
Fortum Waste Solutions OW A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2020

CVR No 70 72 75 28

The Annual Report
was presented and
adopted at the Annual
General Meeting of
the Company on
29/04 2021

Henrik Hinders
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11
Notes, Accounting Policies	15

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Fortum Waste Solutions OW A/S for the financial year 1 January - 31 December 2020.

The Annual Report is 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 at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Nyborg, 29th of April 2021

Executive Board

Jens Peter Rasmussen

Board of Directors

Andreas Rudolf Ture Tiedtke
Chairman

Jens Peter Rasmussen

Lotte Stenderup

Independent Auditor's Report

To the shareholders of Fortum Waste Solutions OW A/S

Opinion

We have audited the financial statements of Fortum Waste Solutions OW A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statements of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Statement on the management commentary

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 in 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 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 misstatement of the management commentary.

Odense, 29.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Lars Knage Nielsen
State-Authorised
Public Accountant
MNE-nr. mne10074

Company Information

The Company

Fortum Waste Solutions OW A/S
Lindholmvej 3
DK-5800 Nyborg

Telephone: + 45 75 13 86 00
Website: www.fortum.dk

CVR No: 70 72 75 28
Financial period: 1 January - 31 December
Municipality of reg. office: Nyborg

Board of Directors

Andreas Rudolf Ture Tiedtke, Chairman
Jens Peter Rasmusen
Lotte Stenderup

Executive Board

Jens Peter Rasmusen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Tværkajen 5
DK-5000 Odense

Management's Review

Main activity

The company's main business is doing business of buying and selling used oil products and treatment of waste oil, oil/water fractions and wastewater on the treatment facilities in Aarhus and Esbjerg.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK'000 11,319, and at 31 December 2020 the balance sheet of the Company shows equity of DKK'000 13,477.

The main driver for the positive result was the sale of activities at the Grenaa site, which lead to an adjustment of the provision for contaminated land of 2,9 mDKK, off-set by a write-down of assets of -1,3 mDKK. Further more the provision for contaminated land relating to the other sites was adjusted with 13,013 mDKK.

There has been a capital increase from the parent company of DKK'000 7.001.

On the back of the 2019 revitalizing plan for the business, we have worked with project to analyze and improve the understanding and possibilities of the business, both commercial and operational. As a result of that, the Grenaa site was sold during 2020, to focus on the 2 remaining sites in Aarhus and Esbjerg. The project has provided the colleagues with valuable insight into operations and technology.

Also the oil-recycling business potential has been capitalized partly, as the permits and licenses to obtain End-of-Waste status on the incoming oil waste has been cleared during 2020. And we are now ready to reach the full potential in 2021 with our established network of partners in the oil recycling industry.

Uncertainty relating to recognition and measurement

The company has a future obligation in relation to the, clean-up of the leased land at Aarhus and Esbjerg. The present value of the obligation is based on assumptions made on size and depth of contaminated areas, unit costs to treat the contaminated soil as well as the filling and construction expenses. The valuation is upon the assumptions subject to estimates.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The outbreak and spread of COVID-19 has not and is not expected to have a significant impact on the company's financial position and development.

After the balance sheet date, an agreement has been made to sell the company shares as per 1th of May 2021 to new owners outside the Fortum Group. Fortum Waste Solutions A/S is taking over the provision for clean-up of contaminated land for a fee, which is thereby not a part of the company going forward.

Income Statement 1 January - 31 December

	Note	2020 DKK'000	2019 DKK'000
Gross profit/loss		21.731	9.062
Staff expenses	1	-4.037	-6.732
Depreciations	2	<u>-3.173</u>	<u>-2.682</u>
Profit/loss before financial income and expenses		14.521	-352
Financial expenses	3	<u>-9</u>	<u>-4.859</u>
Profit/loss before tax		14.512	-5.211
Tax on profit/loss for the year	4	-3.193	-644
Net profit/loss for the year		<u>11.319</u>	<u>-5.855</u>
Distribution of profit/loss			
Proposed distribution of profit/loss			
Retained earnings		<u>11.319</u>	<u>-5.855</u>
		<u>11.319</u>	<u>-5.855</u>

Balance Sheet 31 December

Assets

	Note	2020 DKK'000	2019 DKK'000
Land and buildings		7.028	8.964
Plant and machinery		5.365	6.502
Property, plant and equipment in progress		490	429
Property, plant and equipment	5	12.883	15.895
Fixed assets		12.883	15.895
Raw materials and consumables		1.090	1.063
Trade receivables		5.013	11.015
Other receivables		-	1.199
Corporation tax		805	97
Deferred tax asset		3.361	7.358
Prepayments		69	149
Receivables		9.248	19.818
Cash at bank and in hand		13.189	4.632
Currents assets		23.527	25.513
Assets		36.410	41.408

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK'000	2019 DKK'000
Share capital		601	600
Retained earnings		12.876	-5.443
Equity		13.477	-4.843
Other provisions	6	13.190	29.140
Provisions		13.190	29.140
Trade payables		4.265	6.193
Payables to group enterprises		809	2.673
Other payables		1.709	3.101
Deferred income		2.960	5.144
Short-term debt		9.743	17.111
Debt		9.743	17.111
Liabilities and equity		36.410	41.408
		-	-
Contingent assets, liabilities and other financial obligations	7		
Related parties	8		
Going concern	9		

Notes to the Financial Statements

<u>2020</u>	<u>Share capital</u> DKK'000	<u>Retained earnings</u> DKK'000	<u>Total</u> DKK'000
Equity at 1 January	600	-5.443	-4.843
Capital increase	1	7.000	7.001
Net profit/loss for the year	-	11.319	11.319
Equity at 31 December	601	12.876	13.477

Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
1 Staff expenses		
Wages and salaries	3.677	6.140
Pensions	326	530
Other social security costs	34	62
	4.037	6.732
Average number of employess	8	10
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	2.019	2.738
Gain/loss from sale and retirement of assets	1.154	-56
	3.173	2.682
3 Financial expenses		
Interest paid to group enterprises	-	25
Other financial expenses	9	4.834
	9	4.859
4 Tax on profit/loss for the year		
Current tax for the year	-805	-97
Deferred tax adjustments in the year	3.998	757
Adjustment of tax concerning previous years	-	-16
	3.193	644

Notes to the Financial Statements

5 Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant and equipment in progress	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	17.646	41.757	429	59.832
Additions for the year	-	300	361	661
Disposals for the year	-2.310	-3.844	-	-6.154
Transfers for the year	-	-	-300	-300
Cost at 31 December	<u>15.336</u>	<u>38.213</u>	<u>490</u>	<u>54.039</u>
Impairment losses and depreciation at 1 January	8.682	35.255	-	43.937
Depreciation for the year	686	1.333	-	2.019
Transfers for the year	-1.060	-3.740	-	-4.800
Impairment losses and depreciation at 31 December	<u>8.308</u>	<u>32.848</u>	<u>-</u>	<u>41.156</u>
Carrying amount at 31 December	<u>7.028</u>	<u>5.365</u>	<u>490</u>	<u>12.883</u>

2020	2019
DKK'000	DKK'000

6 Other provisions

Provisions at 31 December 2020 amount to kDKK 13,190 and constitute Management's judgement and assessment of anticipated costs for purification of conterminated land on leased site.

Provision at 1 January	29.140	33.103
Additions for the year	-	-
Utilized in the year	-15.950	-8.040
Offset in present value	-	4.077
Change in discount rate	-	-
Other provisions at 31 December	<u>13.190</u>	<u>29.140</u>
Provisions, total future payments:		
Within 1 year	-	-
Between 1 and 5 years	-	-
After 5 Years	13.190	29.140
	<u>13.190</u>	<u>29.140</u>

2020
DKK'000

2019
DKK'000

7 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	238	1.388
Between 1 and 5 years	411	2.308
After 5 years	0	0
	<u>649</u>	<u>3.696</u>

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

8 Related parties

Basis

Controlling interest

Fortum Oyj (ultimate parent)	Espoo, Finland
Fortum Waste Solutions A/S (parent)	Nyborg, Denmark

Consolidated financial statements

Fortum Waste Solutions OW A/S is included in the consolidated financial statements of Fortum Oyj. Finland.

9 Going concern

After the balance sheet date, an agreement has been made to sell the company shares as per 1th of May 2021 to new owners outside the Fortum Group. Fortum Waste Solutions A/S is taking over the provision for clean-up of contaminated land for a fee, which is thereby not a part of the company going forward. We have seen the budget for 2021, and expect the new owner to have sufficient funding to secure the going concern of the company after the sale.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Fortum Waste Solutions OW A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2020 are presented in DKK'000.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes, Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

In order to give a true and fair view of the year's activities, the revenue recognition criterion applied by the company is the percentage-of-completion. Consequently, waste treatment income is recognized as waste is handled and finally deposited. The amount which is subsequently recognized as income regarding deposited waste is made up at the average waste treatment price per ton of waste, net of freight charges. Income from sale of goods held for sale and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably.

Revenue related to sale of electricity and district heating is recognized when delivery has taken place.

Revenue is measured at the consideration received and is recognized exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment, and gains and losses on the sale of assets.

Notes, Accounting Policies

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	25 years
Plant and machinery	3-13 years

Depreciation period and residual value are reassessed annually.

Notes, Accounting Policies

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are recognized in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include future obligations to clean-up contaminated land.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes, Accounting Policies

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Deferred income comprises waste received, but not treated, which will not be recognized as income until recognition criteria are satisfied.