
Fortum Waste Solutions OW A/S

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

Annual Report for 1 January - 31 December 2017

CVR No 70 72 75 28

The Annual Report
was presented and
adopted at the Annual
General Meeting of
the Company on
01/06 2018

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 1st of June 2018

Executive Board

Thomas Haislund Agergaard

Lotte Stenderup Bjørch

Board of Directors

Kalle Severi Saarimaa
Chairman

Jani Petter Karikko

Sirpa-Helena Sormunen

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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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, 01.06.2018

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
c/o Fortum Waste Solutions 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
Sirpa-Helena Sormunen

Executive Board

Thomas Haislund Agergaard
Lotte Stenderup Bjørch

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Tværkajen 5
DK-5000 Odense

Management's Review

Main activity

The company's main business is doing business of collecting, 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 2017 shows a loss of DKK'000 9,952, and at 31 December 2017 the balance sheet of the Company shows equity of DKK'000 10,155.

The main driver for this was the low oil prices and decreasing market volumes.

The management made during the year a new plan to optimize sales and operations in Fortum Waste Solutions OW. A business plan with concrete actions has been introduced in 1th quarter of 2018.

With these actions, the management's expectations for 2018 is to retrieve a positive result.

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	2017 DKK'000	2016 DKK'000
Gross profit/loss		1.722	14.618
Staff expenses	1	-9.989	-11.557
Depreciations	2	-3.839	-5.135
Other operating expenses		-	-18
Profit/loss before financial income and expenses		-12.106	-2.092
Financial income	3	153	8
Financial expenses	4	-789	-455
Profit/loss before tax		-12.742	-2.539
Tax on profit/loss for the year	5	2.790	175
Net profit/loss for the year		-9.952	-2.364
Distribution of profit			
Proposed distribution of profit			
Retained earnings		-9.952	-2.364
		-9.952	-2.364

Balance Sheet 31 December

Assets

Assets

	Note	2017 DKK'000	2016 DKK'000
Goodwill		-	69
Intangible assets	6	-	69
Land and building		14.073	14.985
Plant and machinery		8.749	10.220
Property, plant and equipment in progress		402	-
Property, plant and equipment	7	23.224	25.205
Fixed assets		23.224	25.274
Inventories		896	3.468
Trade receivables		8.146	10.359
Receivables from group enterprises		10.356	6.501
Other receivables		581	486
Deferred tax asset		7.404	6.185
Prepayments		731	1.708
Receivables		27.218	25.239
Cash at bank and in hand		2.908	5.999
Currents assets		31.022	34.706
Assets		54.246	59.980

Balance Sheet 31 December

Liabilities and equity

Liabilities and equity

	Note	2017 DKK'000	2016 DKK'000
Share capital		600	600
Retained earnings		9.555	19.506
Equity		10.155	20.106
Other provisions	8	33.103	28.840
Provisions		33.103	28.840
Trade payables		1.533	2.450
Payables to group enterprises		3.214	-
Corporation tax		380	1.247
Other payables		3.793	4.340
Deferred income		2.068	2.997
Short-term debt		10.988	11.034
Debt		10.988	11.034
Liabilities and equity		54.246	59.980
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		

Statement of Changes in Equity

	Share capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January	600	19.507	20.107
Net profit/loss for the year	-	-9.952	-9.952
Equity at 31 December	600	9.555	10.155

Notes to the Financial Statements

	2017 DKK'000	2016 DKK'000
1 Staff expenses		
Wages and salaries	9.043	10.537
Pensions	843	851
Other social security costs	103	169
	9.989	11.557
Average number of employess	19	23
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	69	886
Depreciation of property, plant and equipment	3.770	4.249
	3.839	5.135
3 Financial income		
Interest received from group enterprises	149	8
Other financial income	4	-
	153	8
4 Financial expenses		
Interest paid to group enterprises	-	-
Other financial expenses	378	455
	378	455
5 Tax on profit/loss for the year		
Current tax for the year	-1.572	-705
Deferred tax adjustments in the year	-1.219	-1.422
Adjustment of tax concerning previous years	1	1.952
Adjustment of deferred tax concerning previous years	-	-
	-2.790	-175

Notes to the Financial Statements

6 intangible assets

	Acquired licenses DKK'000	Goodwill DKK'000
Cost at 1 January	-	2.726
Transfers for the year	60	-
Cost at 31 December	60	2.726
Impairment losses and amortisation at 1 Januar	-	2.657
Amortisation for the year	-	69
Transfers for the year	60	-
Impairment losses and amortisation at 31 December	60	2.726
Carrying amount at 31 December	-	-

7 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Property, plant and equipment in progress DKK'000	Total DKK'000
Cost at 1 January	25.060	62.470	0	87.530
Additions for the year	0	1.700	402	2.102
Disposals for the year	0	-3.258	0	-3.258
Transfers for the year	865	-925	0	-60
Cost at 31 December	25.925	59.987	402	86.314
Impairment losses and depreciation at 1 January	10.075	52.251	0	62.326
Depreciation for the year	950	3.132	0	4.082
Reversal of impairment and depreciation of sold assets	0	-3.258	0	-3.258
Transfers for the year	827	-887	0	-60
Impairment losses and depreciation at 31 December	11.852	51.238	0	63.090
Carrying amount at 31 December	14.073	8.749	402	23.224

Notes to the Financial Statements

	<u>2017</u> DKK'000	<u>2016</u> DKK'000
8 Other provisions		
Other provisions	<u>33.103</u>	<u>28.840</u>
	<u>33.103</u>	<u>28.840</u>

Provisions at 31 December 2017 amount to kDKK 33,103 and constitute Management's judgement and assessment of anticipated costs for purification of contaminated land on leased site.

9 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying amount of	0	14.985
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Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.494	1.709
Between 1 and 5 years	4.070	5.213
After 5 years	<u>206</u>	<u>281</u>
	<u>5.770</u>	<u>7.203</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.

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

Notes to the Financial Statements

10 Related parties

	<u>Basis</u>
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 2017 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 2017 are presented in DKK'000.

Recognition and measurement

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

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

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

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

Translation policies

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

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

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

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

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the 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 other than production wages.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Notes, Accounting Policies

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

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

Other provisions include 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 crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

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

Financial debts

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 recognised as income until recognition criteria are satisfied.