
Fortum Waste Solutions OW A/S

Lindholmvej 3, DK-5800 Nyborg

Annual Report for 1 January - 31 December 2018

CVR No 70 72 75 28

The Annual Report
was presented and
adopted at the Annual
General Meeting of
the Company on
31/05 2019

Henrik Hinders
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 OW A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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

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

Nyborg, 31th of May 2019

Executive Board

Olof Nordin

Lotte Stenderup

Board of Directors

Kalle Severi Saarimaa
Chairman

Jani Petteri Karikko

Andreas Tiedtke

Independent Auditor's Report

To the shareholders of Fortum Waste Solutions OW A/S

Opinion

We have audited the financial statements of Fortum Waste Solutions OW A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statements of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report

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

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

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

Independent Auditor's Report

Statement on the management commentary

Management is responsible for the management's review.

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

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

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 31.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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

Company Information

The Company

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

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

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

Board of Directors

Kalle Severi Sarimaa, Chairman
Jani Petteri Karikko
Andreas Tiedtke

Executive Board

Olof Nordin
Lotte Stenderup

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Tværkajen 5
DK-5000 Odense

Management's Review

Main activity

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

Development in the year

The income statement of the Company for 2018 shows a loss of DKK'000 9,144, and at 31 December 2018 the balance sheet of the Company shows equity of DKK'000 1,012.

The main driver for this was the low oil prices and decreasing market volumes in the oil/water fractions mainly from the of-shore sector.

A new business plan optimizing sales and operations in Fortum Waste Solutions OW was developed in 2018, and concrete actions according to the plan were implemented in 2018 and 2019, including closing down the business of collecting and selling used lubricant oil in 2018. Furthermore, the treatment facility at Prøvestenen, Copenhagen is closed down in March 2019, and other actions to improve efficiency is implemented too.

The company has sufficient liquidity and the implemented changes in the business are expected to result in a positive result for the coming year.

Uncertainty relating to recognition and measurement

The company has a future obligation in relation to the, clean-up of the leased land at Aarhus, Esbjerg, Grenaa and Copenhagen. 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.

Income Statement 1 January - 31 December

	Note	2018 DKK'000	2017 DKK'000
Gross profit/loss		2.877	1.722
Staff expenses	1	-10.644	-9.989
Depreciations	2	-2.814	-3.839
Profit/loss before financial income and expenses		-10.581	-12.106
Financial income	3	71	153
Financial expenses	4	-1.176	-789
Profit/loss before tax		-11.686	-12.742
Tax on profit/loss for the year	5	2.542	2.790
Net profit/loss for the year		-9.144	-9.952
Distribution of profit/loss			
Proposed distribution of profit/loss			
Retained earnings		-9.144	-9.952
		-9.144	-9.952

Balance Sheet 31 December

Assets

Assets

	Note	2018 DKK'000	2017 DKK'000
Land and building		13.130	14.073
Plant and machinery		6.383	8.749
Property, plant and equipment in progress		1.214	402
Property, plant and equipment	6	20.727	23.224
Fixed assets		20.727	23.224
Raw materials and consumables		615	896
Trade receivables		9.171	8.146
Receivables from group enterprises		6.007	10.356
Other receivables		390	581
Deferred tax asset		8.114	7.404
Prepayments		284	731
Receivables		23.966	27.218
Cash at bank and in hand		2.659	2.908
Currents assets		27.240	31.022
Assets		47.967	54.246

Balance Sheet 31 December

Liabilities and equity

Liabilities and equity

	Note	2018 DKK'000	2017 DKK'000
Share capital		600	600
Retained earnings		412	9.556
Equity		1.012	10.156
Other provisions	7	33.103	33.103
Provisions		33.103	33.103
Trade payables		3.651	1.532
Payables to group enterprises		2.465	3.214
Corporation tax		120	380
Other payables		2.871	3.793
Deferred income		4.745	2.068
Short-term debt		13.852	10.987
Debt		13.852	10.987
Liabilities and equity		47.967	54.246
Contingent assets, liabilities and other financial obligations	8		
Related parties	9		

Statement of Changes in Equity

2018	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity at 1 January	600	9.556	10.156
Net profit/loss for the year	-	-9.144	-9.144
Equity at 31 December	600	412	1.012

Notes to the Financial Statements

	2018 DKK'000	2017 DKK'000
1 Staff expenses		
Wages and salaries	9.753	9.043
Pensions	783	843
Other social security costs	108	103
	10.644	9.989
Average number of employess	16	19
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	-	69
Depreciation of property, plant and equipment	3.309	3.770
Gain/loss from sale and retirement of assets	-495	
	2.814	3.839
3 Financial income		
Interest received from group enterprises	71	149
Other financial income	-	4
	71	153
4 Financial expenses		
Interest paid to group enterprises	1	-
Other financial expenses, group enterprises	761	-
Other financial expenses	414	378
	1.176	378
5 Tax on profit/loss for the year		
Current tax for the year	-1.832	-1.572
Deferred tax adjustments in the year	-710	-1.219
Adjustment of tax concerning previous years	-	1
	-2.542	-2.790

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Property, plant and equipment in progress	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	25.925	59.987	402	86.314
Additions for the year	-	-	812	812
Disposals for the year	-	-7.542	-	-7.542
Transfers for the year	-	-	-	-
Cost at 31 December	<u>25.925</u>	<u>52.445</u>	<u>1.214</u>	<u>79.584</u>
Impairment losses and depreciation at 1 January	11.852	51.238	-	63.090
Depreciation for the year	943	2.366	-	3.309
Reversal of impairment and depreciation of sold assets	-	-7.542	-	-7.542
Transfers for the year	-	-	-	-
Impairment losses and depreciation at 31 December	<u>12.795</u>	<u>46.062</u>	<u>-</u>	<u>58.857</u>
Carrying amount at 31 December	<u>13.130</u>	<u>6.383</u>	<u>1.214</u>	<u>20.727</u>

	2018 DKK'000	2017 DKK'000
7 Other provisions		
Other provisions	<u>33.103</u>	<u>33.103</u>
	<u>33.103</u>	<u>33.103</u>

Provisions at 31 December 2018 amount to kDKK 33,103 and constitute Management's judgement and assessment of anticipated costs for purification of contaminated land on leased site.

Notes to the Financial Statements

<u>2018</u>	<u>2017</u>
DKK'000	DKK'000

8 Contingent assets, liabilities and other financial obligations

Charges and security

A provision of kDKK 650 has been made for a guarantee provided to the Danish Environmental Protection Agency and CPH Port.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.627	1.494
Between 1 and 5 years	3.192	4.070
After 5 years	<u>131</u>	<u>206</u>
	<u>4.950</u>	<u>5.770</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.

9 Related parties

Basis

Controlling interest

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

Consolidated financial statements

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

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Fortum Waste Solutions OW A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2018 are presented in DKK'000.

Recognition and measurement

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

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

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

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

Translation policies

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

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

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

Notes, Accounting Policies

Income Statement

Gross profit/loss

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

Revenue

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

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Notes, Accounting Policies

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance Sheet

Property, plant and equipment

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

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

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

Production buildings	25 years
Plant and machinery	3-13 years

Depreciation period and residual value are reassessed annually.

Notes, Accounting Policies

Impairment of fixed assets

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

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

Inventories

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

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

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

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

Prepayments

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

Provisions

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

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

Deferred tax assets and liabilities

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

Notes, Accounting Policies

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

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

Current tax receivables and liabilities

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

Financial debts

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

Deferred income

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

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