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# ***Fortum Waste Solutions A/S***

Lindholmvej 3, DK-5800 Nyborg

## **Annual Report for 1 January - 31 December 2020**

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CVR No 34 48 44 14

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

Henrik Hinders  
Chairman

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# Independent Auditor's Report

## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Fortum Waste Solutions 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 and the affairs and conditions referred to therein.

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

Nyborg, 29<sup>th</sup> of April 2021

### Executive Board

Jens Peter Rasmussen

Lotte Stenderup

Ellen Frier

### Board of Directors

Andreas Rudolf Ture Tiedtke  
Chairman

Jens Peter Rasmussen

Marjo Katariina Keränen

Inge-Lise Ubbesen Andersen  
Staff Representative

Allan Rasmussen  
Staff Representative

# Independent Auditor's Report

## To the shareholders of Fortum Waste Solutions A/S

### Opinion

We have audited the financial statements of Fortum Waste Solutions A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement 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, except for the impact of the circumstances described in the Basis for qualified opinion paragraph, 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 qualified opinion

The company has an ongoing dialog with a business partner regarding the interpretation of a contract, which can lead to repayment of already recognized revenue. The amount is expected to be significant. A claim has been raised for reimbursement of originally 75 mDKK. After negotiation the expected claim is now app. 43 mDKK excl. interest, and a provision of 34 mDKK has been taken into account. We qualify our Auditor's Opinion regarding the possibility that the repayment may exceed the provision made and the uncertainty about that a final agreement has not been reached. We are not in a position to assess the outcome of the case. We refer to note 17.

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.

# Independent Auditor's Report

## **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 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's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

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

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 A/S  
Lindholmvej 3  
DK-5800 Nyborg

Telephone: + 45 63317100  
Website: [www.fortum.dk](http://www.fortum.dk)

CVR No: 34 48 44 14  
Financial period: 1 January - 31 December  
Municipality of reg. office: Nyborg

### **Board of Directors**

Andreas Rudolf Ture Tiedtke, Chairman  
Jens Peter Rasmussen  
Marjo Katariina Keränen  
Inge-Lise Ubbesen Andersen  
Allan Rasmussen

### **Executive Board**

Jens Peter Rasmussen, Adm.dir.  
Lotte Stenderup  
Ellen Frier

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Tværkajen 5  
DK-5000 Odense

## Financial Highlights

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

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	415.889	377.916	352.386	351.863	349.357
Operating profit/loss	26.192	-6.468	27.412	-13	20.131
Profit/loss before financial income and expenses	26.524	3.867	28.706	5.118	32.226
Net financials	13.179	-52.191	-10.492	-10.517	-52.244
Net profit/loss for the year	33.193	-44.060	12.242	-6.002	-25.624
<b>Balance sheet</b>					
Balance sheet total	980.727	970.998	982.705	995.259	963.580
Equity	638.613	605.420	659.274	647.032	653.198
Investment in property, plant and equipment	28.691	51.221	21.399	18.636	12.422
Number of employees	170	165	157	159	163
<b>Ratios</b>					
Gross margin	46,0%	45,4%	53,4%	45,8%	50,9%
Profit margin	6,4%	2,9%	9,9%	3,4%	9,2%
Return on assets	2,7%	1,1%	3,6%	1,2%	3,3%
Solvency ratio	65,1%	62,4%	67,1%	65,0%	67,8%
Return on equity	5,3%	-7,0%	1,9%	-0,9%	-3,8%



# Management's Review

## Main activity and business model

Fortum Waste Solutions 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 Fortum Waste Solutions 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

Fortum Waste Solutions 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 Fortum Waste Solutions 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 2020 shows a profit of DKK'000 33,193, and at 31 December 2020 the balance sheet of the Company shows equity of DKK'000 638,613.

The main driver behind the successful 2020 has been increasing in Revenue due to higher prices. It is the limited available thermal treatment capacity in Europe, where most of the European thermal capacities in Municipal Waste Incinerators as well as High Temperature Incineration facilities has been 100% utilized, which has led to increased gate fee prices in 2020. The trend is expected to continue in 2021.

Furthermore, a provision to accommodate a possible reimbursement regarding the interpretation of a contract with a business partner, has been increased by 11,4 mDKK. See note 17.

Safety has been the top priority again in 2020 and new procedures for personal risk assessment has been implemented during 2020 and will continue in 2021.

The Safety Index, which represents leading safety indicators reached 98% in 2020, - an improvement from 88% in 2019. However the LWIF (Lost Workday Incident Frequency) was 8,1 and above the target LWIF at 4,5. In 2021 focus in on lowering the LWIF, special attention is given to the external personnel and contractors, who are a major source of incidents.

In 2020 two fire incidents occurred at the Nyborg site, which caused minor material damage, but showed the need to improve fire safety. In 2021 efforts are spend on improving fire safety in co-operation with the fire brigade and external consultants.

# Management's Review

## The Past year and follow-up on development expectations from last year

In general, a high activity in the Hazardous waste market, utilized all available capacity during the year, and the revenue has increased compared to last year, with higher waste fee, especially from international markets, but lower revenue from sale of energy compared to last year.

On variable cost side, the purchase of external services was on a higher level, due to more down streaming. Also the increase in our Service portfolio has increased the cost of external contractors. In total the variable cost was DKK'000 7,6 higher than last year.

The total fixed costs have increased with DKK'000 5,3 compared to last year, mainly driven by staff expenses, which is in line with the expectations.

This has resulted in a positive operational profit of DKK'000 26,524, which is DKK'000 15,5 higher than last year, with the note, that 2019 was negative affected by high provisions for contaminated land.

On the downside there is a tendency, that the general recycling trend in the market, is decreasing the domestic market of hazardous waste for incineration. This results in a change in waste mix between Danish and international waste, leading to lower average prices

## Capital resources

All shares in Fortum Waste Solutions A/S is owned by Fortum Waste Solutions Oyj.

# Management's Review

## Special risks - operating risks and financial risks

Fortum Waste Solutions 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 Fortum Waste Solutions 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 Fortum Waste Solutions A/S's activities and the Environment and Sustainability Report for 2020 provides a detailed description of our activities within this field. Given the nature of our business, this area has top priority at Fortum Waste Solutions 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, if relevant.
- 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 Fortum Waste Solutions 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 short term, 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 customer or supplier involves a risk that could significantly affect Fortum Waste Solutions 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

Fortum Waste Solutions 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 longer-term outlook for the market situation, is an increased competition in thermal treatment of hazardous waste, and frame conditions that will strengthen. Therefore, there is a need to continue developing new services and business areas. The logic behind this is the following predictions:

- Increased in-house treatment and a shift towards less hazardous raw materials will decrease the volume of hazardous waste generated in the future
- The emphasis on recycling/re-use, there comes a need to shift to new, clean, and innovative recovery systems, which will transform all the EU member states towards zero-waste economies
- Extended Producer Responsibility is a significant responsibility assigned to producers for waste treatment and disposal, which will improve segregation and waste minimisation at source and reduce waste generation
- Decarbonization demands from the society and authorities, which probably will result in taxes on emissions of greenhouses gases

Our business plans covers the activities within the business areas of hazardous waste and oily/water, and is developed to mitigate the foreseen market changes. The plans involves the following initiatives:

- Implementation of a new customer segmentation model
- Revitalization of the oily/water business area
- Launching new services: tank cleaning, "field service", decommissioning of offshore structures and ships, recovery of bottom ash and fly ash

Prepare a concept paper, which sets out the rationale, objectives, indicative budget range and key tasks and responsibilities of partners, in a Power-to-X installation at the Nyborg site.

# Management's Review

## Targets and expectations for the year ahead

We will continue the journey with the "Country Plan" in 2021, and focus especially on the service development in e.g. tank-cleaning services, local facility services and tasks related to decommissioning of off-shore structures and ships. All these services are partly linked to each other, and at the same time closely linked to our existing core business.

In 2021 we will continue following our long term plan in developing and commercializing new treatment technologies, which at this point means investigating the potential in new waste streams and the relevant treatment technologies. This work is of course done in close cooperation with the Scandinavian colleagues in Fortum Recycling & Waste.

The profit for 2021 is expected to be on the same level as 2020, due to the continuance of the implementation of the strategy.

## Uncertainty relating to recognition and measurement

The company has a future obligation 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 and construction expenses. The valuation is upon the assumptions subject to estimates.

The company has an ongoing dialog with a business partner regarding the interpretation of a contract, which can lead to repayment of already recognized revenue. A claim has been raised for reimbursement of 75 mDKK. Based on the management's assessment of the claim, and the hereby uncertainties, a provision of 33,9 mDKK has been taken into account. We refer to note 17.

## Management's Review

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

Fortum Waste Solutions continuously 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 2020, which is available for download at:

<https://www.fortum.com/about-us/sustainability/sustainability-cleaner-world>

### Corporate governance

The board of directors and executive management of Fortum Waste Solutions 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 Fortum Waste Solutions A/S.

The members of the board of directors meet 3-4 times a year according to a fixed schedule.

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

Due to the line of business in which Fortum Waste Solutions A/S operates, there is a high representative of male employees in general in the company. It is Fortum Waste Solutions A/S policy to promote gender equality in all managerial levels, and the target is to have at least the same gender composition in the managerial levels as in the staff in general.

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 2020, the R&W Management Team of Fortum Waste Solutions A/S consists of 8 individuals of which three (37%) are female managers and five (63%) are male managers, which is higher than the gender composition in the company in general.

Fortum Waste Solutions A/S's Board of Directors comprises five members, of which three (two male members and one female member) are selected by the shareholders and two by the employees (one female and one male member). The target is to have one female member selected by the shareholders, therefore, Fortum Waste Solutions has an equal representation of the genders on the Board of Directors.

## Income Statement 1 January – 31 December

	Note	2020 DKK'000	2019 DKK'000
<b>Revenue</b>	1	<b>415.889</b>	<b>377.916</b>
Other operating income	2	332	10.335
Expenses for raw materials and consumables		-94.434	-86.791
Other external expenses		-130.287	-136.988
<b>Gross profit/loss</b>		<b>191.500</b>	<b>164.472</b>
Staff expenses	3	-97.177	-92.364
Depreciations	4	-67.799	-68.242
<b>Profit/loss before financial income and expenses</b>		<b>26.524</b>	<b>3.867</b>
Income from investments in subsidiaries		11.319	-5.855
Financial income	5	2.279	26
Financial expenses	6	-419	-46.362
<b>Profit/loss before tax</b>		<b>39.703</b>	<b>-48.325</b>
Tax on profit/loss for the year	7	-6.510	4.265
<b>Net profit/loss for the year</b>	8	<b>33.193</b>	<b>-44.060</b>

## Balance Sheet 31 December

### Assets

	Note	2020 DKK'000	2019 DKK'000
Acquired licenses		-	55
<b>Intangible assets</b>	9	-	<b>55</b>
Land and buildings		27.801	29.153
Plant and machinery		530.768	545.506
Property, plant and equipment in progress		13.515	38.264
<b>Property, plant and equipment</b>	10	<b>572.084</b>	<b>612.923</b>
Investments in subsidiaries	11	13.477	-
Other investments	12	105	105
<b>Fixed asset investments</b>		<b>13.582</b>	<b>105</b>
<b>Fixed assets</b>		<b>585.666</b>	<b>613.083</b>
Raw materials and consumables		15.045	16.264
<b>Inventories</b>		<b>15.045</b>	<b>16.264</b>
Trade receivables		73.144	60.593
Receivables from group enterprises		1.978	4.540
Corporation tax		-	5.825
Other receivables		988	11.158
Prepayments		8.841	1.384
<b>Receivables</b>		<b>84.951</b>	<b>83.500</b>
<b>Cash at bank and in hand</b>		<b>295.065</b>	<b>258.151</b>
<b>Currents assets</b>		<b>395.061</b>	<b>357.915</b>
<b>Assets</b>		<b>980.727</b>	<b>970.998</b>



## Balance Sheet 31 December

### Liabilities and equity

	Note	2020 DKK'000	2019 DKK'000
Share capital		3.160	3.160
Reserve for revaluation		226.666	257.734
Retained earnings		408.787	344.526
Proposed dividend		-	-
<b>Equity</b>	13	<b>638.613</b>	<b>605.420</b>
Provision for deferred tax	14	58.288	63.984
Other provisions	15	163.126	166.701
<b>Provisions</b>		<b>221.414</b>	<b>230.685</b>
Trade payables		24.599	20.859
Payables to group enterprises		10.695	22.849
Corporation tax		3.344	-
Other payables		51.351	48.894
Deferred income	16	30.711	41.291
Prepayment		-	1.000
<b>Short-term debt</b>		<b>120.700</b>	<b>134.894</b>
<b>Debt</b>		<b>120.700</b>	<b>134.894</b>
<b>Liabilities and equity</b>		<b>980.727</b>	<b>970.998</b>
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Events after the balance sheet date	19		

## Statement of Changes in Equity

	Share capital <small>DKK'000</small>	Reserve for re-valuation <small>DKK'000</small>	Retained earnings <small>DKK'000</small>	Total <small>DKK'000</small>
Equity at 1 January	3.160	257.734	344.526	605.420
				-
Dissolution of previous years' revaluation	-	-31.068	31.068	-
Net profit/loss for the year	-	-	33.193	33.193
<b>Equity at 31 December</b>	<b>3.160</b>	<b>226.666</b>	<b>408.787</b>	<b>638.613</b>

# Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	287.834	271.355
Revenue, exports	128.055	106.561
	<b>415.889</b>	<b>377.916</b>
<b>Business segments</b>		
Sales income, waste treatment	368.648	326.495
Sales of heat	38.755	37.744
Sales of electricity	8.486	13.677
	<b>415.889</b>	<b>377.916</b>
<b>2 Other Operating income</b>		
Rent, income	332	315
Insurance compensation	-	8.040
Excise taxes regarding previous years	0	1.980
	<b>332</b>	<b>10.335</b>
<b>3 Staff expenses</b>		
Wages and salaries	88.886	84.210
Pensions	7.220	6.965
Other social security costs	1.071	1.189
	<b>97.177</b>	<b>92.364</b>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	2.641	2.183
Board of Directors	-	30
	<b>2.641</b>	<b>2.213</b>
<b>Average number of employess</b>	<b>170</b>	<b>165</b>
<b>4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	55	155
Depreciation of property, plant and equipment	66.401	66.340
Gain/loss from sale and retirement of assets	1.344	1.747
	<b>67.799</b>	<b>68.242</b>

## Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>5 Financial income</b>		
Interest received from group enterprises	10	20
Other financial income	2.269	6
	<b>2.279</b>	<b>26</b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	-	14
Other financial expenses	419	46.347
	<b>419</b>	<b>46.362</b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	11.942	9.003
Deferred tax adjustments in the year	-5.696	-19.606
Adjustment of tax concerning previous years	264	6.338
	<b>6.510</b>	<b>-4.265</b>
<b>8 Distribution of profit</b>		
Proposed distribution of profit		
Retained earnings	33.193	-44.060
	<b>33.193</b>	<b>-44.060</b>
<b>9 Intangible assets</b>		
<b>Acquired licenses</b>		
Cost at 1 January	11.713	13.637
Additions for the year	-	-
Disposals for the year	-	-1.924
Cost at 31 December	11.713	11.713
Impairment losses and amortisation at 1 Januar	11.659	13.324
Amortisation for the year	55	155
Reversal of impairment and depreciation of sold assets	-	-1.821
Impairment losses and amortisation at 31 December	11.713	11.658
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>55</b>

## Notes to the Financial Statements

### 10 Property, plant and equipment

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Property, plant and equipment in progress</u>	<u>Total</u>
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	128.998	1.232.638	38.264	1.399.900
Additions for the year	-	51.655	28.691	80.346
Disposals for the year	-	-2.046	-	-2.046
Transfers for the year	-	-	-53.440	-53.440
Cost at 31 December	<u>128.998</u>	<u>1.282.247</u>	<u>13.515</u>	<u>1.424.760</u>
Revaluations at 1 January	-	655.571	-	655.571
Revaluations at 31 December	-	<u>655.571</u>	-	<u>655.571</u>
Impairment losses and depreciation at 1 January	99.845	1.342.703	-	1.442.548
Depreciation for the year	1.352	65.049	-	66.401
Reversal of impairment and depreciation of sold assets	-0	-702	-	-702
Impairment losses and depreciation at 31 December	<u>101.197</u>	<u>1.407.050</u>	-	<u>1.508.247</u>
<b>Carrying amount at 31 December</b>	<u><b>27.801</b></u>	<u><b>530.768</b></u>	<u><b>13.515</b></u>	<u><b>572.084</b></u>
<b>Carrying amount if no revaluation had been made</b>	<u><b>27.801</b></u>	<u><b>240.171</b></u>	<u><b>13.515</b></u>	<u><b>281.487</b></u>

## Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>11 Investment in subsidiaries</b>		
Cost at 1 January	205.895	205.895
Disposals	-	-
Additions for the year	7.001	-
Transfers for the year	-	-
Cost at 31 December	<u>212.896</u>	<u>205.895</u>
Value adjustments at 1 January	-205.895	-204.883
Disposals	-	-
Net profit/loss for the year	11.319	-5.855
Impairment losses of the year	-4.843	4.843
Value adjustments at 31 December	<u>-199.419</u>	<u>-205.895</u>
<b>Carrying amount at 31 December</b>	<b><u>13.477</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	share capital	Votes and ownership	Result	Equity
Fortum Waste Solutions OW A/S	DK	601	100%	11.319	13.477

### 12 Other fixed asset investments

Cost at 1 January	<u>105</u>	<u>105</u>
<b>Cost at 31 December</b>	<b><u>105</u></b>	<b><u>105</u></b>
<b>Carrying amount at 31 December</b>	<b><u>105</u></b>	<b><u>105</u></b>

## Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>13 Equity</b>		
The share capital consists of 316 shares of a nominal value of DKK'000 10. No shares carry any special rights.		
<b>14 Deferred Tax</b>		
Deferred Tax at 1 January	63.984	83.590
Changes in deferred tax in income statement	-5.696	-19.606
<b>Deferred Tax at 31 December</b>	<b>58.288</b>	<b>63.984</b>
Fixed assets	97.913	106.474
Inventories	3.019	3.268
Provisions	-35.888	-36.674
Waste balance	-6.756	-9.084
<b>Deferred Tax at 31 December</b>	<b>58.288</b>	<b>63.984</b>
<b>15 Other provisions</b>		
Provisions at 31 December 2020 amount to kDKK 163,126 and constitute Management's judgement and assessment of anticipated costs for purification of Klintholm and Prøvestenen.		
Provision at 1 January	166.701	115.050
Additions for the year	-	10.143
Utilized in the year	-1.317	-1.296
Offset in present value	-2.258	42.804
Change in discount rate	-	-
<b>Other provisions at 31 December</b>	<b>163.126</b>	<b>166.701</b>
Provisions, total future payments:		
Within 1 year	1.317	1.317
Between 1 and 5 years	6.583	5.267
After 5 Years	155.226	160.117
	<b>163.126</b>	<b>166.701</b>
<b>16 Deferred income</b>		
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

### 17 Uncertainty relating to recognition and measurement

The company has a future obligation 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 and construction expenses. The valuation is upon the assumptions subject to estimates.

The company has an ongoing dialog with a business partner regarding the interpretation of a contract, which will lead to repayment of already recognized revenue. A claim has been raised for reimbursement of originally 75 mDKK. Based on the managements's assessment including information received after the original claim, the assesment of the claim is app. 43 mDKK, but based on calculations made using the company's own assumptions, with uncertainties, a provision of 34mDKK has been taken into account.

2020	2019
DKK'000	DKK'000

### 18 Contingent assets, liabilities and other financial obligations

#### Charges and security

Guarantees in insurance company have been put up as security vis-à-vis the Danish Environmental Agency	40.491	31.396
Guarantees in insurance company have been put up as security with rental liabilities; Prøvestenen and Klintholm	10.345	10.345

#### Rental and lease obligations

Lease obligations under operating leases. Total furture lease payments:		
Within 1 year	3.740	3.327
Between 1 and 5 years	7.842	6.929
After 5 Years	10.405	11.087
	<b>21.987</b>	<b>21.343</b>

#### Other contingent liabilites

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 pauments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company' liability.

The company has an ongoing dialog with a business partner regarding the interpretation of a contract, which will lead to repayment of already recognized revenue. A claim has been raised for reimbursement of originally 75 mDKK. Based on the managements's assessment including information received after the original claim, the assesment of the claim is app. 43 mDKK, but based on calculations made using the company's own assumptions, with uncertainties, a provision of 34mDKK has been taken into account.



# Notes to the Financial Statements

## 19 Related parties

### Controlling interest

Fortum Oyj (ultimate parent)  
Fortum Waste Solutions Oy (parent)

### Place of registered office

Espoo, Finland  
Riihimäki, Finland

### Transactions with related parties

There have been following transactions with related parties:

	<u>Parent</u>	<u>Subsidiary</u>	<u>Other Group Companies</u>
Revenue	880	9.420	10.031
Expenses for raw materials and consumables	-	-9.236	-6.129
Other external expenses	-4.913	-252	-3.145
Financial income/expenses	-4.888	-	1.492.133
	<u><b>-8.921</b></u>	<u><b>-69</b></u>	<u><b>1.492.891</b></u>

### Consolidated Financial Statements

Fortum Waste Solutions A/S and subsidiaries are included in the consolidated financial statements of Fortum Oyj, Finland.

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

<https://www.fortum.com/fortum-annual-review-2020>

## 20 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.

## **Notes, Accounting Policies**

### **Basis of Preparation**

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

There has been a changes in the recognition of Group costs from last year, where they were taken in as financial cost. These has been changed to Other external expenses. Comparison figures has been changed accordingly. The changes has no impact to result or equity.

There have been no other changes in the accounting principles from last year.

Financial Statements for 2020 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 recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised 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.

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 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.

## Segment information on revenue

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

## Income Statement

### 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 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 enterprise.

### Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, 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.

### **Amortisation, depreciation and impairment losses**

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

### **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 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 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 recognized 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 sub-suppliers up until the time when the asset is ready for use. Interests are not included in cost. Revaluation is based on regular assessment of fair value.

Other property, plant and equipment are measured at cost, added revaluation, 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 recognized 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 recognized at DKK 0. Any legal or constructive obliga-

## Notes, Accounting Policies

tion of the Parent Company to cover the negative balance of the enterprise is recognized 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.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums etc.

### 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.

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.

## Notes, Accounting Policies

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 recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

### 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

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.

## Financial Highlights

### Explanation of financial ratios

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