Ekokem A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2016

CVR No 34 48 44 14

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26/04 2017

Henrik Hinders
Chairman

pwc

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ekokem A/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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

Nyborg, 26 April 2017

Executive Board

Thomas Haislund Agergaard	Ellen Frier

Board of Directors

Jani Juhani Lösönen Chairman	Hanna-Leena Masala	Hilppa Riikka Sofia Rautpalo
Inge-Lise Ubbesen Andersen Staff Representative	Allan Rasmussen Staff Representative	

Independent Auditor's Report

To the Shareholders of Ekokem A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ekokem A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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 misstate-

ment, 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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our 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 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

Independent Auditor's Report

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.

Hellerup, 26 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kim Füchsel	Line Hedam
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	Ekokem A/S Lindholmvej 3 DK-5800 Nyborg Telephone: + 45 63317100 Website: www.ekokem.com CVR No: 34 48 44 14 Financial period: 1 January - 31 December Municipality of reg. office: Nyborg
Board of Directors	Jani Juhani Lösönen, Chairman Hanna-Leena Masala Hilppa Riikka Sofia Rautpalo Inge-Lise Ubbesen Andersen Allan Rasmussen
Executive Board	Thomas Haislund Agergaard Ellen Frier
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Key figures					
Profit/loss					
Revenue	349.357	350.432	407.195	341.147	303.726
Operating profit/loss	20.131	-53.832	-19.745	-18.773	5.349
Profit/loss before financial income and expenses	32.226	-45.640	-11.956	-10.984	15.166
Net financials	-52.244	-8.882	-4.898	-6.112	-4.999
Net profit/loss for the year	-25.624	-41.368	-13.778	-10.026	7.715
Balance sheet					
Balance sheet total	963.580	1.055.536	1.303.576	1.340.205	471.994
Equity	653.198	703.428	885.220	898.359	256.850
Investment in property, plant and equipment	-14.869	-5.377	-1.078.310	-6.228	-6.000
Number of employees	163	170	175	175	190
Ratios					
Gross margin	50,9%	31,1%	40,1%	28,8%	54,6%
Profit margin	9,2%	-13,0%	-2,9%	-3,2%	5,0%
Return on assets	3,3%	-4,3%	-0,9%	-0,8%	3,2%
Solvency ratio	67,8%	66,6%	67,9%	67,0%	54,4%
Return on equity	-3,8%	-5,2%	-1,5%	-1,7%	3,0%

Management's Review

Main activity

Ekokem A/S main activity is waste incineration at plants complying with all applicable environmental requirements. We convert the energy content of the waste into green electricity and heating to the benefit of society large.

An industrial society produces hazardous waste, which cannot be allowed to pollute the air, water or soil. It is Ekokem A/S's mission to be able to manage the most hazardous and most complex types of waste, which cannot be managed by ordinary waste processing plants and which cannot be recycled.

Market overview

Ekokem A/S is operating in a fully liberalized market, nationally as well as internationally. The market is characterized by heavy competition between the many players in the Danish market for hazardous waste, where Ekokem A/S seeks to create a strong market foothold based on "State-of-the-art" treatment technology that none of the domestic competitors can offer to market.

Development in the year

The income statement of the Company for 2016 shows a loss of DKK'000 25,624, and at 31 December 2016 the balance sheet of the Company shows equity of DKK'000 653,198.

Due to Fortum Oy acquisition of Ekokem Oy 1th of September 2016, an Integration project Efort was the new platform to define new development and best practice within the Fortum Group. The Efort project will continue in 2017.

A new organization within the Fortum Group was established in September 2016, and the new structure was implemented, where the group Ekokem was a part of Fortum Division "City Solutions" under the business unit name "Recycling and Waste Solutions". The former CEO from Ekokem Oy, Karri Kaitue was at the same time replaced by Jani Lösonen, as CEO for business unit "Recycling and Waste Solutions".

Management's Review

The past year and follow-up on development expectations from last year

The revenue was slightly lower than the budget, mainly due to an 11 days unplanned maintenance shutdown in January 2016, and a prolonged planned maintenance shutdown in April/May. The financial impact on the extra maintenance had a negative impact on the maintenance budget with an overspend of DKK'000 5,000.

In general, a high in the Hazardous waste market, and compared with earlier years, all capacity was needed during the year. This, combined with the efficiency plan implemented late 2015, has resulted in an all-time high Operation profit of DKK'000 20,131.

On the downside, the result is negatively effected by change of discounting factor and inflation rates relating to management's judgement of the value of the provision for post treatment program of the Klintholm landfill. Also, a write-down of the goodwill related to Ekokem OW A/S effected negatively. See section Unusual events" for further details.

Capital resources

In 2016 there was a merger of Duke Infrastructure A/S and Duke Infrastructure Holding ApS with Ekokem A/S, with Ekokem A/S as the continuing entity, effectively by 1. Of January 2016. At the same time Ekokem OW A/S became a 100% subsidiary to Ekokem A/S.

All shares in Ekokem A/S is owned by Ekokem Oyj.

Management's Review

Special risks - operating risks and financial risks

Ekokem A/S is exposed to a number of risks that affect the way in which the business is being operated. These risks include:

-Operating risks
-Environmental risks
-Financial risks

Operating risks primarily relate to the operation of incineration plants and other treatment plants, including the Klintholm landfill and Ekokem A/S's other processing activities. The company seeks to minimize these risks through responsible and prudent operational management as well as ongoing follow-up, control and maintenance of its plants.

Environmental risks are inherent in Ekokem A/S's activities and the Environment and Sustainability Report for 2016 provides a detailed description of our activities within this field. Given the nature of our business, this area has top priority at Ekokem A/S, and we aim at the highest possible levels of safety and responsibility.

The financial risks are related to three main areas:

-The first relates to interest rate risks associated with the company's interest-bearing debt. Risks connected with higher interest rates are largely hedged through interest-rate swaps.

-The second relates to the company's financial assets. We try to minimize the risks in this area by means of an investment strategy focusing on low interest rate risks, high liquidity and high repayment certainty as regards our debtors.

-The third relates to Ekokem A/S's operations where the most significant risks relate to currency translation of Sales income from other countries. Foreign sales are mainly made in EUR and NOK. As these contracts are normally shortterm, foreign exchange risks are considered limited.

Management's Review

Market risks

Market risks relate to sales of hazardous waste incineration services end energy as well as the supply of intermediary products. No single costumer or supplier involves a risk that could significantly affect Ekokem A/S's financial position. The most significant market risk is considered to be ratio of treatment capacity to deliveries of hazardous waste from Northern Europe.

-External regulation via EU law and Danish legislation

Ekokem A/S operating conditions are significantly affected by EU law and Danish legislation. Through responsible and reliable communication, we seek to influence future legislation by means of direct and indirect interaction with authorities and other interest groups.

Strategy

The strategic goals have been fulfilled, and Ekokem A/S has consolidated its position in the Danish market and has successfully established a presence in a number of international markets.

Targets and expectations for the year ahead

The profit for 2017 is expected to improve based on higher operating profit, due to the efficiency program that was launched in Q4 2015, and the anticipation of an improved market situation. Furthermore, the result for 2016 were negatively affected by one off costs, which are not expected in 2017.

Uncertainty relating to recognition and measurement

The company has a future obligations in relation to the, clean-up of the leased land. 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 andconstruction expenses. The valueation is upon the asumptions subject to estimates.

Unusual events

The financial position at 31 December 2016 of the company and the results of the activities of the Company for the financial year for 2016 have been negative affected by reevaluation of the provision of future obligations regarding landfill and leased sites and a write-down of goodwill relating to Ekokem OW A/S in total DKK'000 46.022.

Report on Corporate Social Responsibility, cf. Section 99 a of the Danish Financial Statements Act

As per 1. of August, Ekokem Group was bought by Fortum Oyj, which is a leading clean energy company, that provides consumers with electricity, heating and cooling as well as smart solutions to improve resource efficiency.

Management’s Review

Ekokem continiusly work with social responsibility, and reports information and progress in that area to Fortum Oyj. On behalf of the whole group, Fortum annually prepares a Sustainability Report. Please find more information about this work in the Group sustainability report for 2016, which is available for download at: http://apps.fortum.fi/investors/Fortum_Sustainability_2016.pdf

Corporate governance

The board of directors and executive management of Ekokem A/S constantly strive to ensure that the company's management structures and control systems are appropriate and work satisfactorily.

The framework for the planning of management's duties comprise the Danish Companies Act, the Danish Financial Statements Act, the company's articles of association and good practice for enterprises of the same size as Ekokem A/S.

The members of the board of directors meet at least 4 times a year according to a fixed schedule. In between board meetings, the board of directors receives written updates on the company's results of operation and financial position.

Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act

It is Ekokem A/S policy to promote gender equality in all managerial levels.

The company pursues to develop and ensure diversity. This objective is also valid for the managerial positions. In the recruitment process, HR has to ensure that candidates from the underrepresented gender are represented to the hiring manager, if possible. The professional qualifications and educational background are always essential in order to ensure the right competences are in place, though.

In 2016, the senior management group of Ekokem A/S consists of 16 individuals of which five (31%) are female managers and eleven (69%) are male managers.

Ekokem A/S’s Board of Directors comprises five members, of which three (two female members and one male member) are selected by the shareholders and two by the employees. Therefore, Ekokem has equal representation on the Board of Directors, and is not obliged to set nor report on a target for the underrepresented gender.

Income Statement 1 January - 31 December

	Note	2016	2015
		DKK'000	DKK'000
Revenue	1	**349.357**	**350.432**
Other operating income		12.095	8.192
Expenses for raw materials and consumables		-83.195	-110.155
Other external expenses		-100.583	-139.452
Gross profit/loss		**177.674**	**109.017**
Staff expenses	2	-78.853	-87.621
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-66.595	-67.036
Profit/loss before financial income and expenses		**32.226**	**-45.640**
Income from investments in subsidiaries		-49.854	-5.532
Financial income	4	1.544	2.327
Financial expenses	5	-3.934	-5.677
Profit/loss before tax		**-20.018**	**-54.522**
Tax on profit/loss for the year	6	-5.606	13.154
Net profit/loss for the year		**-25.624**	**-41.368**

Distribution of profit

Proposed distribution of profit

	2016	2015
Retained earnings	-25.624	-41.368
	-25.624	**-41.368**

Balance Sheet 31 December

Assets

	Note	2016	2015
		DKK'000	DKK'000
Acquired licenses		2.370	2.806
Intangible assets	7	**2.370**	**2.806**
Land and buildings		27.972	29.334
Plant and machinery		676.069	725.035
Property, plant and equipment in progress		2.181	3.121
Property, plant and equipment	8	**706.222**	**757.490**
Investments in subsidiaries	9	20.301	104
Other investments	10	105	105
Fixed asset investments		**20.406**	**209**
Fixed assets		**728.998**	**760.505**
Raw materials and consumables		13.605	13.997
Inventories		**13.605**	**13.997**
Trade receivables		37.903	42.815
Receivables from group enterprises		83.889	150.731
Other receivables		11.833	11.456
Receivables		**133.625**	**205.002**
Cash at bank and in hand		**87.352**	**76.032**
Currents assets		**234.582**	**295.031**
Assets		**963.580**	**1.055.536**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		DKK'000	DKK'000
Share capital		3.160	3.150
Reserve for revaluation		354.165	509.179
Retained earnings		295.873	191.099
Equity	11	**653.198**	**703.428**
Provision for deferred tax		110.916	144.073
Other provisions	12	97.243	81.106
Provisions		**208.159**	**225.179**
Trade payables		12.963	25.499
Payables to group enterprises		7.352	25.901
Corporation tax		9.252	12.066
Other payables		29.947	27.044
Deferred income	13	42.709	36.419
Short-term debt		**102.223**	**126.929**
Debt		**102.223**	**126.929**
Liabilities and equity		**963.580**	**1.055.536**
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		

Statement of Changes in Equity

	Share capital	Reserve for re-valuation	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	3.150	509.179	191.099	703.428
Net effect from merger and acquisition under the uniting of interests method	10	0	-24.616	-24.606
Adjusted equity at 1 January	3.160	509.179	166.483	678.822
Dissolution of previous years' revaluation	0	-155.014	155.014	0
Net profit/loss for the year	0	0	-25.624	-25.624
Equity at 31 December	**3.160**	**354.165**	**295.873**	**653.198**

Notes to the Financial Statements

		2016	2015
		DKK'000	DKK'000
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	270.530	297.876
	Revenue, exports	78.827	52.556
		349.357	**350.432**
	Business segments		
	Sales income, waste treatment	292.155	295.326
	Sales heat	42.064	41.247
	Sales of electricity	15.138	13.859
		349.357	**350.432**
2	**Staff expenses**		
	Wages and salaries	72.890	81.344
	Pensions	5.612	5.910
	Other social security costs	351	367
		78.853	**87.621**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	2.979	4.404
	Board of Directors	60	60
		3.039	**4.464**
	Average number of employees	**163**	**170**
3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	1.635	1.173
	Depreciation of property, plant and equipment	64.960	65.863
		66.595	**67.036**

Notes to the Financial Statements

		2016	2015
		DKK'000	DKK'000
4	**Financial income**		
	Interest received from group enterprises	1.191	1.656
	Other financial income	353	671
		1.544	**2.327**
5	**Financial expenses**		
	Interest paid to group enterprises	8	354
	Other financial expenses	3.926	5.323
		3.934	**5.677**
6	**Tax on profit/loss for the year**		
	Current tax for the year	22.996	13.315
	Deferred tax adjustments in the year	-33.156	-11.406
	Adjustment of tax concerning previous years	15.766	0
	Adjustment of deferred tax concerning previous years	0	-15.063
		5.606	**-13.154**

7 Intangible assets

	Acquired licenses
	DKK'000
Cost at 1 January	11.687
Net effect from change of accounting policy	192
Additions for the year	83
Transfers for the year	924
Cost at 31 December	12.886
Impairment losses and amortisation at 1 January	8.881
Amortisation for the year	1.635
Impairment losses and amortisation at 31 December	10.516
Carrying amount at 31 December	**2.370**

Notes to the Financial Statements

8 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	125.542	1.181.136	3.121	1.309.799
Net effect from change of accounting policy	0	-253	0	-253
Additions for the year	0	13.362	1.507	14.869
Disposals for the year	0	-1.976	0	-1.976
Transfers for the year	0	1.523	-2.447	-924
Cost at 31 December	125.542	1.193.792	2.181	1.321.515
Revaluations at 1 January	0	655.935	0	655.935
Net effect from change of accounting policy	0	-364	0	-364
Revaluations at 31 December	0	655.571	0	655.571
Impairment losses and depreciation at 1 January	96.208	1.112.036	0	1.208.244
Net effect from change of accounting policy	0	-364	0	-364
Depreciation for the year	1.362	63.598	0	64.960
Reversal of impairment and depreciation of sold assets	0	-1.976	0	-1.976
Impairment losses and depreciation at 31 December	97.570	1.173.294	0	1.270.864
Carrying amount at 31 December	**27.972**	**676.069**	**2.181**	**706.222**

Notes to the Financial Statements

	2016	2015
	DKK'000	DKK'000

9 Investments in subsidiaries

	2016	2015
Cost at 1 January	6.977	1.341
Net effect from merger and acquisition	205.895	0
Additions for the year	412	0
Transfers for the year	0	5.636
Cost at 31 December	213.284	6.977
Value adjustments at 1 January	-6.873	-1.341
Net effect from merger and acquisition	-136.258	0
Net profit/loss for the year	-2.686	-5.532
Impairment losses of the year	-47.166	0
Value adjustments at 31 December	-192.983	-6.873
Carrying amount at 31 December	**20.301**	**104**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Nordgroup Waste Management AB	SE	81	100%
Ekokem OW A/S	DK	600	100%

10 Other fixed asset investments

	Other investments
	DKK'000
Cost at 1 January	105
Cost at 31 December	105
Carrying amount at 31 December	**105**

Notes to the Financial Statements

11 Equity

The share capital consists of 316 shares of a nominal value of DKK'000 10. No shares carry any special rights.

12 Other provisions

	2016	2015
	DKK'000	DKK'000

Provisions at 31 December 2016 amount to kDKK 97,243 and constitute Management's judgement and assessment of anticipated costs for purification of Klintholm and Prøvestenen. Management's assessment is supported by an external report prepared by Cowi.

	2016	2015
Other provisions	97.243	81.106
	97.243	**81.106**

13 Deferred income

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

Notes to the Financial Statements

	2016	2015
	DKK'000	DKK'000
14 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with af book value of	27.972	29.334
The following assets have been placed as security with bankers:		
Guarantees in insurance company have been put up as security vis-á-vis the Danish Environmental Agency	26.449	26.569
The following assets have been placed as security with rental liabilities:		
Prøvestenen and Klintholm	9.995	9.995
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2.760	2.922
Between 1 and 5 years	8.227	7.806
After 5 years	14.782	17.658
	25.769	**28.386**

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.

Notes to the Financial Statements

15 Related parties

	Basis
Controlling interest	
Fortum Oyj	Espoo, Finland
Ekokem Oyj	Riihimäki, Finland

Consolidated Financial Statements

Name	Place of registered office
Fortum Oyj	Espoo, Finland

The Group Annual Report of Fortum Oyj may be obtained at the following address:

http://www.fortum.com/en/investors/reportsandpresentations/annual-reports/pages/default.aspx

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Ekokem A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

In the Financial Year a merger with parent company has been completed. The "book-value method" has been used, whereas the comparative figures have not been restated. There has not been any other changes in the accounting policies from last year.

Financial Statements for 2016 are presented in DKK'000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Fortum Oyj, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Fortum Oyj, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised 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 recognised in the income statement.

Assets are recognised 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 recognised 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes, Accounting Policies

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 recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised 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 recognised in financial income and expenses in the income statement.

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

Segment information on revenue

Segment information is disclosed on buisness areas. The segmentation is in accordance with theenterprise's internal reporting and fields of responsibility.

Income Statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised 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 enterprice.

Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advatising, administration, premises, bad debts, payments under operating leases, etc.

Notes, Accounting Policies

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised 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 recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

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

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes, Accounting Policies

Property, plant and equipment

On acquisition property, plant and equipment are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed property, plant and equipment comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and supsuppliers up until the time when the asset is ready for use.

Other 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 added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	5-20 years
Plant and machinery	5-36 years

Depreciation period and residual value are reassessed annually.

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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and 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 of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Provisions

Provisions are recognised 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 warranty obligations in respect of repair work within the warranty period of 30-60 years. Provisions are measured and recognised based on experience with guarantee work.

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.

Deferred tax assets 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 crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised 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 recognised in the income statement in financial income and expenses.

Financial debts

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 recognised as income until recognition criteria are satisfied.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$