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Koole Terminals Subholding II B.V.

Annual Report 31 December 2020

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Report of the Board of Management

General

The Board of Management herewith submits its Annual Report and Consolidated Financial Statements of Koole Terminals Subholding II B.V. ("the Company") for the year ended on 31 December 2020.

The Company was incorporated on 5 November 2015 with the sole purpose to act as a holding company. The Company is the sole (100%) owner of the Dutch company Koole Terminals Subholding II B.V. and its subsidiaries ("Koole" and together the Group).

The Group is a leading independent storage platform in Northwest Europe and continues to expand its product portfolio as a result of significant investments into new storage capacity, infrastructure, and various add-on acquisitions.

The Group operates around 4,0 million m3 with approximately 90% of storage capacity being located in Rotterdam, the key trade flow hub in Europe. Koole's service offering comprises best-in-class storage services and a wide range of value-added handling, processing and transshipment services tailored to needs of customers and supported by its own shipping fleet. Koole handles a diversified product portfolio of mineral oils, vegetable oils, chemicals, oleo-chemicals, biofuels and other liquid bulk.

Purpose

The purpose of the Company is to act as a holding company. As at 31 December 2020 the Company invests in Koole Terminals Subholding III B.V.

Operations

The main activities within the Group are storage, transshipment and shipping of mineral oil products, edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe. In addition the Group also performs distillation activities at the KTB terminal.

Going concern

The Company has prepared its consolidated financial statements for the financial year 2020 on the basis of the going concern assumption, based upon the business plan of the Company and the intended strategy of management and shareholders.

The Board of management of the Company confirms that the Company has sufficient liquidity to continue its operational activities for at least a period of twelve months after the date of these financial statements.

Current Year Activities

Operations

Koole is a leading independent storage terminal operator for edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe and operates a mineral oil products terminal as well as a minerals & (hazardous) chemicals terminal in Rotterdam, the Netherlands.

For the storage of edible oils and fats, biofuels, oleo chemicals and certain base oils, Koole's assets include a deep-sea terminal in Rotterdam, which is the natural port of entry for vegetable oil imports into Europe and has a capacity of 676,000 m3 (the "Pernis Terminal"). Besides the terminal in the port of Rotterdam, Koole operates regional hub terminals in Amsterdam, Zaandam, Nijmegen and Dodewaard, and foreign terminals located in Liverpool (UK), Avonmouth (UK) and Gdynia (Poland) which have a combined capacity of 330,000 m3. In addition, Koole provides its integrated logistics and transshipment services via 14 owned ships (3 coasters, 11 inland barges) as well as trucks and complements its service offering with the provision of control and measurement services. Koole's customers are primarily crushers, refiners, processing companies and traders.

The mineral oil products terminal in Rotterdam is a key link in the 24-hour logistics chain of the port of Rotterdam (the "Minerals Terminal" or "KTM"). With an operational capacity of over 1,400,000 m3 the terminal facilities provide a buffer for refineries. The terminal operates dedicated facilities for its customers in order to optimize its performance in its customers' supply chain. The terminal is situated alongside the deep water harbor and operates 24 hours a day, 7 days a week.

Another key terminal in the Koole Group is the Koole Tankstorage Botlek ("KTB") terminal. This terminal provides for 1.6 million m3 gross capacity with an integrated Petrochemical Industrial Distillation (PID) facility used by customers to split products. Part of the capacity is currently not in service, but is being brought back into usage again in the coming months and years. The terminal primarily stores, handles and processes mineral and (hazardous) chemical products.

In February 2019 the Group acquired 100% of the shares of Riho Holding B.V. and its operating subsidiaries ("Riho"). Riho is a provider of liquid bulk storage, handling and transport of non-hazardous food and feed (oil) products. The majority of the capacity (60,500 m3) is located in Nijmegen. The remainder (19,500 m3) is located in Dodewaard, which is only accessible to road transport and is equipped with a highly automated drum and IBC filling line. In 2020 Riho was accounted for on a 100% basis compared to 2019 when 11 months were recorded in the financials.

The policy of Koole is to provide customers with dedicated service facilities on a long-term relationship basis in order to fulfill a key role in its customers' supply chains and to operate flexibly, efficiently and in a safe and responsible manner.

Market

The year 2020 has been an extraordinary year due to the COVID-19 pandemic which resulted in severe HSEQ measures at Koole's terminals, headoffice and within the shipping activities. In order to keep staff as safe as possible and limit the risk of infections, measures like mandatory hygiene actions, minimal distance requirements and transparent barriers were introduced and working from home was implemented, where possible. At the same time the mineral oils market entered into contango and (other) oil markets experienced disruptions in supply chains and reduced throughputs, which resulted in high inventories and a significant increase in demand for storage capacity. During 2020 Koole was able to significantly increase its revenues, from EUR 263.6 million in 2019 to EUR 289.6 million in 2020. In particular the Rotterdam terminals were able to benefit from the increased demand for storage, and the recently expanded capacity, with approximately EUR 12.3 million higher revenues at KTB, EUR 8 million higher revenues at KTM and EUR 4.5 million higher revenues at KTP, compared to 2019. Sales at the non-hazardous terminals were also higher due to higher utilisation levels. Revenues generated by short sea shipping and barging activities slightly declined during 2020 due to stagnating transport requirements relating to disruptions in supply chains.

Financial results and financial position of the Group

The net turnover of EUR 289.630k relates to revenue earned during the accounting period from 1 January 2020 until 31 December 2020. The consolidated loss for the year amounted to EUR 51.134k. Koole has a strong operational cash flow and access to a debt facility which will be sufficient to fulfill its financial obligations and fund the further expansion of Koole.

During 2020 the Group has delivered a growth in revenues of approximately EUR 26 million compared to 2019. This was primarily due to an increase of capacity and higher utilisation at KTB (approx EUR 12.3 million higher than 2019), KTM (approximately EUR 8.5 million) and KTP (approximately EUR 2 million higher than 2019). In addition there was higher utilisation at the Dutch non-hazardous terminals. Riho accounted for 12 months compared to 2019 when it was acquired in February (total 11 months).

On the cost side 2020 has shown an increase in operating expenses of approximately EUR 23 million compared to 2019 due to higher costs from wages/salaries and costs from subcontractors and external charges, which was related to the increase of activities and the effect of the Collective Labour Agreement. This was somewhat compensated by lower energy costs as a consequence of lower gas prices. Depreciation expenses increased as a result of the larger asset base resulting from recently completed construction projects.

The resulting 2020 EBITDA (adjusted for exceptional items) is EUR 132.9 million and increased compared to 2019 because of the following main factors: additional installed tank capacity at KTB and KTM resulting in higher revenues, favorable market conditions at the other terminals resulting in higher average storage rates and higher utilisation levels.

The 2020 consolidated loss of EUR 51.1 million has increased compared to the 2019 consolidated loss of EUR 48.6 million. The higher 2020 loss after taxation was primarily attributable to 2020 tax impact of higher future tax rates on the deferred tax liability.

The cash flow from operating activities for the period from 1 January 2020 until 31 December 2020 amounts to EUR 91,382k and is sufficient to service the debt and to make the necessary investments in maintaining the good operating conditions of the terminals and ships. Koole Terminals Subholding I B.V. ended the year with a positive net cash flow of EUR 5,286k, with significant capital expenditures related to the construction projects offset by additional debt drawdowns to fund the ongoing growth. The construction activities have further increased the operational storage capacity and have been funded by a combination of operational cash flow and bank loans. Koole expects to further invest in upgrading and expanding the operational capacity at the KTB terminal in order to deliver additional future growth in revenue and profitability and invest in additional capacity at the KTB II site.

Summary EUR'000

| | Turnover | EBITDA* | Consolidated result | Cash flow from business operations | Net Cash flow |
|---------------------------------------|----------|---------|---------------------|------------------------------------|---------------|
| 1 January 2020 until 31 December 2020 | 289.630 | 132.844 | (51.134) | 120.724 | 5.286 |
| 1 January 2019 until 31 December 2019 | 263.585 | 118.938 | (48.618) | 127.073 | (11.916) |

* = corrected for exceptional items

Human resources

The average number of employees for the Group during the year amounted to 615 FTE's (2019: 624). The number of employees is expected to remain stable in 2021.

Environment

The Group places great emphasis on the responsible use of energy and environmental awareness. The Group limits energy consumption wherever possible by implementing effective measures (e.g. insulation) and using smart systems, and making efforts to reduce waste output.

Risk Management

From a risk management point of view six major areas can be distinguished: operational / strategic risk, legal risk, counterparty credit risk, interest rate risk, liquidity risk and Covid 19. Koole has a very low appetite for risk and has taken measures to manage its risks.

Operational / strategic risk

The Group stores and handles both hazardous and non-hazardous goods. Due to the nature of the hazardous goods, the Group is exposed to Health, Safety & Environmental (HSE) risks. The Group mitigates all risks through investment in HSE-awareness, proper maintenance of its assets and a large focus on safety culture. Regular audits are performed by the Group's staff, customers and authorities. Any findings or observations have been corrected or suggestions have been taken on board. The Group aims to continuously improve its results in this area. The KTB terminal provides for distillation services to a selected group of customers. The risks associated with these activities are mitigated and managed continuously by a very skilled and experienced group of operational and HSEQ staff with relevant industry background.

Legal risk

Legal risks arise from uncertainties about the possibility that legal or regulatory changes may adversely affect the Group's position. All legal matters are coordinated by management, which involves external legal advisers as deemed necessary. The Group ensures that its rights and obligations are clearly documented and legally enforceable through the use of legal documentation and external advice.

Counter party credit risk

The Group trades only with creditworthy parties and has implemented procedures to monitor the creditworthiness of parties. The Group has also drawn up guidelines for limiting the credit risk associated with each party. Furthermore, the group applies strict credit control and reminder procedures. The Group's credit risk is minimal due to the above measures. In addition, there are no significant concentration of credit risk within the Group and the Group has a very low appetite for credit risk.

Interest rate risk

As the Group's long-term loans are partly based on the six month EURIBOR rate, changing market rates can influence the interest payable on these loans. The Group hedges this risk by entering into interest rate swap contracts. Under these contracts, variable rates of interest are converted to fixed rates for 100% of the senior bank term facilities (Facility A). The swap contracts currently in place were executed on March 2018 (at the refinancing) for notional amount equalling 100% of the commitment under Facility A, and supplemented by additional swaps entered into concurrently with the additional term loan facility raised in December 2018. The fair value of all interest rate swaps as of December 31, 2020 was negative EUR 13.7 million. Facility B is not hedged as it is a revolving facility for capital expenditure and investment purposes. Facility C is not hedged as it is a short term revolving facility for working capital purposes. Koole also holds long-term institutional debt notes which yield fixed rates of interest and therefore do not need to be hedged.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Management, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. Koole manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Koole has a EUR 150 million committed Capex Facility and a EUR 30 million committed Revolving Credit Facility. In October 2020 Koole has entered into a long term financing agreement with an Institution for EUR 145 million. The received funds have been utilised to repay the capex facility. As a result drawdowns net of repayment in 2020 accounted for EUR 55 million. The Revolving Credit Facility is undrawn.

Covid 19

After one year the COVID-19 pandemic is still not at an end, but good progress is being made to reduce the impact through the roll-out of (inter)national vaccination programs. Koole recognises the macroeconomic consequences, the impact on the financial performance and HSEQ effects to its staff. Although Koole is currently not experiencing any material negative impact on the operational and financial performance of the business, this may change in the short to medium term. The scope, duration and breadth of pandemic-related restrictions as well as the subsequent economic effects thereof could have a negative impact on future throughput volumes or demand for Koole's services. At present, management cannot reliably estimate what this negative impact could be, as this is highly dependent on a range of external factors and the subsequent course of the pandemic. Koole management continues to closely monitor the developments on this.

Diversity

The Company has all seats on the management board held by men. The company must seek to have at least 30% of seats on the management board held by women and at least 30% by men to the extent that those seats are held by natural persons. For future nominations the Company will take into account the requirements of the balanced male and female representation.

Subsequent events

Principal conversion:

On 1 April 2021 Koole Terminals Holding B.V. received a contribution of share premium in the amount of EUR 448.6 million, with this contribution being provided in the form of loan receivables outstanding from Koole Terminals Holding B.V. to IIF Dutch Koole Holdco B.V. (the loan receivable having been transferred from IIF Int'l Ivy Investment S.a.r.l. to IIF Dutch Koole Holdco B.V. immediately prior). The loan receivable positions were contributed as share premium contribution, following which the loan receivable and loan payable principal balances with respect these loans were netted off, whereby these shareholder loans have been repaid in full. Interest accrued on the repaid principal balances between 1 January and 1 April remain outstanding and payable by Koole Terminals Holding B.V.

Refinancing

Koole has completed the arrangement of a refinancing of certain senior bank and institutional facilities outstanding, with documentation having been signed on 31 March 2021. Closing of this refinancing transaction is expected per 23 April 2021. As a result of this refinancing, the existing EUR 431 million in drawn bank facilities under the SFA will be refinanced into (i) a new bank term debt of EUR 200 million with a 7 year maturity and (ii) a EUR 290 million of institutional debt with maturities ranging from 8 to 12 years and a combination of fixed and floating interest rates. The surplus drawn debt raised through this transaction will be used partially to fund refinancing related to up-front fees and costs, and partly as pre-funding of planned growth capital expenditures. In addition, new revolving facilities totaling EUR 300 million will be raised, of which EUR 250 million for growth capital expenditures, EUR 30 million for working capital purposes and a EUR 20 million undrawn guarantee facility related to customs and tax guarantees of the Group. The revolving facilities also have a 7 year tenor.

Future Outlook

Due to the construction of new tanks and upgraded infrastructure to enable higher throughput and flexibility for the Groups' core customers, primarily at Koole's Rotterdam terminals, it is expected that turnover and operating result will further increase in 2021. These investments are supported by existing and/or new contracts. Due to the further expansion of business activities, an increase in costs is also anticipated for the coming year.

As the Covid-19 pandemic is still not fully contained, associated government measures, operational effects and supply chain consequences remain uncertain, also in 2021. While Koole's role as critical infrastructure in the food, fuels and industrial supply chains helps to ensure a higher degree of business resilience compared to many other sectors, the scope, duration and breadth of pandemic-related restrictions as well as the subsequent economic effects thereof could have a negative impact on throughput volumes or demand for Koole's services from customers. At present, management does not expect this to materially adversely affect Koole's operational or financial performance or liquidity. However, management continues to closely monitor the situation and has, and will continue to, implement appropriate measures to mitigate the operational and other risks potentially arising as a result of the pandemic.

For and on behalf of
Koole Terminals Subholding II B.V.

April 20, 2021
The Board of Management:

J. J. Kraakman

B. D. Wassenaar

A.G.H. Steenland