Inter Terminals Denmark A/S

Holtengårdsvej 25, 4230 Skælskør

CVR no. 33 75 79 05

Annual report 2019

Approved at the Company's annual general meeting on 2 June 2020

Chairman:

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Building a better
working world

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Management's review

Principle activities of the Company

The Company's core activity is to own shares in subsidiaries. The subsidiaries (Inter Terminals AOT ApS, Inter Terminals EOT ApS and Inter Terminals SGOT ApS) provide oil storage and trans-shipment services to a range of oil companies and oil trading companies using its storage terminals throughout Denmark.

Financial review

The income statement for 2019 shows a loss of EUR 55,698 thousand against a loss of EUR 16,352 thousand last year. The actual results of the Company for 2019 are not in line with Management's past year expectations due to oil market being in the state of backwardation during the first half of the year, which affected the results of Management's impairment analysis on investments in subsidiaries. Due to the International Maritime Organization regulation 2020 ("IMO") and other market factors the market strengthen during the 2nd half of 2019.

Operating review

The Company's largest expense during the year is interest expenses on the loan from Inter Pipeline Luxembourg S.à r.l.

As a result of Management's impairment analysis, in the current year Management recognised an impairment charge of EUR 11,456 thousand against the investment in Inter Terminals Denmark AOT ApS, an impairment charge of EUR 43,147 thousand against the investment in Inter Terminals Denmark SGOT ApS and a reversal of previously recorded impairment charges of EUR 10,224 thousand on the investment in Inter Terminals Denmark EOT ApS.

The subsidiaries (Inter Terminals AOT ApS, Inter Terminals EOT ApS and Inter Terminals SGOT ApS) are certified according to ISO 14001, OHSAS 18001 and are AEO - Authorised economic operator. All tanks are approved for Customs Warehousing.

Risk management

The Company's approach to risk management is detailed further in the notes to the accompanying financial statements.

Capital management

The Company raises capital through its principle activities, intergroup financing, as well as external financing, where required. At 31 December, 2019 loan from Inter Pipeline Luxembourg S.à r.l. amounted to EUR 166,700 thousand. Inter Terminals Denmark A/S' Management assesses on a regular basis that the Company's capital structure is consistent with its goals. The overall objective is to secure that the Company has a capital structure which supports economic growth, while maximising returns. The Company's overall strategy remains unchanged from last year.

Environmental matters

The subsidiaries have a responsibility to restore the site of the oil terminals to its original nature by way of decommissioning tanks e.g. provisions are made in the subsidiaries' financial statements in order to fulfil this responsibility.

Management's review (continued)

Outlook

The Company's strategy is to continue to provide its ultimate customers with safe, reliable, market responsive and innovative services and solutions. Management expects the Company to trade at a profit in a range of EUR 12,600 thousand – 15,000 thousand for the coming year due to a forecast of predominating contango market during the year. The Company also anticipates positive impact on the profitability from the International Maritime Organization ("IMO") regulation to reduce sulphur oxides emissions from ships coming into effect in 2020.

Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the Company has experienced improved activity levels in its oil terminal subsidiaries. Management considers COVID-19 to constitute a non-adjusting event and has not adjusted any figures in the financial statements 2019. No other events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Financial highlights

EUR'000	2019	2018	2017	2016	2015
Key figures					
Other operating income	0	3	5	2	2
Gross profit/loss	-131	-167	-135	-131	-129
Operating profit/loss	-44,510	-6,715	-28,725	-141	-139
Dividends from investments in subsidiaries	0	0	17,500	23,010	21,600
Net valuation adjustment to investments in subsidiaries	44,379	6,548	28,585	0	0
Net financials	-13,059	-12,333	-12,060	-12,178	-11,671
Profit/loss for the year	-55,698	-16,352	-21,136	13,099	12,389
Total equity	114,066	169,764	186,116	212,253	213,404
Balance sheet total	318,067	362,967	371,908	400,046	398,034
Investments in property, plant and equipment	0	0	0	0	0
Investments in subsidiaries	0	0	0	0	0
Ratios (%)					
EBIT margin	-	-223,833	-224,500	1,143,450	861,853
Return on assets	-18	-5	-6	3	3
Equity ratio	36	46	50	53	54
Return on equity	-49	-10	-11	6	6

Management's review (continued)

Company details

Name	Inter Terminals Denmark A/S
Address	Holtengårdsvej 25 DK-4230 Skælskør
CVR no.	33 75 79 05
Financial year	1 January – 31 December
Website Telephone	www.interterminals.com +45 2466 4353
Board of Directors	Martyn Joseph Augustine Lyons, Chairman Hans Peder Krogh Mortensen Carsten Uffe Kirk
Executive Board	Carsten Uffe Kirk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

Financial statements 1 January – 31 December

Statement of comprehensive income

Note	EUR'000	2019	2018
	Other operating income	-	3
4	General and administrative costs	-131	-170
	Gross profit/loss	-131	-167
2, 8	Net valuation adjustment to investments in subsidiaries	-44,379	-6,548
	Operating profit/loss	-44,510	-6,715
	Dividends from investments in subsidiaries	0	0
5	Financial income	39	63
6	Financial expenses	-13,098	-12,396
	Profit/loss before tax	-57,570	-19,048
7	Tax for the year	1,872	2,696
	Profit/loss for the year	-55,698	-16,352
	Other comprehensive income/loss	-	-
	Total comprehensive income/loss	-55,698	-16,352

No dividend was declared by the Company at the date of the report.

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Balance sheet

Note	EUR'000	2019	2018
	ASSETS		
	Non-current assets		
8	Investments in subsidiaries	309,181	353,560
9	Deferred tax	8,875	8,563
	Total non-current assets	318,055	362,123
	Current assets		
15	Receivables from group entities	-	820
	Cash	12	24
	Total current assets	12	844
	TOTAL ASSETS	318,067	362,967

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	67	67
	Share premium	184,100	184,100
	Retained earnings	-70,101	-14,403
	Total equity	114,066	169,764
	Non-current liabilities		
15	Payables to parent	166,700	166,700
	Total non-current liabilities	166,700	166,700
	Current liabilities		
15	Payables to group entities	36,378	25,557
15	Payables to parent	920	920
	Other payables	3	26
10	**Total current liabilities**	37,301	26,503
	Total liabilities	204,001	193,203
	TOTAL EQUITY AND LIABILITIES	318,067	362,967

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Statement of changes in equity

Note	EUR'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2018	67	184,100	1,949	186,116
	Loss for the year	0	0	-16,352	-16,352
13	Dividend distributed	0	0	0	0
	Equity at 31 December 2018	67	184,100	-14,403	169,764
	Loss for the year			-55,698	-55,698
	Other comprehensive income for the year		0	0	0
13	Dividend distributed	0	0	0	0
	Equity at 31 December 2019	67	184,100	-70,101	114,066

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Cash flow statement

Note	EUR'000	2019	2018
	Profit/loss before tax	-57,570	-19,045
	Cash flow changes:		
8	Net valuation adjustment to investments in subsidiaries	44,379	6,548
5	Financial Income	-39	-63
6	Financial expenses	13,098	12,396
	Cash generated from operations before changes in working capital	-132	-164
	Changes in working capital		
	Changes in other current liabilities	1,538	5,740
		1,406	5,576
5	Interest received	39	63
6	Interest paid	-13,098	-12,396
	Cash flows from operating activities	-11,653	-6,757
	Changes in receivables/payables from/to group entities	11,641	6,771
13	Dividend distributed	0	0
	Cash flows from financing activities	11,641	6,771
	Net cash flows	-12	14
	Cash and cash equivalents, beginning of year	24	10
	Cash and cash equivalents, year-end	12	24

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1 **Accounting policies**

Corporate information

The financial statements of Inter Terminals Denmark A/S for the year ended 31 December 2019 were authorised for issue in accordance with the resolution of the Board of Directors on 2 June 2020. Inter Terminals Denmark A/S (further: "the Company") is a public limited company incorporated and domiciled in Denmark. The registered office is located at Holtengårdsvej 25, Skælskør.

The Company's ultimate parent is Inter Pipeline Limited based in Calgary, Alberta. Information on other related-party relationships of the Company is provided in note 15.

Applying materiality

When preparing the annual report, management seeks to improve the value of the information in the report by focusing on information that will help the understanding of the Company's performance in the reporting period and the financial position at year-end. The focus is on presenting information that is considered of material importance for our stakeholders, rather than generic descriptions.

Disclosures that are required by IFRS are included in the annual report, unless the information is considered of immaterial importance to users of the annual report. Materiality is not applied for items where disclosures are required for control purposes.

Basis for preparation

The annual report of Inter Terminals Denmark A/S for 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The annual report is presented in EUR (thousands), which is the Company's functional currency.

The annual report has been prepared according to the historical cost principle.

The accounting policies that follow have been consistently applied to all years presented except as described in the section *New and amended standards and basis for conclusion*.

Consolidated financial statements

No consolidated financial statements have been prepared, in accordance with IFRS 10 Consolidated Financial Statements, as the Company's ultimate parent prepares consolidated financial statements under IFRS, which may be obtained from: http://www.interpipeline.com.

New and amended standards and basis for conclusion

Standards effective in 2019

The Company has adopted the following new and revised standards, along with the consequential amendments, effective 1 January 2019. These changes were made in accordance with the applicable transitional provisions.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Company's financial statements.

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1 Accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company has applied the interpretation from its effective date. The application did not result in a material impact on the financial position or financial performance of the Company.

Foreign currency translation

A functional currency has been determined for the Company. The functional currency is the currency of the primary economic environment in which the Company operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the profit for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated into the functional currency 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 latest annual report is recognised in the profit for the year as financial income or expenses.

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1 **Accounting policies (continued)**

Statement of comprehensive income

Other operating income

Income from services rendered to group entities is recognised as revenue as the performance obligation occurs.

General and administrative costs

General and administrative costs include legal, consulting and other operating expenses.

Amortisation/depreciation

The item includes amortisation/depreciation and impairment of property, plant and equipment. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the below assessments of the useful life and residual value of the assets.

IT equipment	4 years

Financial income and expenses

Financial income and expenses comprise interest income and expense, capital gains and losses relating to receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Interest is recognised under the accrual basis of accounting.

Income from investments

Dividends from investments in subsidiaries are recognised in the statement of comprehensive income at the date of declaration. Net valuation adjustment to investment in subsidiaries are recognised when they occur.

Income tax expense

Income tax expense, which consists of current tax, joint taxation contribution for the year and changes in deferred tax, is recognised in the profit for the year in so far as it relates to the profit for the year, and directly in other comprehensive income in so far as it relates to entries directly in other comprehensive income.

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1 Accounting policies (continued)

Statement of financial position

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;
- Or, cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or, there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Impairment testing is carried out as described in connection with impairment of non-current assets if there is any indication of impairment. It constitutes an indicator of impairment if dividends exceed profit in subsidiaries. Cost is written down to the recoverable amount whenever the cost exceeds the recoverable amount. If the impairment need is no more present the impairment write down is reversed.

Financial assets

Cash and cash equivalents, receivables from subsidiaries and other receivables are classified as financial assets and recognised as current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Financial assets are carried at amortised cost and are assessed by the Company at each reporting date to determine expected credit losses on a forward-looking basis.

For receivables from subsidiaries and other receivables, the Company applies the simplified approach and recognises lifetime expected credit losses upon initial recognition of the receivables. Historical customer default rates, age of balances outstanding, and forward-looking information are used to determine the expected credit losses. When an expected credit loss is required to be recognised, the carrying amount of the asset is reduced by the assessed amount with a corresponding entry to profit for the year.

Cash in the statement of financial position comprises cash at banks and in hand.

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1 Accounting policies (continued)

Income 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 taxes paid on account.

Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities. However, temporary differences are not provided for in respect of goodwill not deductible for tax purposes, office properties and other items – apart from business combinations – where temporary differences have arisen at the acquisition date without having any effect on either profit/loss or taxable income.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by a set-off against deferred tax liabilities.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets and current tax liabilities or intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the profit for the year.

The Company has established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as interpretations of tax regulations, etc. The actual obligation may deviate and be dependent on the outcome of litigations and settlements with the relevant tax authorities. At 31 December 2019 and 2018, the Company has not recognised any provisions for uncertain tax positions.

Equity

Dividend proposed for the year is disclosed in the notes to the financial statements and is therefore not recognised as a liability at 31 December. The Share Premium reserve is not distributable.

Financial liabilities

Financial liabilities comprise payables to subsidiaries and are recognised on borrowing at the proceeds received net of transaction costs. On subsequent recognition, financial liabilities are measured at amortised cost using the effective interest-rate method so that the difference between the proceeds and the nominal value is recognised in the profit for the year under financial expenses over the term of the loan.

Other payables are measured at net realisable value.

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1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows how cash and cash equivalents at the Company have changed over the reporting period. In accordance with IAS 7, cash flows divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise cash on hand and demand deposits with banks and other financial institutions.

Cash flows from operating activities are determined using the indirect method as profit (loss) before depreciation, amortisation and impairment losses adjusted for changes in provisions, change in net working capital, interest received and interest paid, and income tax paid. Trade payables relating to purchases of intangible assets and property, plant and equipment are not recognised in change in net working capital.

Cash flows from investing activities comprise payments in connection with the purchase and sale of property, plant and equipment and other non-current assets, as well as payments in connection with the divestment of enterprises and activities.

Cash flows from financing activities comprise changes in the size or composition of the share capital, expenses associated with such changes and dividend payments to owners. Cash flows from financing activities also include the raising of loans and instalments on loans.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

Events after the reporting date

If the Company receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognizes in the Company's financial statements. The Company will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable

Financial highlights

EBIT margin	$\frac{\text{Operating profit/loss + Income from investments in subsidiaries x 100}}{\text{Other income}}$
Return on assets	$\frac{\text{Profit for the year x 100}}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity x 100}}{\text{Total asset}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Total equity}}$

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Notes

2 Significant accounting estimates and judgments

In connection with the preparation of the financial statements, Management makes a number of judgments and estimates, which form the basis of the recognition and measurement of income, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments related to the application of accounting policies

In the process of applying the Company's accounting policies, Management exercises judgments which may have a significant effect on the amounts recognised in the financial statements.

Impairment testing of investments

The Company tests investments for impairment annually as at 30 September or more frequently if there is an indication that they may be impaired. This also applies to other assets if there are indications that the may be impaired.

Impairment indicators include, but are not limited to, a significant decline in an asset's market value, significant adverse changes in the technologic, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant change in the planned use of an asset, or ongoing underperformance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

The impairment testing of investments in subsidiaries is performed on an aggregated group of cash-generating units constituting the entity as a whole.

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is 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.

Estimating the value in use requires the Company to make estimates of the expected future cash flows. Those cash flows do not include significant future investments that will enhance the asset's performance of the CGU being tested. Estimation of the value in use of the overall business and other intangible assets also requires the use of a suitable discount rate in order to calculate the present value of those cash flows and the growth rate used for extrapolation purposes.

For the purpose of the companies' impairment testing of investments in subsidiaries, fair value is estimated using a discounted cash flow methodology. This method estimates value in use using a discounted ten-year forecasted cash flow with a terminal value, based on the Management's assessment of the long-term outlook of each business. Cash flows are estimated from several sources including internal budgets and long-term contractual agreements with customers. Observable market data are used to develop discount rate, which approximates the discount rate from a market participant's perspective.

The principles explained under 'Investment in subsidiaries', note 8, are applied.

The calculation of value in use is most sensitive to assumptions about revenue and discount rate and the key assumptions used in the 2019 calculating the recoverable value are as follows:

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Revenues

Revenues are based on Management's best estimates, taking into consideration existing contracts, timing of contract renewals, as well as relevant market factors. The market in which Inter Terminals operates was impacted by backwardation during the first half of 2019. Due to IMO 2020 and other market factors the market strengthen during 2nd half of 2019.

An average annual revenue inflation rate of 1.5% and an average utilisation rate of 100% in 2020 and 84% thereafter for Inter Terminals Denmark AOT ApS, 100% in 2020 and 100% thereafter for Inter Terminals Denmark EOT ApS, 80% in 2020 and 82% thereafter for Inter Terminals Denmark SGOT ApS have been incorporated into the 10-year cash flow forecasts of each of the cash-generating units. The assessment is that projection period is consistent with that which would be used by a market participant in evaluating these CGUs. The average utilisation rate for the cash-generating units incorporates both periods of contango and backwardation based on historical trends.

Following the COVID-19 virus outbreak, the market turned into a contango state which positively impacted the activity levels in its oil terminal subsidiaries. Company's Management therefore has concluded that there is no additional impact in regards to the impairment testing results.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow forecasts. The discount rate or weighted average cost of capital (WACC) is based on the specific circumstances of each CGU.

The WACC calculation takes into account appropriate debt and equity weightings. The cost of equity is derived from the expected risk-free rate of return plus an appropriate equity risk premium and the after-tax cost of debt is based on expected borrowing rates for each CGU. Company-specific risks are also considered and are evaluated annually based on publicly available market data.

Goodwill has been assessed applying an after-tax discount rates of 6.43% to after-tax cash flows of the cash-generating unit.

The principles explained under 'Investment in subsidiaries', note 8, are applied.

As a result of declines in the revenue forecasts, which decreased cash flow projections, Management has recognised an impairment charge of EUR 11,456 thousand in the current year against the investment in Inter Terminals Denmark AOT ApS with a carrying amount of EUR 90,156 thousand and an impairment charge of EUR 43,147 thousand in the current year against the investment in Inter Terminals Denmark SGOT ApS with a carrying amount of EUR 181,044 thousand. Furthermore, based on the analysis performed, a reversal of previously recorded impairment charges of EUR 10,224 thousand was recognised on the investment in the Inter Terminals Denmark EOT ApS in 2019 with a carrying amount of EUR 82,360 thousand, due to increase in expected future cash flow.

The net impairment charges are recorded within impairment of investments in subsidiaries in the statement of comprehensive income.

The impairment recognised in 2019 on investments in subsidiaries is a result of observed changes in actual results for each of the terminal entities, resulting in Management's re-evaluation of revenue estimates in the forecast.

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Deferred tax recognition and valuation

Deferred tax assets are recognised for unused EBITDA rule restricted financial expenses carried forward to the extent that it is probable that taxable profit will be available against which the EBIT rule restricted expenses carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company have analysed the utilisation of deferred tax asset in the joint taxation with its subsidiaries. The EBITDA rule restricted financial expenses can be carried forward indefinitely (roll over principle).

The analysis shows the projected utilisation of the EBITDA balance based on budgets for 2019-2028. The analysis shows that EBITDA restricted financial expenses cannot be utilised with the existing finance structure.

The Group is considering tax planning opportunities it would take in order to create taxable income under the joint taxation, which will accelerate the utilization of EBITDA restricted financial expenses carried forward. With a changed financial structure, the analysis shows that the EBITDA restricted financial expenses will be utilised in 2024.

On this basis, the Company has determined to recognise deferred tax assets on the EBI/EBITDA rule restricted financial expenses carried forward.

3 Staff costs

The Company had neither employees in the financial year nor in the comparative period.

The aggregate remuneration paid to members of the Executive Board and the Board of Directors, including amounts paid by other group entities, was EUR 25 thousand, excluding pension costs (2018: EUR 23 thousand). Defined contribution totalled EUR 4 thousand (2018: EUR 4 thousand).

4 Audit fees

EUR'000	2019	2018
Ernst & Young		
Fee for statutory audit	4	4
Other assurance engagements	5	5
Tax consultancy	3	54
	12	63

5 Financial income

Financial income originates from receivables, advances and other financial assets, measured at amortised cost, and may be analysed as follows:

EUR'000	2019	2018
Interest income from group entities	39	63
	39	63

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6 Financial expenses

Financial expenses originate from financial liabilities measured at amortised cost and may be analysed as follows:

EUR'000	2019	2018
Interest expense to group entities	13,098	12,396
	13,098	12,396

7 Income taxes

EUR'000	2019	2018
Income tax expense recognised in the statement of comprehensive income:		
Current income tax benefit	0	0
Compensation for use of tax losses	-1,558	-1,025
Compensation for prior year tax losses	0	0
Change in deferred tax	-314	-911
Adjustment to prior years	0	-760
	-1,872	-2,696

In 2017, the Danish Tax Administration initiated a tax audit of the corporate income tax returns for the periods 2012, 2013 and 2014. As a result of the tax audit, an adjustment to prior year income taxes of EUR -760 thousand has been recognised in 2018.

A reconciliation between the tax expense and the product of the profit for the year, multiplied by Denmark's domestic tax rate for the period ended 31 December 2019 is as follows:

EUR'000	2019	2018
Profit/loss before tax for the period	-57,570	-19,048
Calculated tax based on the Danish income tax rate of 22 % (2018: 22%)	-12,666	-4,191
Permanent differences related to investments in subsidiaries	10,794	2,262
Adjustments in respect of current income tax rate of previous years	0	-767
Income tax expense at the effective income tax rate of 22% (2018: 22%)	-1,872	-2,696

Financial statements 1 January – 31 December

Notes

8 Investments in subsidiaries

EUR'000	Inter Terminals SGOT ApS	Inter Terminals EOT ApS	Inter Terminals AOT ApS	Total Group entities
Cost				
Balance at 1/1 2019	190,913	92,583	105,197	388,693
Additions of entities	-	-	-	-
Cost at 31/12 2019	190,913	92,583	105,197	388,693
Write-downs				
Balance at 1/1 2019	9,868	10,224	15,041	35,133
Write-downs/write-down reversals in the year	43,147	-10,224	11,456	44,379
Net write-downs at 31/12 2019	53,015	0	26,497	79,512
Carrying amount at 31/12 2019	137,898	92,583	78,700	309,181

Analysis of the companies' results of operations and equity, according to the most recent financial statements:

EUR'000	Domicile	Currency	Nominal capital	Ownership (%)	Equity	Profit/loss
Subsidiaries						
Inter Terminals Denmark SGOT ApS	Denmark	EUR	17	100	140,484	-19,863
Inter Terminals Denmark EOT ApS	Denmark	EUR	17	100	77,935	2,547
Inter Terminals Denmark AOT ApS	Denmark	EUR	11	100	74,098	-12,040

The Company assesses the value of the investments in subsidiary for impairment on a value in use basis by discounting projected future cash flows generated by the subsidiary's assets at a weighted average cost of capital that reflects the relative risk of the asset.

The recoverable value for each CGU is based on cash flow projections for each CGU that incorporate best estimates of revenue, operating and maintenance expenditures, administrative expenses and capital expenditures over 10 years. The assessment is that projection period is consistent with that which would be used by a market participant in evaluating these CGUs. The cash flow projections are then aggregated with a terminal value, representing the value of cash flows beyond the tenth year incorporating an annual growth rate of 1.5%.

The key assumptions used in the 2019 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

As a result of declines in the revenue forecasts, which decreased cash flow projections, Management has recognised an impairment charge of EUR 11,456 thousand in the current year against the investment in Inter Terminals Denmark AOT ApS with a new carrying amount of EUR 78,700 thousand and an impairment charge of EUR 43,147 thousand in the current year against the investment in Inter Terminals Denmark SGOT ApS with a new carrying amount of EUR 137,897 thousand. Furthermore, based on the analysis performed, a reversal of previously recorded impairment charges of EUR 10,224 thousand was recognised on the investment in Inter Terminals Denmark EOT ApS in 2019 with a new carrying amount of EUR 92,583 thousand.

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8 Investments in subsidiaries (continued)

The impairment charges are recorded within impairment of investments in subsidiaries in the statement of comprehensive income.

The impairment recognised in 2019 on investments in subsidiaries is a result of observed changes in actual results for each of the terminal entities, resulting in Management's re-evaluation of revenue estimates in the forecast.

9 Deferred tax

Deferred tax relates to the following:

	Statement of financial position		Statement of comprehensive income	
EUR'000	**2019**	**2018**	**2019**	**2018**
Property, plant and equipment	-3	-3	0	0
Tax losses carried forward	0	0	0	0
EBIT-limitation carried forward	-8,872	-8,560	-312	-1,670
Adjustment to prior years	0	0	0	760
Deferred tax (expense/income)			-312	-910
Deferred tax, net	-8.875	-8,563		

Reflected in the statement of financial position as follows:

EUR'000	**2019**	**2018**
Deferred tax assets	-8,875	-8,563
Deferred tax liabilities	0	0
Deferred tax, net	-8,875	-8,563
Reconciliation of deferred tax, net:		
At 1 January	-8,563	-6,892
Tax income recognised in the statement of comprehensive income	-314	-911
Adjustment to prior years	3	-760
At 31 December	-8,875	-8,563

Deferred tax assets are recognised for unused EBITDA rule restricted financial expenses carried forward to the extent that it is probable that taxable profit will be available against which the EBIT rule restricted expenses carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company have analysed the utilisation of deferred tax asset in the joint taxation with its subsidiaries. The EBITDA rule restricted financial expenses can be carried forward indefinitely (roll over principle).

The analysis shows the projected utilisation of the EBITDA balance based on budgets for 2019-2028. The analysis shows that EBITDA restricted financial expenses cannot be utilised with the existing finance structure.

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9 Deferred tax (continued)

The Group is considering tax planning opportunities it would take in order to create taxable income under the joint taxation, which will accelerate the utilization of EBITDA restricted financial expenses carried forward. With a changed financial structure, the analysis shows that the EBITDA restricted financial expenses will be utilised in 2024.

Consequently, all deferred tax assets and liabilities have been recognised at 31 December 2019.

Companies of Inter Terminals Denmark Group offset tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

10 Financial assets and liabilities

		Carrying amount	
Note	**EUR'000**	**2019**	**2018**
	Financial assets measured at amortised cost		
15	Receivables from group entities	-	820
	Total financial assets measured at amortised cost	-	820
	Financial liabilities measured at amortised cost		
15	Payables to parent	167,620	167,620
15	Payables to group entities	36,378	25,556
	Other payables	3	27
	Total financial liabilities measured at amortised cost	204,001	193,203

The carrying amount reflects the fair value of financial assets and liabilities. Refer to the maturity analysis above for a comparison of the fair value and amortised cost of the loan.

10.1 Changes in liabilities arising from financing activities

In 2017, the Company adopted the amendments to IAS 7 that were issued as a part of the IASB's Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values
- Other changes.

The Company has not had any of the above changes in liabilities arising from financing activities, apart from changes from financing cash flows as presented within the cash flow statement.

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11 Financial risks

At the balance sheet date, the Company identified credit risks, liquidity risks and foreign currency risks as factors of relevance to the business.

Credit risk

Credit exposure on financial instruments arises from counterparties' inability or unwillingness to fulfil their obligations to the Company. The Company's credit risk exposure relates primarily to financial counterparties holding cash. Company's exposure to credit risk arises from default of a customer or counterparty's obligations, with a maximum exposure equal to the carrying amount of these instruments. Credit risk is managed through credit approval and regular monitoring procedures.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At 31 December 2019, The Company assessed that there is no risk of non-performance on its receivables from group entities.

With respect to credit risk on cash and deposits, the Company believes the risks of non-performance of counterparties are minimal as cash and deposits are predominantly held with major financial institutions.

Liquidity risk

Liquidity risk is the risk that suitable sources are not available to fund business operations, commercial strategies or meet financial obligations. The Company manages its liquidity risks through regular monitoring of funding and cash generation and utilisation.

The Company intend to finance the operations by intercompany financing.

The table below summarises the contractual maturity profile of the Company's financial liabilities at 31 December on an undiscounted basis:

EUR'000	Falling due within 1 year	Falling due between 1 and 5 years	Falling due after more than 5 years	Total	Carrying amount
2019					
Payables to parent	10,836	166,967	-	177,803	167,620
Payables to group entities	36,378	-	-	36,378	36,378
Other payables	3	-	-	3	3
	47,216	166,967	-	214,184	204,001
2018					
Payables to parent	11,756	177,803	-	189,559	167,620
Payables to group entities	25,556	-	-	25,556	25,556
Other payables	27	-	-	27	27
	37,339	177,803	-	215,142	193,203

The maturity profile above includes interest payable on the EUR 166,700 thousand loan up until its maturity on 10 January 2021.

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11 Financial risks (continued)

Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in market interest rates. The Company manages its interest rate risks through regular monitoring of its funding facilities. The long-term loan held with Inter Pipeline Luxembourg S.á.r.l. has a fixed interest rate. At 31 December 2019, the Company considers the exposure to interest rate risk minimal, as no debt obligations with floating interest rates were withdrawn by the Company.

Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company manages its foreign currency risks through regular monitoring of its foreign currency exposures. The Company's functional and presentation currency is Euro. Both the long-term loan and investments are denominated in Euro. Therefore, foreign currency risk exposure is accordingly accessed as minor.

Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

12 Share capital

Ordinary shares issued and fully paid-in:

	No. of shares	EUR'000
At 1 January 2019	500,001	67
Capital increase	-	-
At 31 December 2019	500,001	67

No special rights are attached to the shares.

Analysis of changes in the share capital:

	2019	2018
At 1 January	67	67
Capital increase	-	-
At 31 December	67	67

13 Dividend

No dividends were paid to the parent company during the year ending 31 December 2019. No further dividend for 2019 is proposed at the annual general meeting.

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14 Contingent liabilities, security for loans and other financial obligations

As administration company in the joint taxation agreement, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2019 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

The Company has no future lease obligations (operating leases) falling due within 5 years.

15 Related-party transactions

Information about related parties with a controlling interest:

Related party	Domicile	Basis for control
Inter Pipeline Ltd.	3200, 215 – 2nd Street SW Calgary, Alberta, T2P 1W4, Canada	Ultimate parent
Inter Terminals Denmark Partnership I/S	Holtengårdsvej 25 4230 Skælskør, Denmark	Parent company

On 10 January 2013, the parent, Inter Terminals Denmark Partnership I/S, subscribed for DKK 1.00 equity at a rate of EUR 1,420,600 thousand per share of DKK 1.00 in the Company. On the same date, the Company received a EUR 203,100 thousand loan from the majority shareholder, Inter Pipeline Ltd. A portion of this principal amount was repaid during 2013, with EUR 166,700 thousand outstanding at 31 December 2019. The loan bears a fixed interest rate of 6.5% and has a maturity date at 10 January 2021.

The investment in subsidiaries has been accounted for at historical cost.

In 2019 year, a net impairment charge of EUR 44,379 thousand was recognised against investments in subsidiaries. In the prior year, a net impairment charge of EUR 6,548 thousand was recognised against investments in subsidiaries.

Remuneration and salaries to the Board of Directors and the Executive Board are reflected in note 3.

The Company is included in the Group Annual Report of the ultimate parent company, Inter Pipeline Ltd.

The Group Annual Report of Inter Pipeline Ltd. (ultimate parent) may be obtained at the following address: 3200, 215 – 2nd Street SW, Calgary, Alberta, T2P 1M4, Canada, and at the Group's web-site http://www.interpipeline.com.

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15 Related-party transactions (continued)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

EUR'000	Inter Pipeline Ltd	Inter Terminals Denmark Group
2019		
Amounts payable to related parties	-167,620	-36,378
Amounts receivable from related parties	-	-
Interest expenses on loans from related parties	-10,836	-2,262
Interest income on loans to related parties	-	39
Dividends to parent company	-	-
Dividends from subsidiaries	-	-
Management charge expenses	-	-97
Purchase of goods and other services from related parties	-	-
Services to related parties	-	-
2018		
Amounts payable to related parties	-167,620	-25,557
Amounts receivable from related parties	-	820
Interest expenses on loans from related parties	-10,836	-1,560
Interest income on loans to related parties	-	93
Dividends to parent company	-	-
Dividends from subsidiaries	-	-
Management charge expenses	-	-97
Purchase of goods and other services from related parties	-	-
Services to related parties	-	2

16 Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the Company has experienced improved activity levels in its oil terminal subsidiaries. No other events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Statement by the Board of Directors and the Executive Board on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Inter Terminals Denmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in 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 2019, results of its operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of its operations and financial position.

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

Copenhagen, 2 June 2020
Executive Board:

Carsten Uffe Kirk
Managing Director

Board of Directors:

Martyn Joseph Augustine Lyons Chairman	Hans Peder Krogh Mortensen	Carsten Uffe Kirk

Independent auditor's report

To the shareholders of Inter Terminals Denmark A/S

Opinion

We have audited the financial statements of Inter Terminals Denmark A/S for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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.

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 assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we concluded 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 of the Management's review.

Independent auditor's report (continued)

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 International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 in-adequate, 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.

Independent auditor's report (continued)

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.

Copenhagen, 2 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen State Authorised Public Accountant mne33234	Kaare K. Lendorf State Authorised Public Accountant mne33819