

Ensted Bulk Terminal A/S

Flensborgvej 185 C, 6200 Aabenraa

CVR no. 32 34 61 03

Annual report 2017

Approved at the Company's annual general meeting on 28 May 2018

Chairman:



Penelope A. Andersen

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ensted Bulk Terminal A/S for the financial year 1 January – 31 December 2017.


The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

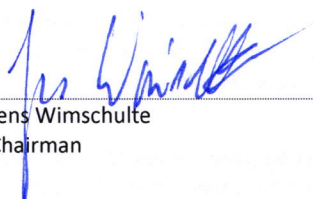
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 28 May 2018
Executive Board:

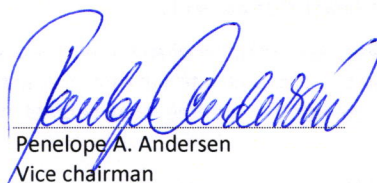


Søren Limkilde Hansen
CEO

Board of Directors:



Jens Wimschulte
Chairman



Penelope A. Andersen
Vice chairman



Steven Frank Verbeek

Laurent Pierre Roger Cheval

Independent auditor's report

To the shareholder of Ensted Bulk Terminal A/S

Opinion

We have audited the financial statements of Ensted Bulk Terminal A/S for the financial year 1 January – 31 December 2017, which comprise an income statement, balance sheet 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 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 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 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 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 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 our procedures, 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 Statements Act. We did not identify any material misstatements in the Management's review.

Copenhagen, 28 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Karsten Bøgel
State Authorised
Public Accountant
MNE no.: mne27849



Anders Flymer-Dindler
State Authorised
Public Accountant
MNE no.: mne35423

Management's review

Company details

Name	Ensted Bulk Terminal A/S
Address, zip code, city	Flensborgvej 185, DK_6200 Aabenraa
CVR no.	32 34 61 03
Established	18 December 2013
Financial year	1 January – 31 December
Board of Directors	Jens Wimschulte, Chairman Penelope A. Andersen Steven Frank Verbeek Laurent Pierre Roger Cheval
Executive Board	Søren Limkilde Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, 2000, Frederiksberg

Management commentary

Principal activities of the Company

The Company's activities comprise the activities of Ensted Bulk Terminal including storage of coal, biomass and other fuel and related activities.

Development in activities and financial matters

Profit after tax amounts to DKK 4.2 million compared to a profit of DKK 17.7 million in 2016. Total equity amounts to DKK 132.9 million at 31 December 2017 compared to DKK 128.7 million in 2016.

Result for the year is significantly influenced by a positive tax adjustment regarding previous years of DKK 3.7 million.

Management finds the operating result satisfactory and expects a positive result before tax for 2018.

Events after the balance sheet date

No events have occurred after the balance sheet date, which are considered to have a significant influence on the Company's financial position at 31 December 2017.

Financial statements for the period 1 January – 31 December

Income statement

Note	'000 DKK	2017	2016
	Gross profit	24,666	33,061
2	Staff costs	-5,974	-7,342
4,5	Depreciation, amortisation and impairment losses	-18,284	-18,120
	Operating profit	408	7,599
	Financial income	126	0
	Financial expenses	-11	-5
	Profit before tax	523	7,594
3	Tax on profit for the year	3,695	10,089
	Profit for the year	4,218	17,683
	Proposed profit appropriation		
	Retained earnings	4,218	17,683
		4,218	17,683

Financial statements for the period 1 January – 31 December

Balance sheet

Note	'000 DKK	2017	2016
	ASSETS		
	Non-current assets		
4	Intangible assets		
	Goodwill	3,128	4,171
		3,128	4,171
5	Property, plant and equipment		
	Plant and machinery	48,178	59,973
	Fixtures and fittings, tools and equipment	8,572	10,776
	Assets under construction	0	2,413
		56,750	73,162
	Total non-current assets	59,878	77,333
	Current assets		
6	Receivables		
	Trade receivables	1,696	974
	Receivables from group companies	76,725	54,329
	Receivable joint tax contribution	0	5,700
	Other Receivables	583	7,002
	Prepayments	0	500
		79,004	68,505
	Total current assets	79,004	68,505
	TOTAL ASSETS	138,882	145,838

Financial statements for the period 1 January – 31 December

Balance sheet

Note	'000 DKK	2017	2016
	EQUITY AND LIABILITIES		
7	Equity		
	Share capital	1,000	1,000
	Retained earnings	131,923	127,705
	Total equity	132,923	128,705
	Provisions		
8	Other provisions	1,000	1,000
	Total provisions	1,000	1,000
	Liabilities		
	Current liabilities other than provisions		
	Trade payables	2,142	2,649
	Amounts owed to group companies	0	8,634
	Other payables	2,817	4,850
		4,959	16,133
	Total liabilities	5,959	17,133
	TOTAL EQUITY AND LIABILITIES	138,882	145,838

- 1 Accounting policies
- 8 Contractual obligations and contingencies, etc.
- 9 Related parties

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

Ensted Bulk Terminal A/S' annual report for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies are consistent with those of last year.

None of the above changes have an impact on the income statement or the balance sheet for 2017 or the comparative figures.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue and other external costs are aggregated in "Gross Profit".

Revenue

Income from the sale of services is recognised in revenue when the service has been delivered and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external costs

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Tax on profit for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company is subject to the Danish rules on compulsory joint taxation with the Danish companies controlled by Vattenfall AB.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income (full distribution).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management Company.

Balance sheet

Intangible assets

Goodwill relates to the future cash flow of the Ensted Bulk Terminal. On initial recognition, goodwill is measured at cost.

Goodwill acquired is subsequently measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life estimated at 7 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Tangible assets

On initial recognition, items of property, plant and equipment are measured at cost.

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

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.

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Plant and machinery	7 years
Fixtures and fittings, tools and equipment	7 years

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are measured 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. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities comprising trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value which usually is equal to nominal amount.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

	'000 DKK	2017	2016
2 Staff costs			
Wages and salaries		5,197	6,480
Pensions		668	720
Other social security costs		109	142
		<u>5,974</u>	<u>7,342</u>
Average number of full-time employees		<u>10</u>	<u>12</u>
3 Tax on profit for the year			
Computed tax on the taxable income for the year		0	0
Adjustment of deferred tax for the year		0	0
Adjustment to tax relating to previous years		3,695	10,089
		<u>3,695</u>	<u>10,089</u>
4 Intangible assets			
'000 DKK			Goodwill
Cost at 1 January 2017			7,300
Additions			0
Cost at 31 December 2017			<u>7,300</u>
Amortisation at 1 January 2017			3,129
Amortisation			1,043
Impairment and amortisation at 31 December 2017			<u>4,172</u>
Carrying amount at 31 December 2017			<u>3,128</u>

Financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Property, plant and equipment

'000 DKK	Plant and machinery	Fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2017	103,445	16,156	2,413	122,014
Additions	3,134	108	0	3,242
Disposals	0	0	-2,413	-2,413
Cost at 31 December 2017	106,579	16,264	0	122,843
Depreciation at 1 January 2017	43,472	5,380	0	48,852
Depreciation	14,929	2,312	0	17,241
Depreciation at 31 December 2017	58,401	7,692	0	66,093
Carrying amount at 31 December 2017	48,178	8,572	0	56,750

6 Receivables owed by group companies

Receivables from group entities represent both trade receivables and cash pool receivables of DKK 68,106 thousand (2016: DKK 49,831 thousand).

7 Equity

'000 DKK	Share capital	Retained earnings	Proposed dividends	Total
Balance at 1 January 2017	1,000	127,705	0	128,705
Transferred; see profit appropriation	0	4,218	0	4,218
Balance at 31 December 2017	1,000	131,923	0	132,923

The share capital consists of 1000 shares of nominal DKK 1000 thousand. The Company was established in 2013. Changes in share capital for the past five years can be specified as below;

'000 DKK	2017	2016	2015	2014	2013
Balance at 1 January	1,000	1,000	1,000	500	0
Establishment of Company at 18 December 2013	0	0	0	0	500
Capital increase through contribution in kind	0	0	0	500	0
	1,000	1,000	1,000	1000	500

Financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Other provisions	
'000 DKK	Other provisions
Other provisions at 1 January 2017	1,000
Additions	0
Utilised during the year	0
Reversed	0
Other provisions at 31 December 2017	1,000

Other provisions relates to clean-up commitment. The provision is not expected to be utilised in the coming five years.

9 Contractual obligations and contingencies, etc.

The Company has no contractual obligations and contingencies, etc.

10 Related parties

Ensted Bulk Terminal A/S' related parties comprise the following:

Parties exercising control

Vattenfall Energy Trading A/S, Havneholmen 29, 1561 Copenhagen, which controls the Company.

Related party transactions

All transactions between entities in the Vattenfall group are regulated through service level agreements in order to secure that transactions are carried out on an arm's length principle.

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:

Vattenfall Energy Trading A/S
Havneholmen 29
1561 Copenhagen

The Company is included in the consolidated financial statements for Vattenfall AB. The consolidated financial statements can be obtained at the parent company's webpage:

<http://corporate.vattenfall.se/om-oss/finansiell-information/finansiella-rapporter/>