

VT Shipping A/S

Havneholmen 29, 1561 Copenhagen
CVR No. 31894522

Annual report 2019

The Annual General Meeting adopted the
annual report on 23.03.2020



Penelope Annett Andersen
Chairman of the General Meeting

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Entity details

Entity

VT Shipping A/S
Havneholmen 29
1561 Copenhagen

CVR No.: 31894522
Registered office: Copenhagen
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Carlo Henze, Chairman
Penelope Annett Andersen
Jochen Martin Stoewahse

Executive Board

Leonida Arendsen

Bank

Nordea

Auditors

Ernst & Young Godkendt Revisionspartnerskab
Dirch Passers Allé 36
2000 Frederiksberg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of VT Shipping A/S for the financial year 1 January - 31 December 2019.

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 December 2019 and of the results of its operations 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 Entity's operations and financial matters and the results of the Entity's operations and financial position.

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

Copenhagen, 23 March 2020

Executive Board



Leonida Arendsen

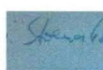
Board of Directors



Carlo Henze
Chairman



Penelope Annett Andersen



Digitally signed by
Jochen Stoewahse
Date: 2020.03.27
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Jochen Martin Stoewahse

Independent auditor's report

To the shareholders of VT Shipping A/S

Opinion

We have audited the financial statements of VT Shipping A/S for the financial year 1 January - 31 December 2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31 December 2019 and of the results of its operations 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 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 this auditor's 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 Entity in accordance with the International Ethics Standards Board of 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 these 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with

the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 23 March 2020

Ernst & Young, Godkendt Revisionspartnerselskab



Karsten Bøgel

State Authorised Public Accountant

Identification No (MNE) mne27849

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	(3,857)	22,968	4,347	5,116	11,302
Operating profit/loss	(17,755)	15,835	(1,630)	(48,938)	(4,836)
Net financials	(60)	(1,316)	216	(247)	(1,987)
Profit/loss for the year	(10,934)	16,449	(1,466)	(49,460)	(6,716)
Total assets	52,154	67,049	48,649	54,258	101,782
Investments in property, plant and equipment	0	10,946	16,189	8,624	10,408
Equity	50,562	61,496	45,047	46,513	95,973
Ratios					
Return on equity (%)	(19.5)	30.9	(3.2)	(69.4)	(6.8)
Equity ratio (%)	95.9	91.7	92.6	85.7	94.3
Return on assets (%)	(29.8)	27.4	(3.2)	(62.7)	(4.6)
Current ratio (%)	2,583.6	575.0	302.0	380.6	543.5
Return on capital employed (%)	(35.1)	28.5	(3.6)	(105.2)	(5.0)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Return on assets (%):

$\frac{\text{Profit/loss from operating activities}}{\text{Average assets} * 100}$

Average assets * 100

Current ratio (%):

$\frac{\text{Current assets} * 100}{\text{Current liabilities}}$

Current liabilities

Return on capital employed (%):

Earnings before interest and tax (EBIT)

Capital employed * 100

Primary activities

VT Shipping A/S handles the Vattenfall Group's shipping activities in Denmark.

Recognition and measurement uncertainties

The recognition and measurement of assets and liabilities are not subject to any significant uncertainties.

Development in activities and finances

The income statement for 2019 shows a loss of DKK 10,934 thousand against a gain of DKK 16,449 thousand last year, and the balance sheet at 31 December 2019 shows an equity of DKK 50,562 thousand.

The year 2019 was characterized by a continuation of the decrease in the sale of coal primarily to the Danish power plants thereby implying fewer sailings for VT Shipping. The demand was significantly lower in 2019 than expected due to break downs and changed consumption patterns at Danish power stations.

VT shipping sold another two sets of the barges and tugs in 2019 to adjust the business to market conditions the coming years.

Management is still expecting a decrease in the coal consumption in Denmark.

Knowledge resources

The Entity has no employees but purchase all services from the parent entity, Vattenfall Energy Trading A/S.

Special risks

No unusual risks occurred in the financial year that could significantly affect the Entity's financial position.

Impact on the external environment

VT Shipping A/S is a shipping entity and therefore has no inventories and undertakes no processing of coal or bio fuels that could affect the external environment.

The Entity is committed to ensuring that all carriage of coal and bio fuels has the least possible impact on the environment.

Events after the balance sheet date

After the financial year end, it has been decided to divest Vattenfall's coal harbor Ensted Bulk Terminal close to Aabenraa. This will in a horizon of 1-2 years have an effect on the Entity's financial position.

Covid-19 risk

Vattenfall follows the advices from the Governments of the countries located in. All personnel, who can, is working from home as requested at the moment. For all the employees that still need to work outside their home, all necessary measures and recommendations from the authorities are followed to secure the employees as much as possible. This also applies to externals who work at Vattenfall sites.

Business-wise, Covid-19 can have a negative impact on the general power consumption and thereby on the sale of coal. VT Shipping A/S does not foresee a big risk on its business in relation to Covid-19 since the company will primarily focus on shipments within Denmark emptying the stock at Ensted Bulk Terminal during 2020 in the light of the signed divestment of the harbor and on shipments in the Baltics with biomass.

Outlook

Management expects that the annual report for 2020 will show a small profit of 0-5 mio DKK, due to the continued low coal demand and the sale of Ensted Bulk Terminal A/S. Though, in 2020 there will still be a need for the barges to move out a large amount of coal from Ensted Bulk Terminal.

The market is still characterized by historical low coal consumption in Europe.

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Gross profit/loss		(3,857)	22,968
Depreciation, amortisation and impairment losses		(8,268)	(7,133)
Other operating expenses		(5,630)	0
Operating profit/loss		(17,755)	15,835
Other financial income	2	108	99
Other financial expenses	3	(168)	(1,415)
Profit/loss before tax		(17,815)	14,519
Tax on profit/loss for the year	4	6,881	1,930
Profit/loss for the year	5	(10,934)	16,449

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Other fixtures and fittings, tools and equipment		11,023	35,121
Property, plant and equipment	6	11,023	35,121
Fixed assets		11,023	35,121
Trade receivables		680	131
Receivables from group enterprises	7	28,219	24,228
Deferred tax	8	1,839	4,231
Other receivables		68	805
Income tax receivable		7,196	0
Prepayments	9	1,820	710
Receivables		39,822	30,105
Cash		1,309	1,823
Current assets		41,131	31,928
Assets		52,154	67,049

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	10	5,000	5,000
Retained earnings		45,562	56,496
Equity		50,562	61,496
Trade payables		665	2,010
Payables to group enterprises		851	768
Income tax payable		0	2,183
Other payables		76	592
Current liabilities other than provisions		1,592	5,553
Liabilities other than provisions		1,592	5,553
Equity and liabilities		52,154	67,049
Staff costs	1		
Contingent liabilities	11		
Related parties with controlling interest	12		
Transactions with related parties	13		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,000	56,496	61,496
Profit/loss for the year	0	(10,934)	(10,934)
Equity end of year	5,000	45,562	50,562

Notes

1 Staff costs

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

The Entity does not have employees. The operations of the Entity are handled by staff and management resources purchased from the group entity Vattenfall Energy Trading A/S.

2 Other financial income

	2019 DKK'000	2018 DKK'000
Other financial income	108	99
	108	99

3 Other financial expenses

	2019 DKK'000	2018 DKK'000
Financial expenses from group enterprises	3	5
Other financial expenses	165	1,410
	168	1,415

4 Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Current tax	(7,196)	2,183
Change in deferred tax	2,392	(4,231)
Adjustment concerning previous years	(2,077)	118
	(6,881)	(1,930)

5 Proposed distribution of profit and loss

	2019 DKK'000	2018 DKK'000
Retained earnings	(10,934)	16,449
	(10,934)	16,449

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	149,645
Disposals on divestments etc	(96,188)
Cost end of year	53,457
Depreciation and impairment losses beginning of year	(114,524)
Depreciation for the year	(8,268)
Depreciation and impairment losses on assets disposed of	80,358
Depreciation and impairment losses end of year	(42,434)
Carrying amount end of year	11,023

7 Receivables from group enterprises

Out of the Entity total receivables, net bank deposits in the cash pool scheme in the Vattenfall Group total DKK 20,038 thousand. (2018: DKK 19,846 thousand).

8 Deferred tax

	2019 DKK'000
Property, plant and equipment	1,839
Deferred tax	1,839
	2019 DKK'000
Changes during the year	
Beginning of year	4,231
Recognised in the income statement	(2,392)
End of year	1,839

9 Prepayments

Prepayments consists of deferred revenue regarding demurrage.

10 Share capital

	Nominal value DKK'000
Analysis of share capital: 5,000 shares of DKK 1,000.00 nominal value each	5,000
	5,000

The Entity's share capital has remained DKK 5,000 thousand over the past eight years.

11 Contingent liabilities

The Entity is jointly taxed with the Danish consolidated enterprises. As a group entity, the Entity is liable jointly and severally with other group entities for the Danish corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. The jointly taxed entities' total known net liability to the Danish tax authorities is presented in the management entity's financial statements, Vattenfall A/S. Any subsequent corrections of joint taxation of income and withholding tax, etc. could cause the Entity's liability to represent a greater amount.

VT Shipping A/S holds a Management Agreement with Erria A/S which has a notification period for termination of 2 months. This amounts to approx. 375 tDKK

12 Related parties with controlling interest

VT Shipping A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Vattenfall Energy Trading A/S	Havneholmen 29, 1561 København V	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent entity's consolidated financial statements</u>
Vattenfall AB	Stockholm, SE	www.vattenfall.com

13 Transactions with related parties

	Subsidiaries DKK'000
	<hr/>
Purchase and sales of goods and other current assets:	
Financial swaps (Vattenfall Energy Trading GmbH)	(130)
Purchase, sales and transaction of services:	
Shipping service (Vattenfall Energy Trad. GmbH Copen.)	(18)
Shipping service (Vattenfall Energy Trading Netherlands)	(10,897)
Harbour service (Ensted Bulk Terminal A/S)	500
Service fee - man power (Vattenfall Energy Trading A/S)	1,982
Total	(27,243)

All transactions have been carried out on an arm's length basis.

Accounting policies

Reporting class

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

VT Shipping A/S is exempt from the Danish Tonnage Taxation Scheme as of the 1st January 2019.

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

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, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the most recent financial statements is recognized in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Costs of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Revenue

Income from the supply of services is recognized as revenue with reference to the stage of completion. VAT and

discounts are excluded from the revenue. Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to administration, premises, bad debt and SLA fees to group entities, etc.

Depreciation, amortisation and impairment losses

The item includes depreciation and impairment of property, plant and equipment. Depreciation is provided using the straight-line method on the basis of the cost and below expected useful lives. Gains or losses on the sale of fixed assets are recognised in the income statement under other operating income and –expenses. The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment:

2-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are 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.

Other financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealized exchange gains and losses on foreign currency transactions and allowances under the advance-payment-of-tax scheme, etc.

Other operating income

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the company, such as gains/losses from disposals, interest income, dividend income, etc

Other operating expenses

Other operating expenses comprise of expenses viewed as secondary nature in relation to the entity's primary activities.

Tax on profit/loss for the year

The Entity is subject to the Danish rules on compulsory joint taxation. The Entity is subject to joint taxation at the time of formation.

The current income tax charge is allocated by settling the joint taxation contributions between the Danish jointly taxed entities in proportion to their taxable income. Danish entities with a tax loss receive joint taxation contributions from Danish entities that have been able to apply the loss to reduce their own taxable income.

The Entity has joined the Danish tax-on-account scheme. Tax allowances/surcharges are allocated between the jointly taxed Danish entities in accordance with the allocation of the Danish corporate income tax charge and are

recognized as financial income or financial expenses, respectively.

Balance sheet

Property, plant and equipment

Property, plant and equipment include other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Expenses relating to ordinary repairs and maintenance are recognised in the income statement as incurred.

Items of property, plant and equipment are tested for impairment whenever there is an indication that an asset might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount).

Impairment of non-current assets

Property, plant and equipment are reviewed for impairment annually. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognized on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata 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.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less impairment losses.

Deferred tax

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set off against deferred tax liabilities.

Any deferred tax assets relating to the tax base of tax loss carry forwards are recognised under other non current assets at the value at which they are expected to be set off against tax on future income.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash comprises cash balance and bank balance.

Equity

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Other financial liabilities

Financial liabilities comprising trade payables, amounts owed to group entities as well as other payables are recognised at the date of borrowing at cost. In subsequent periods, financial liabilities are measured at net realisable value.

Cash flow statement

In pursuance of section 86(4) of the Danish Financial Statements Act, a cash flow statement is not prepared. The Entity's cash flows are included in the consolidated cash flow statement of the parent entity, Vattenfall AB.