
Fortum Waste Solutions A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2023

CVR No 34 48 44 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25th of March 2024

Timo Juhani Piispa

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 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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, 25th of March 2024

Executive Board

Jens Peter Rasmussen

Board of Directors

Timo Juhani Piispa
Chairman

Jens Peter Rasmussen

Jussi Olavi Uskola

Claus Hinrichsen
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 01.01.2023 - 31.12.2023, 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, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical 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, 25-03-2024

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

Timo Juhani Piispa, Chairman
Jens Peter Rasmussen
Jussi Olavi Uskola
Claus Hinrichsen
Allan Rasmussen

Executive Board

Jens Peter Rasmussen, CEO

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:

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	462.454	477.001	407.915	415.889	377.916
Operating profit/loss	28.056	26.659	14.210	26.192	-6.468
Profit/loss before financial income and expenses	45.833	27.342	19.490	26.524	3.867
Net financials	16.923	51.824	2.171	13.179	-52.191
Net profit/loss for the year	48.999	62.452	17.428	33.193	-44.060
Balance sheet					
Balance sheet total	1.011.979	983.223	969.428	980.727	970.998
Equity	767.492	718.493	656.041	638.613	605.420
Investment in property, plant and equipment	75.247	50.358	29.813	28.691	51.221
Number of employees	171	168	166	170	165
Key figures ÅRL §99d					
Board of directors	3	3	3	3	3
Board of directors under represented gender	0	1	1	1	1
Other management	4	6	8	8	12
Other management under represented gender	1	1	2	3	4
Target for composition for board of directors %	22	22	22	22	22
Target for composition for other management %	22	22	22	22	22
Target year for completion for board of directors	2027				
Target year for completion for other management	2023				
Ratios					
Gross margin	47,4%	41,6%	45,7%	46,0%	45,4%
Profit margin	9,9%	5,7%	4,8%	6,4%	2,9%
Return on assets	4,5%	2,8%	2,0%	2,7%	1,1%
Solvency ratio	75,8%	73,1%	67,7%	65,1%	62,4%
Return on equity	6,6%	9,1%	2,7%	5,3%	-7,0%

Management's Review

Main activity and business model

Fortum Waste Solutions A/S detoxifies and convert hazardous industrial waste to energy, at the high-temperature incineration plant in Nyborg, Denmark. The company is the source for approximately 85% of the local district heating demand in Nyborg and supplies the public grid with a significant amount of electricity.

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.

Fortum Waste Solutions A/S expects to be able to capture its entire annual CO₂ emission of some 160,000 tonnes by 2030, and thereby contributing to 38% of Nyborg municipality's climate reduction target.

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 2023 shows a profit of DKK'000 48,999 and at 31 December 2023 the balance sheet of the Company shows equity of DKK'000 767,492.

10th of January 2023, an incident occurred on rotary kiln F4 causing a breakdown of the kiln. Further investigations of the kiln revealed severe damages on the boiler leading to 10 weeks outage. Total cost, including business interruption loss, missing heat sales and repair cost, was in the range of 60 MDKK.

During the attempt to melt down a major slag build up in the secondary combustion chamber (SCC), the slag formation was weakened and causing a large piece to fall off. Large amount of slag instantly entered into the slag bath, and resulted in a steam creation with rapid pressure increase inside the boiler, and ultimately causing the boiler to break.

Contributing factors to the slag crash:

- There has been an increase in ash content in the solvents in the time period prior the event, which are injected in the front of the kiln, resulting in slag build up in the SCC.
- The SCC section has not been easy to inspect, hence difficult to estimate actual size of slag/ need of de-slagging.
- There has not been any good solutions available to de-slag the exposed area.
- Decision to de-slag with high temperature was based on a successfully executed time one Month earlier.

Management's Review

- Temperature sensor broke, resulting in a much higher temperature than planned in SCC for a short period of time.
- The boiler does not have a pressure relief hatch or similar functionality.

Main learnings from the slag crash:

- It is critical to keep track of the slag situation on a continuous basis.
- A new mobile camera for inspection inside the process has been acquired. Inspection to be carried out every 2 weeks to be able to mitigate large build-ups
- Melting as a de-slagging method is not possible to keep as a “controlled method” with large quantities of slag.
- Ash content in solvents will continue to have an impact and is difficult to steer. Focus on being able to manage the situation, rather than limit waste inflow.

Discussions with the insurance company concerning compensation is on-going, but a down payment of 11,2 MDKK is made within 2023. The estimated impact on this years results in loss of income due to lost treatment, heat sales and penalty to the district heating supplier, is 38,4 MDKK before taxes, which is assumed by management and reported to the insurance company. 11,2 MDKK in preliminary insurance compensation has already been received thus netting the total remaining claim for the business interruption to 27,2 MDKK in expected impact in this years result.

Despite the operational challenges in Q1 2023, right prioritization of waste inflow and treatment, combined with good availability in Q2 to Q4, resulted in Operations to meet the year 2023 target for quantity being processed/treated.

Fire safety program

In 2023 the fire safety program was continued and is following the implementation plan. 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 implementation will be on-going during the coming years. The full overview of the investments needed are not available yet, but is expected to be in the range of 150 MDKK.

Groyne 42

In 2023 Fortum qualified to participate in the tender for the remediation of Groyne 42 (old landfill site), after having developed a soil treatment technology, that has been proving its capabilities in pilot tests. Two other companies also participated in the tender process, which after evaluation of the submitted offers, were cancelled and postponed. The argument from Region Midtjylland to postpone the tender was the inflation cost, which made the project impossible to complete within the financial frames of the project. Region Midtjylland has now secured the funding from the Danish Parliament, in order to ensure that the project can be completed in an environmentally and financially viable way. The tender was lost to a competitor in early 2024. It is however the expectation that the technology can be used for other remediation projects in the future.

Management's Review

Safety

The safety performance in 2023 was not satisfying.

The Safety Index, which represents a leading safety indicator reached 94% in 2023, - significantly lower than in 2022 which reached 99%.

The lagging safety indicator LTIF (Lost Time Incident Frequency) was 21,3 and much above the target LTIF at 4,5. There were many accidents on site in 2023, which show that we are rather far from achieving the target of having no severe accidents by 2025.

As safety remain a top priority the safety program is undergoing an overhaul which includes: Improvement of working instructions, face to face safety training and task oriented education plans, which are being implemented in co-operation with the members of the workers safety counsel.

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

The incineration capacity for hazardous waste in the European countries is close to being fully utilized. Overall, hazardous incineration plants across the European countries have an average utilization rate of approximately 80-90 per cent. There are also regular WtE plants which are permitted to incinerate some types and a limited amount of hazardous waste. The technological standard of high temperature incineration plants for hazardous waste treatment is similar across the European countries as most of the plants have installed rotary kilns and the facilities in general must meet the same environmental standards prescribed by EU legislation (Industrial Emission Directive) ensuring an equal playing field in the sector.

Most European hazardous waste incineration plants are close to being 30 years old and thus have a business model which assumes that the plants are depreciated. Historically, these high temperature incineration plants were established to provide treatment services for domestic waste in a local or regional catchment area.

In general, new investments in this CAPEX intensive sector are met with caution. Very few investments into new incineration capacities are taking place, with only one new facility in Germany and one in Finland being constructed. In the future (10-15 years), the existing facilities will likely require investments to become more modernized. Modernization will also be driven by increased emission requirements based on the implementation of the BREF document and on measures to reduce CO₂ emissions by establishing facilities for CO₂ capture.

The market for hazardous waste treatment in Europe is primarily market-driven. Due to the already utilized capacities and caution with investments, prices (gate fees) are generally expected to rise in the coming years, which will generate a greater return on the invested capital. The tendency towards higher prices will be accentuated by increases in facility costs as the sector is expected to be included in national CO₂ taxation or emission trading schemes (ETS). Germany, for instance, will introduce the national ETS scheme for the waste incineration sector from 2024, including hazardous waste incineration.

The market outlook for 2024 is a little concerning, as the economy in Europe is slowing down. This could

Management's Review

potentially lead to overcapacity at the European incineration plants, and as a consequence we potentially could experience a pressure on the treatment prices in 2024.

The domestic market of hazardous waste suitable for high temperature incineration is relative stable, which results in a stable inflow of waste in 2023 compared to 2022. The international waste is an important part of the business, not only to fill up the treatment capacity, but also to ensure the proper waste mix in order to detoxify the domestic waste streams. The ratio between domestic and international waste in 2023 was: 55% from Denmark and 45% from international markets.

The expectation to the results of 2023 was lower than 2022 due to some changes in the operational environment. Revenue was expected to drop to DKK'000 445.000 mainly due to lower electricity prices.

Despite the incident in rotary kiln F4 which impacted this year's result by negative 27,2 MDKK including the insurance compensation, the revenue has surpassed expectations due to an increase of DKK'000 37.033 in waste treatment. Resulting in a higher gross profit and loss compared to both expectations and last years result.

Operating profit before financial income was expected to be level with 2022 at DKK'000 28.000. The result is higher due to higher revenue and change in provisions related to Prøvestenen in Copenhagen of DKK'000 17.984, as the premises has been sold and the provision liability of remediations of the sites has been dissolved..

Financial impact was expected to be around DKK'000 1 and therefore earnings before taxes was expected to be DKK'000 27.000. Due to the increase in interest rates the financial impact has exceeded expectations.

The result of the year is satisfying noting the special circumstances that has occurred during the year.

Ownership

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:

- Changes in legislation
- Operating risks
- Environmental risks
- Financial risks

A green tax reform was introduced and agreed upon in the Danish Parliament in 2022. The tax reform should regulate the Danish industry in connection to CO₂ emissions. By 2030 a tax of 750 DKK/ton CO₂ emitted will kick in, gradually phased in starting 2025 with 350 DKK/ton. Some energy taxes will be reduced to partly compensate for the increased CO₂-tax, but this is not assumed to have much positive impact on Fortum. A special provision refers to the Fortum situation: Critical functions in connection to district heating supply shall be monitored and assessed in 2023.

Legislation suggestion has been published in February in 2024 and is under treatment, hearing and approval processes until it is expected to be passed in June. The impact for Fortum Waste Solutions A/S is expected to be an increase of 15-20 MDKK in taxes from 2025 and onwards. Whilst the amounts are not insignificant, it is the expectations that the added costs can be recovered by the waste treatment fees.

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 2023 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 only made in EUR. 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

Fortum Waste Solutions A/S strategy is executed in 3 waves, and covers the period from 2024 to 2030.

1. Optimize existing business

- Improve in safety and working environment
- Improve operational excellence and upgrade installations and processes
- Piloting Carbon Capture

2. Growth

- Implementation of new technologies for water and soil treatment, to support and grow the business
- Commercialize valuable resources from the waste and own incineration residues
- Maturing Carbon Capture and kick-off full scale Carbon Capture plant

3. Implement new business model

- Build new business model with point of departure in converting captured carbon into products
- Securing circularity in incineration residues

Targets and expectations for the years ahead

In 2024 we will continue focusing on the following issues:

- Execution of SafetyCORE program, focusing on employee and subcontractor engaging more actively in the preventive safety work, which will include training and more active involvement of working environmental representatives.
- Ensuring viable solutions are in place for our incineration residues.
- Start implementation of identified operational excellence projects, including the continued upgrading of installations.
- Review storage/inventory strategy.
- Executing first CO₂ capture pilot in Nyborg and defining next CCUS steps
- Retaining and attracting critical competences

Management's Review

The expectation to the results of 2024 is on lower compared to 2023. Revenue is expected to increase slightly due to more capacity to around DKK'000 478.000 as treatment was lost in 2023 with the slag incident. But as the divestment of Prøvestenen contributed positively, which will not reoccur in 2024, the increase in revenue is not expected to match the transaction in 2023. Costs are expected to be on level, thus resulting in an expected result before interest and taxes of about DKK'000 35.000.

As noted in the risk segment of managements review, the impact of changes in the CO2 taxes could heavily impact the business from 2025 and onwards.

The impact for Fortum Waste Solutions A/S is expected to be an increase of 15-20 MDKK in taxes from 2025 and onwards. Whilst the amounts are not insignificant, it is the expectations that the added costs can be recovered by the waste treatment fees.

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

No events has occurred after the balance sheet date which would influence the evaluation of this annual report.

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, which is available for download at:

<https://www.fortum.com/sustainability>

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.

Management's Review

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

Fortum Waste Solutions A/S's Board of Directors comprises members, of which three (all male) are selected by the shareholders.

In 2023, the R&W Management Team of Fortum Waste Solutions A/S consists of 4 individuals of which one (25%) is a female manager, and three (75%) are male managers, which is higher than the gender composition in the company in general.

Diversity is a strength that contribute positively to the company's development, resilience and fulfillment of established strategies and makes Fortum a better place to work. That is why we value the diversity of people and give diversity a high priority. We work actively to create an inclusive culture where the individual employee's differences are respected, exploited and valued.

Fortum must be an attractive workplace for all genders. We strive for equal opportunities for everyone to make a career and to achieve and hold management positions, corresponding to the individual's level of competence. We will actively work for a real increase in the number of women at all levels of the company's management. Fortum will therefore aim for the gender distribution at management level and the board to reflect the general gender distribution in the company, which in 2023 corresponds to 22%.

We expect that in the course of the next 5 years there will be such an adjustment of the gender distribution at management levels and on the board.

In 2023, adjustments were made to the composition of the board, as a female member of the board wanted to resign for personal reasons. In the multiplication of the new board, female potential candidates for the board were encouraged to apply for the vacant board positions. However, none of these candidates ended up applying for admission to the board, which is why the current board consists exclusively of male members.

General initiatives which must support the goal of a changed gender distribution.

Recruitment:

- 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.

All job advertisements communicate that we want to promote diversity. This is by explicitly stating that we encourage all qualified candidates to apply regardless of gender, race, age, sexuality, religion or ethnicity.

Management's Review

Career development:

- All employees are offered personal development interviews and development courses to promote equal opportunities for all employees
- The work to develop the organization includes a conscious focus on promoting diversity in general – including a balance between the sexes.

Education and skills development:

- Management training in Fortum must be attractive to all genders.
- Courses and continuing education are offered based on individual needs, to promote equal opportunities for all employees.

Forms of employment:

- We aim to provide the opportunity for flexibility in employment, by, among other things, providing the opportunity to adjust working hours taking into account age and working ability.

Systematic well-being measurements:

- We carry out annual well-being measurements to ensure knowledge for continued development of a positive company culture and productivity for all employees
- We analyze well-being data from various relevant perspectives. Including analysis of divergence in men's and women's well-being and engagement in leadership positions. This forms the basis for managerial initiatives to promote increased gender equality.

Management's Review

Report on *Data Ethics* cf. Section 99 d of the Danish Financial Statements Act

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. Fortum does not use data to track movements or consumer preferences of any private individuals, nor do Fortum use machine learning, AI or similar to profile customers, employees or other private individuals.

Income Statement 1 January – 31 December

	Note	2023 DKK'000	2022 DKK'000
Revenue	1	462.454	477.001
Other operating income	2	17.777	683
Expenses for raw materials and consumables		-130.047	-152.451
Other external expenses		-130.841	-126.904
Gross profit/loss		219.343	198.329
Staff expenses	3	-106.150	-103.836
Depreciations	4	-67.360	-67.151
Profit/loss before financial income and expenses		45.833	27.342
Financial income	5	17.263	52.284
Financial expenses	6	-340	-460
Profit/loss before tax		62.756	79.166
Tax on profit/loss for the year	7	-13.757	-16.714
Net profit/loss for the year	8	48.999	62.452

Balance Sheet 31 December

Assets

	Note	2023 DKK'000	2022 DKK'000
Land and buildings		49.387	32.126
Plant and machinery		449.621	462.162
Property, plant and equipment in progress		28.813	25.646
Property, plant and equipment	9	527.821	519.934
Other investments	10	105	105
Fixed asset investments		105	105
Fixed assets		527.926	520.039
Raw materials and consumables		18.069	14.347
Inventories		18.069	14.347
Trade receivables		59.768	48.372
Receivables from group enterprises		156.210	2.593
Other receivables		4.243	2.381
Prepayments	11	13.544	13.172
Receivables		233.765	66.518
Cash at bank and in hand		232.219	382.319
Currents assets		484.053	463.184
Assets		1.011.979	983.223

Balance Sheet 31 December

Liabilities and equity

	Note	2023 DKK'000	2022 DKK'000
Share capital		3.160	3.160
Reserve for revaluation		149.505	174.141
Retained earnings		364.827	541.192
Proposed dividend		250.000	-
Equity	12	767.492	718.493
Provision for deferred tax	13	56.486	57.147
Other provisions	14	74.521	99.131
Provisions		131.007	156.278
Trade payables		45.149	45.422
Payables to group enterprises		7.406	8.682
Corporation tax		14.082	156
Other payables		27.676	27.524
Deferred income	15	19.167	26.668
Short-term debt		113.480	108.452
Debt		113.480	108.452
Liabilities and equity		1.011.979	983.223

Uncertainty relating to recognition and measurement	16
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	Reserve for re- valuation	Retained earnings	Proposed dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	3.160	174.141	541.192	-	718.493
					-
Dissolution of previous years' revaluation	-	-24.636	24.636	-	-
Net profit/loss for the year	-	-	-201.001	250.000	48.999
Equity at 31 December	3.160	149.505	364.827	250.000	767.492

Notes to the Financial Statements

	<u>2023</u> DKK'000	<u>2022</u> DKK'000
1 Revenue		
Geographical segments		
Revenue, Denmark	322.160	335.227
Revenue, exports	<u>140.294</u>	<u>141.774</u>
	<u>462.454</u>	<u>477.001</u>
Business segments		
Sales income, waste treatment	401.772	364.739
Sales of heat	29.957	30.532
Sales of electricity	<u>30.725</u>	<u>81.730</u>
	<u>462.454</u>	<u>477.001</u>
2 Other Operating income		
Rent, income	2.352	422
Research and development grants	4.240	-
Expropriation compensation	-	230
Insurance reimbursements	<u>11.185</u>	<u>31</u>
	<u>17.777</u>	<u>683</u>
3 Staff expenses		
Wages and salaries	95.770	94.468
Pensions	9.056	8.040
Other social security costs	<u>1.324</u>	<u>1.328</u>
	<u>106.150</u>	<u>103.836</u>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	-	-
Board of Directors	-	2.646
Board of Directors & Executive Board	<u>1.704</u>	<u>-</u>
	<u>1.704</u>	<u>2.646</u>
With reference to ÅRL 98b, stk. 3, remuneration the the Executive Board and Board of Directors is combined for 2023		
Average number of employess	<u>171</u>	<u>168</u>

Notes to the Financial Statements

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	67.360	63.977
Gain/loss from sale and retirement of assets	-	3.174
	67.360	67.151

2023	2022
DKK'000	DKK'000

5 Financial income

Interest received from group enterprises	11.950	1.334
Other financial income	5.313	50.950
	17.263	52.284

6 Financial expenses

Other financial expenses paid to group enterprises	336	459
Other financial expenses	4	1
	340	460

7 Tax on profit/loss for the year

Current tax for the year	12.638	10.502
Deferred tax adjustments in the year	1.119	6.807
Adjustment of tax concerning previous years	-	-595
	13.757	16.714

8 Distribution of profit

Proposed distribution of profit		
Proposed dividend	250.000	-
Retained earnings	-201.001	62.452
	48.999	62.452

Notes to the Financial Statements

9 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	136.041	1.339.712	25.646	1.501.399
Additions for the year	19.267	52.813	75.247	147.327
Disposals for the year	-	-	-	-
Transfers for the year	-	-	-72.080	-72.080
Cost at 31 December	<u>155.308</u>	<u>1.392.525</u>	<u>28.813</u>	<u>1.576.646</u>
Revaluations at 1 January	-	655.571	-	655.571
Revaluations at 31 December	-	655.571	-	655.571
Impairment losses and depreciation at 1 January	103.915	1.533.121	-	1.637.036
Depreciation for the year	2.006	65.354	-	67.360
Transfers for the year	-	-	-	-
Reversal of impairment and depreciation of sold assets	-	-	-	-
Impairment losses and depreciation at 31 December	<u>105.921</u>	<u>1.598.475</u>	<u>-</u>	<u>1.704.396</u>
Carrying amount at 31 December	<u>49.387</u>	<u>449.621</u>	<u>28.813</u>	<u>527.821</u>
Carrying amount if no revaluation had been made	<u>49.387</u>	<u>257.948</u>	<u>28.813</u>	<u>336.148</u>

Notes to the Financial Statements

	<u>2023</u> DKK'000	<u>2022</u> DKK'000
10 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>

11 Prepayments

Prepayment consist of prepaid costs related to subsequent financial years

12 Equity

The share capital consists of 316 shares of a nominal value of DKK'000

10. No shares carry any special rights.

Notes to the Financial Statements

13 Deferred Tax	2023	2022
	DKK'000	DKK'000
Deferred Tax at 1 January	57.147	50.341
Changes in deferred tax in income statement	1.119	6.806
Deferred Tax at 31 December	58.266	57.147
Fixed assets	75.244	81.992
Inventories	3.634	2.831
Provisions	-16.395	-21.809
Waste balance	-4.217	-5.867
Deferred Tax at 31 December	58.266	57.147

14 Other provisions

Provisions at 31 December 2023 amount to kDKK 74,521 and constitute Management's judgement and assessment of anticipated costs for purification of Klintholm. Provisions at December 2022 included Prøvestenen.

Provision at 1 January	99.131	162.803
Additions for the year	-	-
Utilized in the year	-19.301	-12.722
Offset in present value	-5.309	-50.950
Other provisions at 31 December	74.521	99.131
Provisions, total future payments:		
Within 1 year	1.317	1.317
Between 1 and 5 years	6.583	6.583
After 5 Years	66.621	91.230
	74.521	99.130

15 Deferred income

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

16 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.

	2023 DKK'000	2022 DKK'000
17 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	30.130	30.386
Guarantees in insurance company have been put up as security with rental liabilities; Prøvestenen and Klintholm	9.995	10.345
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4.547	3.646
Between 1 and 5 years	14.266	11.299
After 5 Years	5.715	6.463
	<u>24.528</u>	<u>21.408</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.

18 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>Other Group Companies</u>
Revenue	609	6.278
Other external expenses	-16.083	-5.697
Financial income/expenses	9.507	-
	<u>-5.967</u>	<u>581</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/investors/reports-and-presentations>

19 Events after the balance sheet date

No events has occurred after the balance sheet date which would influence the evaluation of this annual report

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Fortum Waste Solutions A/S for 2023 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 2023 are presented in DKK'000.

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.

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.

Notes, Accounting Policies

Balance Sheet

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	5-40 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.

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.

Notes, Accounting Policies

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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