSTOR is currently expanding the business. To support the guidelines, LOGSTOR will set upa whistle-blower function in 2015, which is an externally run hotline where the employees anonymously can report unethical behaviour.

## Management commentary

Our corporate social responsibility policies currently comprise human rights, social and environmental issues, anti-bribery and gender representation. In 2015 LOGSTOR will implement an overall CSR policy to gather the code of conduct policies.

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

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

**Human rights**

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

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

**Social and working conditions**

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

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

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

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

# Management commentary

On group level, the accidents have been reduced by 42% from year 2013 to year 2014 and stretched targets for 2015 have been defined.

**Environment and climate**

We produce pre-insulated pipes, which are energy-efficient solutions and therefore reduce the world's emission of greenhouse gases and work as a company on being as energy-efficient as possible in what we do every day.

Inside our organisation, we wish to document and reduce emissions by optimising our own production and logistics as well as by demanding that our suppliers do their best to reduce the emission of greenhouse gases in cooperation with LOGSTOR. Outside our organisation, we want to contribute to efficiency improvements of the world's energy supply, and reduce the global energy loss by using pre-insulated pipes and thereby help reducing the world's emission of greenhouse gases.

It is a time-consuming and on-going process to implement sustainable and energy-efficient solutions in an organization. In the long term, we will set specific goals in relation to reducing further our CO2 emission in Denmark and to gradually incorporate our production facilities outside Denmark in the CO2 accounts. To meet our goals, we apply, for example, an index of ideas to reduce CO2.

<u>It is important for LOGSTOR to:</u>

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

Every year, we prepare CO2 accounts in which we present our resource- and energy consumption as well as our direct environmental impact. We map our consumption of electricity, district heating, fuels, and process emissions. Since 2004, LOGSTOR's total energy consumption has been decreasing and the production scrap was reduced by 14% from 2013 to 2014.

Our environmental impact is measured and reported annually, but currently only for the Danish activities, but we will investigate how our other entities can be included in this reporting going forward.

# Management commentary

### Anti-bribery

In 2014 a zero-tolerance policy regarding any kind of bribery has been adopted and is currently being implemented. All relevant staff with market orientated activities will be trained in our new policies.

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

A Training program is to be conducted in 2015, which will comprise basic knowledge and understanding of the Group's "Anti-Corruption Policy".

### Gender representation

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

A gender representation policy was implemented in 2014 and going forward, it is the intention to include at last one female candidate in the selection process for recruitment of managers and board members hence the gender representation policy covers both the executive board and board of directors. Currently the board of directors has 5 men of whom 2 members have been chosen by the employees. The remaining 3 members are composed by 3 men hence women account for 0%. The percentage is an evidence of, that it is difficult to recruit women to this type of business. However it is the target that by the end of 2017, 15% of the executive board and board of directors shall be female. In comparison, the realized ratio was 8% female managers, whereas no shareholder elected board members are female.

## Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied for these financial statements are consistent with those applied last year.

## Changes in accounting estimates

The accounting estimate concerning net realisable value of inventories have been changed due to the fact, that managements new principle for estimating the net realisable value have proven to be more accurate than the previous principle. The change in the accounting estimate has had an impact on P&L of DKK (6.300)k, which has also been the case for total assets and equity.

## 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.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

# Accounting policies

## Derivative financial instruments

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

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

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

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

## Income statement

**Revenue**

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

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

**Changes in inventories of finished goods and work in progress**

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

**Costs of raw materials and consumables**

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

# Accounting policies

**Other external expenses**

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

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

**Staff costs**

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

**Amortisation, depreciation and impairment losses**

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

**Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on financial statement items in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

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

**Income taxes**

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

The Entity is jointly taxed with LOGSTOR Denmark Holding ApS and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses). Tax for the year relates to income in the Danish company as well as in foreign permanent establishments.

# Accounting policies

## Balance sheet

**Goodwill**

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

Goodwill is amortised over 10-20 years.

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

**Intellectual property rights etc**

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

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

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

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

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

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

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

**Property, plant and equipment**

Land and buildings are measured at fair value. The valuation of this property is revalued on a current basis.

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

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

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

# Accounting policies

| | |
|---|---|
| Buildings | 25 years |
| Operating equipment | 5-10 years |
| Transport vehicles | 5 years |
| IT equipment | 3 years |

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

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

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

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

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

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

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

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

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

**Income tax payable or receivable**
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax related to income in the Danish company and in foreign permanent establishments.

# Accounting policies

**Cash**

Cash comprises cash in hand and bank deposits.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Other provisions**

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

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

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

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

**Mortgage debt**

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

**Other financial liabilities**

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

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

# Accounting policies

## Cash flow statement

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

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

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

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

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

## Financial highlights

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

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

# Income statement for 2014

| | Notes | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|
| Revenue | 1 | 932.805 | 772.996 |
| Changes in inventories of finished goods and work in progress | | 4.580 | 14.695 |
| Costs of raw materials and consumables | | (659.130) | (531.914) |
| Other external expenses | 4 | (74.300) | (90.184) |
| **Gross profit/loss** | | **203.955** | **165.593** |
| Staff costs | 2 | (156.027) | (161.620) |
| Depreciation, amortisation and impairment losses | 3 | (29.308) | (26.578) |
| **Operating profit/loss** | | **18.620** | **(22.605)** |
| Other financial income | 5 | 2.477 | 4.787 |
| Other financial expenses | | (8.684) | (13.844) |
| **Profit/loss from ordinary activities before tax** | | **12.413** | **(31.662)** |
| Tax on profit/loss from ordinary activities | 6 | (7.647) | 7.753 |
| **Profit/loss for the year** | | **4.766** | **(23.909)** |

| | | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|
| **Proposed distribution of profit/loss** | | | |
| Retained earnings | | 4.766 | (23.909) |
| | | **4.766** | **(23.909)** |

# Balance sheet at 31.12.2014

| | Notes | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|
| Completed development projects | | 15.153 | 7.045 |
| Acquired patents | | 7.096 | 8.454 |
| Goodwill | | 32.640 | 36.831 |
| Development projects in progress | | 3.735 | 11.409 |
| **Intangible assets** | 7 | **58.624** | **63.739** |
| Land and buildings | | 90.243 | 94.161 |
| Plant and machinery | | 77.371 | 54.117 |
| Property, plant and equipment in progress | | 7.292 | 13.275 |
| **Property, plant and equipment** | 8 | **174.906** | **161.553** |
| **Fixed assets** | | **233.530** | **225.292** |
| Raw materials and consumables | | 33.862 | 37.616 |
| Work in progress | | 11.876 | 15.138 |
| Manufactured goods and goods for resale | | 40.629 | 41.947 |
| **Inventories** | | **86.367** | **94.701** |
| Trade receivables | | 79.072 | 72.205 |
| Contract work in progress | 9 | 10.845 | 0 |
| Receivables from group enterprises | | 142.641 | 146.676 |
| Other short-term receivables | | 10.548 | 12.265 |
| Income tax receivable | | 1.296 | 6.777 |
| **Receivables** | | **244.402** | **237.923** |
| **Cash** | | **1.744** | **84** |
| **Current assets** | | **332.513** | **332.708** |
| **Assets** | | **566.043** | **558.000** |

# Balance sheet at 31.12.2014

| | Notes | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|
| Contributed capital | 10 | 41.000 | 41.000 |
| Revaluation reserve | | 17.125 | 16.532 |
| Retained earnings | | 80.382 | 76.102 |
| **Equity** | | **138.507** | **133.634** |
| Provisions for deferred tax | 11 | 14.134 | 8.028 |
| Other provisions | 12 | 60.797 | 72.172 |
| **Provisions** | | **74.931** | **80.200** |
| Mortgage debts | | 58.172 | 63.468 |
| **Non-current liabilities other than provisions** | 13 | **58.172** | **63.468** |
| Current portion of long-term liabilities other than provisions | 13 | 5.354 | 8.344 |
| Bank loans | | 78.573 | 99.457 |
| Prepayments received from customers | | 0 | 22.015 |
| Trade payables | | 90.113 | 72.360 |
| Debt to group enterprises | | 77.911 | 25.893 |
| Other payables | | 42.482 | 52.629 |
| **Current liabilities other than provisions** | | **294.433** | **280.698** |
| **Liabilities other than provisions** | | **352.605** | **344.166** |
| **Equity and liabilities** | | **566.043** | **558.000** |

| | |
|---|---|
| Unrecognised rental and lease commitments | 15 |
| Contingent liabilities | 16 |
| Assets charged and collateral | 17 |
| Related parties with control | 18 |
| Ownership | 19 |
| Consolidation | 20 |

# Statement of changes in equity for 2014

| | Contri-buted capi-tal DKK'000 | Revaluati-on reserve DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 41.000 | 16.532 | 76.102 | 133.634 |
| Fair value adjustments of hedging instruments | 0 | 0 | 139 | 139 |
| Tax of equity postings | 0 | 593 | (625) | (32) |
| Profit/loss for the year | 0 | 0 | 4.766 | 4.766 |
| **Equity end of year** | **41.000** | **17.125** | **80.382** | **138.507** |

# Cash flow statement 2014

| | Notes | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|
| Operating profit/loss | | 12.413 | (31.662) |
| Amortisation, depreciation and impairment losses | | 29.308 | 26.578 |
| Other provisions | | (5.168) | 9.614 |
| Working capital changes | 14 | (22.070) | 13 |
| **Cash flow from ordinary operating activities** | | **14.483** | **4.543** |
| Income taxes refunded/(paid) | | (2.164) | (1.036) |
| **Cash flows from operating activities** | | **12.319** | **3.507** |
| Acquisition etc of intangible assets | | (3.356) | (1.726) |
| Acquisition etc of property, plant and equipment | | (34.304) | (21.916) |
| Sale of property, plant and equipment | | 118 | 5.666 |
| **Cash flows from investing activities** | | **(37.542)** | **(17.976)** |
| Instalments on loans etc | | (8.286) | (5.739) |
| Incurrence of debt to group enterprises | | 56.053 | 17.480 |
| **Cash flows from financing activities** | | **47.767** | **11.741** |
| **Increase/decrease in cash and cash equivalents** | | **22.544** | **(2.728)** |
| Cash and cash equivalents beginning of year | | (99.373) | (96.645) |
| **Cash and cash equivalents end of year** | | **(76.829)** | **(99.373)** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 1.744 | 84 |
| Short-term debt to banks | | (78.573) | (99.457) |
| **Cash and cash equivalents end of year** | | **(76.829)** | **(99.373)** |

# Notes

## 1. Revenue

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Denmark | 820.359 | 699.820 |
| Rest of the world | 112.446 | 73.176 |
| | **932.805** | **772.996** |

## 2. Staff costs

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Wages and salaries | 141.022 | 146.494 |
| Pension costs | 11.854 | 11.348 |
| Other social security costs | 2.584 | 3.130 |
| Other staff costs | 567 | 648 |
| | **156.027** | **161.620** |
| Average number of employees | **352** | **342** |

| | Remuneration of management 2014 DKK'000 | Remuneration of management 2013 DKK'000 |
|---|---|---|
| Executive Board | 5.218 | 6.377 |
| Board of Directors | 150 | 150 |
| | **5.368** | **6.527** |

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

## 3. Depreciation, amortisation and impairment losses

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Amortisation of intangible assets | 8.471 | 7.731 |
| Depreciation of property, plant and equipment | 20.703 | 19.772 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 134 | (925) |
| | **29.308** | **26.578** |

# Notes

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

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Statutory audit services | 404 | 404 |
| Other assurance engagements | 22 | 23 |
| Tax services | 765 | 993 |
| Other services | 1.602 | 429 |
| | **2.793** | **1.849** |

## 5. Other financial income

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Financial income arising from group enterprises | 1.293 | 1.273 |
| Other financial income | 1.184 | 3.514 |
| | **2.477** | **4.787** |

## 6. Tax on ordinary profit/loss for the year

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Current tax | (130) | (988) |
| Change in deferred tax for the year | 3.499 | (5.401) |
| Adjustment relating to previous years | 4.801 | 163 |
| Effect of changed tax rates | (523) | (1.527) |
| | **7.647** | **(7.753)** |

## 7. Intangible assets

| | Completed development projects DKK'000 | Acquired patents DKK'000 | Goodwill DKK'000 | Development projects in progress DKK'000 |
|---|---|---|---|---|
| Cost beginning of year | 25.914 | 21.821 | 66.858 | 11.409 |
| Additions | 11.030 | 0 | 0 | 3.356 |
| Disposals | 0 | 0 | 0 | (11.030) |
| **Cost end of year** | **36.944** | **21.821** | **66.858** | **3.735** |
| Amortisation and impairment losses beginning of year | (18.869) | (13.367) | (30.027) | 0 |
| Amortisation for the year | (2.922) | (1.358) | (4.191) | 0 |
| **Amortisation and impairment losses end of year** | **(21.791)** | **(14.725)** | **(34.218)** | **0** |
| **Carrying amount end of year** | **15.153** | **7.096** | **32.640** | **3.735** |

# Notes

## 8. Property, plant and equipment

| | Land and buildings DKK'000 | Plant and machinery DKK'000 | Property, plant and equipment in progress DKK'000 |
|---|---|---|---|
| Cost beginning of year | 128.971 | 221.958 | 13.275 |
| Additions | 1.983 | 38.304 | 6.424 |
| Disposals | (1.143) | (19.329) | (12.407) |
| **Cost end of year** | **129.811** | **240.933** | **7.292** |
| Revaluations beginning of year | 21.955 | 0 | 0 |
| **Revaluations end of year** | **21.955** | **0** | **0** |
| Depreciation and impairment losses beginning of the year | (56.765) | (167.841) | 0 |
| Depreciation for the year | (5.901) | (14.802) | 0 |
| Reversal regarding disposals | 1.143 | 19.081 | 0 |
| **Depreciation and impairment losses end of the year** | **(61.523)** | **(163.562)** | **0** |
| **Carrying amount end of year** | **90.243** | **77.371** | **7.292** |

When measured at cost the carrying amount of land and buildings at 31 December 2014 amounts to DKK 76,601k.

## 9. Contract work in progress

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Contract work in progress | 88.723 | 0 |
| Progress billings regarding contract work in progress | (77.878) | 0 |
| | **10.845** | **0** |

## 10. Contributed capital

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

The share capital has been DKK 41,000k the last five years.

# Notes

## 11. Deferred tax

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

## 12. Other provisions

Other provisions are DKK 60,797k per 31.12.2014 and comprise anticipated costs of non-recourse guarantee commitments and restructing provisions.

The carrying amount of non-recourse guarantee is DKK 29,210k per 31.12.2014 and DKK 26,204k per 31.12.2013.

The carrying amount of restructing provisions is DKK 31,587k per 31.12.2014 and DKK 45,970k per 31.12.2013.

## 13. Long-term liabilities other than provisions

| | Instalments within 12 months 2013 DKK'000 | Instalments within 12 months 2014 DKK'000 | Instalments beyond 12 months 2014 DKK'000 | Outstanding after 5 years 2014 DKK'000 |
|---|---|---|---|---|
| Mortgage debts | 5.344 | 5.354 | 58.172 | 37.206 |
| Other payables | 3.000 | 0 | 0 | 0 |
| | **8.344** | **5.354** | **58.172** | **37.206** |

## 14. Change in working capital

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Increase/decrease in inventories | 8.334 | (15.878) |
| Increase/decrease in receivables | (15.995) | (2.593) |
| Increase/decrease in trade payables etc | (14.409) | 18.484 |
| | **(22.070)** | **13** |

## 15. Unrecognised rental and lease commitments

| | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|
| Commitments under rental agreements or leases until expiry | **16.294** | **9.018** |

# Notes

## 16. Contingent liabilities

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

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

The Company participates in a Danish joint taxation arrangement in which LOGSTOR Denmark Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

## 17. Assets charged and collateral

The mortgage debt is secured by way of a deposited mortgage deed of a nominal value of DKK 502.731k over real property and plant, machinery, etc. The carrying amount of real property is DKK 90,243k per 31.12.2014 and DKK 94,161k per 31.12.2013. The carrying amount of plant, machinery, etc. is DKK 84,663k per 31.12.2014 and DKK 60,403k per 31.12.2013.

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 726.1 million. Of this amount debt in the other companies which have signed this guarantee amounts to DKK 502,731k per 31.12.2014 and DKK 441,006k per 31.12.2013.

Gurantee provided to third party for subsidiarias's guarantees is DKK 46,411k per. 31.12.2014 and DKK 59,894k per 31.12.2013.

Gurantee provided to sister company´s financing sources. Mortgage deed of DKK 131,497k nominal on properties also constitutes security.

# Notes

## 18. Related parties with control

Related parties with controlling influence on LOGSTOR A/S:

The Board of Directors and Executive Board of the company.

Parent company LOGSTOR Holding A/S.

## 19. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

LOGSTOR Holding A/S, Vesthimmerland.

## 20. Consolidation

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

Langley LuxCo 2 S.a.r.l., Luxembourg.