
Fortum Waste Solutions A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2021

CVR No 34 48 44 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17th of May 2022

Andreas Rudolf Ture
Tiedtke

Chairman



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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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 17th of May 2022

Executive Board

Jens Peter Rasmussen

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 01.01.2021 - 31.12.2021, 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 31-12-2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 and the IESBA Code. 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, 17-05-2022

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

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.
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:

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	407.915	415.889	377.916	352.386	351.863
Operating profit/loss	14.210	26.192	-6.468	27.412	-13
Profit/loss before financial income and expenses	19.490	26.524	3.867	28.706	5.118
Net financials	2.171	13.179	-52.191	-10.492	-10.517
Net profit/loss for the year	17.428	33.193	-44.060	12.242	-6.002
Balance sheet					
Balance sheet total	969.428	980.727	970.998	982.705	995.259
Equity	656.041	638.613	605.420	659.274	647.032
Investment in property, plant and equipment	29.813	28.691	51.221	21.399	18.636
Number of employees	166	170	165	157	159
Ratios					
Gross margin	45,7%	46,0%	45,4%	53,4%	45,8%
Profit margin	4,8%	6,4%	2,9%	9,9%	3,4%
Return on assets	2,0%	2,7%	1,1%	3,6%	1,2%
Solvency ratio	67,7%	65,1%	62,4%	67,1%	65,0%
Return on equity	2,7%	5,3%	-7,0%	1,9%	-0,9%

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 the market.

Development in the year

The income statement of the Company for 2021 shows a profit of DKK'000 17,428 and at 31 December 2021 the balance sheet of the Company shows equity of DKK'000 656,040.

Since some years now, the thermal treatment capacity in Europe has been 100% utilized. This applies to both Municipal Waste Incinerators as well as High Temperature Incinerations facilities. The effect on the market is higher treatment prices, which positively contributes to increased sales of our treatment capacity at the Nyborg site. The market situation we know today, will remain unchanged in 2022.

The availability at the plants (operating hours) during especially second half of 2021 was relatively poor, due to some unplanned outages. Especially a breakdown of incineration line F1, after changing the front wall of the kiln, resulted in low performance on availability (lost production) and missing energy sales. Especially the missing deliveries of district heating to the Municipality of Nyborg had a negative effect on the energy sales. These operational challenges in 2021 also resulted in unsatisfactory high maintenance cost, compared to the budget and former years maintenance cost.

Despite the operational challenges in 2021, the high electricity prices contributed positively to the energy sales, and compensates for the missing sales of district heating to the Municipality of Nyborg.

Reimbursement of DKK'000 51,879 in connection to a settlement with a business partner concerning the interpretation of a contract, led to a settlement in 2021. Provisions of DKK'000 48,907 was taken into account in previous years.

In 2021 stocks in subsidiary Fortum Waste Solutions OW was sold. The sales have a positive impact on this years result. Provisions for anticipated purifications regarding the sales have been reevaluated as these have been transferred to Fortum Waste Solutions A/S. Provisions on other current sites has been

Management's Review

reevaluated as well which impacts the income statement positively.

In 2021 a fire safety program was launched. Tank farm and storage facilities are to be upgraded to meet future legal requirements in regards to fire safety. The gaps are rather large and investments are needed. The fire safety program is coordinated in close cooperation with the competent authorities, and will be implemented during the coming years. The full overview of the investments needed are not available yet, but is expected to be in the range of 100 MDKK.

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 from sales of treatment capacity increased. Service sales also increased slightly compared to 2020 result, and the tank cleaning services and facility services are well incorporated in our setup and service portfolio.

In 2021 we have cooperated with our Scandinavian colleagues on developing new soil treatment technology, based on soil washing, designed to match the demand in the remediation of the Groyne 42 pollution. Pilot tests has been finalized successfully, and Fortum has now qualified for the upcoming tender for the remediation of Groyne 42. The pilot plan itself has been moved to Sweden, to be operated commercially in the Swedish market.

On variable cost side, the purchase of power and fuels was on a higher level, due to the increase in power prices in general worldwide due to shortages and global supply. In total the variable cost was DKK' 12.727. higher than last year.

The total staff costs have increased with DKK' 4,573 compared to last year, mainly driven by wages, which is in line with the expectations.

This has resulted in a positive operational profit of DKK' 14,210, which is DKK' 11,982 lower than last year, with the note that the surge in energy prices is the main reason.

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.

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 2021 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 and 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 greenhouse gases

Our business plans covers the activities, which are to mitigate the foreseen market changes. The plans involves the following initiatives:

- Implementation of a new key customer management model – ensuring our service offerings are meeting today's and future demands of our clients, and that we keep being relevant for our clients
- Waste flow optimization – to maximize utilization of the assets and at the same time ensuring the inventories are at an optimized level, for the benefit of our clients and our production
- Launching Waste to Material program – decarbonizing our Nyborg plant potentially combined with the decarbonization of other Waste to Energy plants, and thereby closing the loop for carbon binding it to materials.

Management's Review

Targets and expectations for the year ahead

In 2022 we will continue focusing on the following issues:

- Preventive safety work to be adjusted and further focused, with the aim of reducing injuries and improving safe working environment
- Fire safety program to be continued and developed further in accordance with demands from authorities
- Increased customer focus with implementation of a new key customer management model, which shall improve customer orientation further and be measured on increased customer satisfaction
- Continue the path of changing incineration residues into products that can be recycled, which includes CO₂ capture and utilization
- Implementation of new treatment capacity for salty waste water and contaminated soil from Groyne 42.

Data Ethics

Fortum Waste Solutions A/S does not have a designated data ethics policy in place.

However, despite not having a local policy in place regarding data ethics specifically, Fortum has several other group-level policies and instructions that cover the subject of data ethics to some extent. In relation to protecting personal data, Fortum holds itself to the highest standards. Respecting privacy is a fundamental value for Fortum as a trustworthy and ethical company, as well as a responsible and ethical corporate citizen. Our commitments regarding personal data processing are described in our privacy notice and in a group-wide privacy policy, which are available on our website. Moreover, in our Code of Conduct we have committed to conduct all our business legally and ethically, and in accordance with practices related to good corporate governance. Fortum protects all business assets, including all information and data that we hold, with sufficient security and cybersecurity measures and all employees are expected to follow our security and IT guidelines. Commitment to similar security and ethical business principles is also required from all of our suppliers via our Supplier Code of Conduct.

Fortum Waste Solutions A/S collects various types of data in its operations. All personal data is processed in accordance with Fortum's group wide privacy policy. Non-personal data about our operations is collected and processed in order to support our business, but the key operations of Fortum Waste Solutions A/S are not based on or heavily relying on the collected data or utilization thereof. Majority of the collected non-personal data concerns waste related statistics provided to our customers, or metrics that are necessary to monitor in order to operate and control the waste treatment facility. Therefore, Fortum has concluded that our existing group-level principles regarding personal data and the general commitment to comply with all applicable laws and regulations in all of our activities, including in the processing of industrial data, have been sufficient also in relation to the ethical considerations which must be taken into account when algorithmic decision making, data or new technologies are used. However, we recognize the importance of the data ethics, and Fortum is assessing the need for having a separate, group wide data ethics policy in the future in compliance with the contemplated EU regulation regarding the subject.

Management's Review

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.

Events after the balance sheet date

In April 2022 the Danish government has proposed a bill for carbon dioxide taxation based on emissions. The proposal has not been passed and the effects on Fortum Waste Solutions A/S remains unclear.

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 2021, 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.

Management's Review

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 2021, the R&W Management Team of Fortum Waste Solutions A/S consists of 8 individuals of which two (25%) are female managers and six (75%) 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	2021 DKK'000	2020 DKK'000
Revenue	1	407.915	415.889
Other operating income	2	5.280	332
Expenses for raw materials and consumables		-107.161	-94.434
Other external expenses		-119.624	-130.287
Gross profit/loss		186.410	191.500
Staff expenses	3	-101.750	-97.177
Depreciations	4	-65.170	-67.799
Profit/loss before financial income and expenses		19.490	26.524
Income from investments in subsidiaries		48	11.319
Financial income	5	2.198	2.279
Financial expenses	6	-75	-419
Profit/loss before tax		21.661	39.703
Tax on profit/loss for the year	7	-4.233	-6.510
Net profit/loss for the year	8	17.428	33.193

Balance Sheet 31 December

Assets

	Note	2021 DKK'000	2020 DKK'000
Acquired licenses		-	-
Intangible assets	9	-	-
Land and buildings		30.234	27.801
Plant and machinery		485.708	530.768
Property, plant and equipment in progress		20.784	13.515
Property, plant and equipment	10	536.726	572.084
Investments in subsidiaries	11	-	13.477
Other investments	12	105	105
Fixed asset investments		105	13.582
Fixed assets		536.831	585.666
Raw materials and consumables		12.010	15.045
Inventories		12.010	15.045
Trade receivables		44.365	73.144
Receivables from group enterprises		17.633	1.978
Other receivables		66	988
Prepayments	13	5.746	8.841
Receivables		67.810	84.951
Cash at bank and in hand		352.777	295.065
Currents assets		432.597	395.061
Assets		969.428	980.727

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK'000	2020 DKK'000
Share capital		3.160	3.160
Reserve for revaluation		199.242	226.666
Retained earnings		453.639	408.787
Equity	14	656.041	638.613
Provision for deferred tax	15	50.341	58.288
Other provisions	16	162.802	163.126
Provisions		213.143	221.414
Trade payables		29.780	24.599
Payables to group enterprises		5.220	10.695
Corporation tax		3.783	3.344
Other payables		35.870	51.351
Deferred income	17	25.591	30.711
Short-term debt		100.244	120.700
Debt		100.244	120.700
Liabilities and equity		969.428	980.727
Uncertainty relating to recognition and measurement	18		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Events after the balance sheet date	21		

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	3.160	226.666	408.787	638.613
				-
Dissolution of previous years' revaluation	-	-27.424	27.424	-
Net profit/loss for the year	-	-	17.428	17.428
Equity at 31 December	3.160	199.242	453.639	656.041

Notes to the Financial Statements

	2021 DKK'000	2020 DKK'000
1 Revenue		
Geographical segments		
Revenue, Denmark	269.471	287.834
Revenue, exports	138.444	128.055
	<u>407.915</u>	<u>415.889</u>
Business segments		
Sales income, waste treatment	347.793	368.648
Sales of heat	32.483	38.755
Sales of electricity	27.639	8.486
	<u>407.915</u>	<u>415.889</u>
2 Other Operating income		
Rent, income	334	332
Sales of shares in subsidiaries	2.226	-
Research and development grants	2.721	-
	<u>5.280</u>	<u>332</u>
3 Staff expenses		
Wages and salaries	93.007	88.886
Pensions	7.467	7.220
Other social security costs	1.276	1.071
	<u>101.750</u>	<u>97.177</u>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	3.297	2.641
	<u>3.297</u>	<u>2.641</u>
Average number of employess	<u>166</u>	<u>170</u>
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	-	55
Depreciation of property, plant and equipment	65.170	66.401
Gain/loss from sale and retirement of assets	-	1.343
	<u>65.170</u>	<u>67.799</u>

Notes to the Financial Statements

	2021 DKK'000	2020 DKK'000
5 Financial income		
Interest received from group enterprises	-	10
Other financial income	2.198	2.269
	<u>2.198</u>	<u>2.279</u>
6 Financial expenses		
Other financial expenses	75	419
	<u>75</u>	<u>419</u>
7 Tax on profit/loss for the year		
Current tax for the year	12.180	11.942
Deferred tax adjustments in the year	-7.947	-5.696
Adjustment of tax concerning previous years	-	264
	<u>4.233</u>	<u>6.510</u>
8 Distribution of profit		
Proposed distribution of profit		
Retained earnings	17.428	33.193
	<u>17.428</u>	<u>33.193</u>
9 Intangible assets		
Acquired licenses		
Cost at 1 January	11.713	11.713
Additions for the year	-	-
Disposals for the year	-	-
Cost at 31 December	<u>11.713</u>	<u>11.713</u>
Impairment losses and amortisation at 1 Januar	11.713	11.658
Amortisation for the year	-	55
Reversal of impairment and depreciation of sold assets	-	-
Impairment losses and amortisation at 31 December	<u>11.713</u>	<u>11.713</u>
Carrying amount at 31 December	<u>-</u>	<u>-</u>

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	1.282.247	13.515	1.424.760
Additions for the year	3.940	18.604	37.995	60.539
Disposals for the year	-	-	-8.182	-8.182
Transfers for the year	-	-	-22.544	-22.544
Cost at 31 December	<u>132.937</u>	<u>1.300.851</u>	<u>20.784</u>	<u>1.454.573</u>
Revaluations at 1 January	-	655.571	-	655.571
Revaluations at 31 December	-	655.571	-	655.571
Impairment losses and depreciation at 1 January	101.197	1.407.050	-	1.508.247
Depreciation for the year	1.506	63.665	-	65.170
Reversal of impairment and depreciation of sold assets	-	-	-	-
Impairment losses and depreciation at 31 December	<u>102.703</u>	<u>1.470.714</u>	<u>-</u>	<u>1.573.417</u>
Carrying amount at 31 December	<u>30.234</u>	<u>485.708</u>	<u>20.784</u>	<u>536.726</u>
Carrying amount if no revaluation had been made	<u>30.234</u>	<u>230.269</u>	<u>20.784</u>	<u>281.288</u>

Notes to the Financial Statements

	2021 DKK'000	2020 DKK'000
11 Investment in subsidiaries		
Cost at 1 January	212.896	205.895
Disposals	-212.896	-
Additions for the year	-	7.001
Transfers for the year	-	-
Cost at 31 December	<u>-</u>	<u>212.896</u>
Value adjustments at 1 January	-199.419	-205.895
Disposals	199.419	-
Net profit/loss for the year	-	11.319
Impairment losses of the year	-	-4.843
Value adjustments at 31 December	<u>-</u>	<u>-199.419</u>
Carrying amount at 31 December	<u>-</u>	<u>13.477</u>

Investments in subsidiaries are specified as follows:

Fortum Waste Solutions OW A/S, Denmark. The total share capital is sold in 2021.

12 Other fixed asset investments

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

13 Prepayments

Prepayment consist of prepaid costs related to subsequent financial years

Notes to the Financial Statements

14 Equity

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

15 Deferred Tax

	2021	2020
	DKK'000	DKK'000
Deferred Tax at 1 January	58.288	63.984
Changes in deferred tax in income statement	-7.947	-5.696
Deferred Tax at 31 December	50.341	58.288
Fixed assets	89.453	97.913
Inventories	2.335	3.019
Provisions	-35.816	-35.888
Waste balance	-5.630	-6.756
Deferred Tax at 31 December	50.341	58.288

16 Other provisions

Provisions at 31 December 2021 amount to kDKK 162,802 and constitute Management's judgement and assessment of anticipated costs for purification of Klintholm, Esbjerg, Århus and Prøvestenen.

Provision at 1 January	163.126	166.701
Additions for the year	13.190	-
Utilized in the year	-11.317	-1.317
Offset in present value	-2.198	-2.258
Change in discount rate	-	-
Other provisions at 31 December	162.802	163.126
Provisions, total future payments:		
Within 1 year	1.317	1.317
Between 1 and 5 years	6.583	6.583
After 5 Years	154.901	155.226
	162.802	163.126

17 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

18 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.

	<u>2021</u> DKK'000	<u>2020</u> DKK'000
19 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	36.280	40.491
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 future lease payments:		
Within 1 year	4.161	3.740
Between 1 and 5 years	9.885	7.842
After 5 Years	7.880	10.405
	<u>21.927</u>	<u>21.987</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.

Notes to the Financial Statements

20 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:

	Parent	Subsidiary	Other Group Companies
Revenue	2.280	2.287	11.312
Sales of equipment and materials			8.304
Expenses for raw materials and consumables	-	-2.202	-421
Other external expenses	-13.599	-100	-27.017
Financial income/expenses	7	-	-
	-11.312	-14	-7.822

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/about-us/investors/reports-and-presentations/fortum-annual-review-2021>

21 Events after the balance sheet date

In April 2022 the Danish government has proposed a bill for carbon dioxide taxation based on emissions. The proposal has not been passed and the effects on Fortum Waste Solutions A/S remains unclear.

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.

On 24 February 2022, Russia started an invasion into Ukraine. As a consequence, the US, the EU and the UK amongst others have imposed sanctions targeting Russia's ability to access capital and financial markets, sanctioning banks as well as trading in general. The Company has not been impacted by these events as it does not have direct business relations with Russia.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Fortum Waste Solutions A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

Financial Statements for 2021 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 subsuppliers 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

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Date: 2022-05-11 11:35:22

Andreas Tiedtke

Andreas Tiedtke

Date: 2022-05-15 20:48:05

Marjo Keranen

Marjo Keranen

Date: 2022-05-11 10:26:46

Jens Rasmussen

Jens Rasmussen

Date: 2022-05-17 14:11:33

On behalf of Fortum Waste Solutions A/S

Inge-Lise Ubbesen Andersen

Inge-Lise Ubbesen Andersen

Date: 2022-05-18 08:22:03

Allan Rasmussen

Allan Rasmussen