Mesco Denmark A/S

Registration No. 13 25 53 77

Annual Report
2016

28th Financial Year

The Annual Report is adopted at the Annual General Meeting of shareholders on 27 February 2017.

Chairman ……………………..

c/o LETT Advokatpartnerselskab, Rådhuspladsen 4, DK-1550 Copenhagen V, Denmark

Contents

Management's Statement

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2016 of Mesco Denmark A/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Group's and Company's assets, liabilities and financial position at 31 December 2016, as well as of the results of the Group's and the Company's operations and the Group's consolidated cash flows for the financial year ended 31 December 2016.

In addition, it is our opinion, that the Management Report gives a true and fair view of the development in the Group's and the Company's operations and economic conditions, the year's result and of the Group's and the Company's financial position.

It is recommended that the Annual Report be approved at the Annual General Meeting.

Allerød, 27 February 2017

Executive Management

Artur Bugsgang
Managing Director

Board of Directors

内田俊彦 T. Uchida

Toshihiko Uchida (Chairman)

Artur Bugsgang

Torkil Bentzen

Independent Auditors' Report

To the Shareholder of Mesco Denmark A/S

Opinion

We have audited the consolidated Financial Statements and the Parent Company Financial Statements of Mesco Denmark A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated Financial Statements and Parent Company Financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated Financial Statements and the Parent Company Financial Statements

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

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

Auditor's responsibilities for the audit of the consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance as to whether the consolidated Financial Statements and the Parent Company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 Financial Statement users made on the basis of these consolidated Financial Statements and Parent Company 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 consolidated Financial Statements and the Parent Company 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 Group's and the Parent Company'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 consolidated Financial Statements and the Parent Company 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 Group's and the Parent Company'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 consolidated Financial Statements and the Parent Company 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 Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the consolidated

Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated Financial Statements and the Parent Company 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 consolidated Financial Statements and the Parent Company 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 consolidated Financial Statements or the Parent Company Financial Statements or our knowledge obtained during 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 consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 February 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Per Ejsing Olsen	Niels Vendelbo
State Authorised	State Authorised
Public Accountant	Public Accountant

Company Information

The Company	**Mesco Denmark A/S** c/o LETT Advokatpartnerselskab Rådhuspladsen 4 DK-1550 Copenhagen V Denmark Registration No. (CVR-nr.) 13 25 53 77
Board of Directors	Toshihiko Uchida, Chairman Artur Bugsgang Torkil Bentzen
Executive Management	Artur Bugsgang, Managing Director
Sole shareholder	Mitsui Engineering & Shipbuilding Co. Ltd., Tokyo, Japan
Subsidiary	Burmeister & Wain Scandinavian Contractor A/S Gydevang 35 DK-3450 Allerød Denmark Registration No. (CVR-nr.) 87 92 91 16
Auditors	KPMG Statsautoriseret Revisionspartnerselskab
Bankers	Danske Bank A/S

Group Company Overview

Mesco Denmark A/S is the Parent Company in the Burmeister & Wain Scandinavian Contractor A/S Group

Company Name	Incorporated in:	Ownership
Parent Company in the Burmeister & Wain Scandinavian Contractor A/S Group		
Burmeister & Wain Scandinavian Contractor A/S*	Denmark	100%
Subsidiaries in the Burmeister & Wain Scandinavian Contractor A/S Sub-Group		
BWSC Generation ApS	Denmark	100%
BWSC Foreign Investments ApS	Denmark	100%
BWSC Generation Services UK Ltd.	United Kingdom	100%
BWSC Generation Services Northern Ireland Ltd.	United Kingdom	100%
BWSC (Mauritius) Ltd.	Mauritius	100%
BWSC Lebanon Construction SARL	Lebanon	100%
BWSC Panama S.A.	Panama	100%
BWSC Regional Services S.A.	Panama	100%
BWSC Lanka (Private) Ltd.	Sri Lanka	100%
BWCC Ltd.	The Bahamas	100%
BWSC Cayman Ltd.	Cayman Islands	100%
BWSC Macau Ltd.	Macau	100%
Associated companies in the Burmeister & Wain Scandinavian Contractor A/S Sub-Group		
Western Biomass Operating Company Ltd.	United Kingdom	50%
APOM Ltd.	United Kingdom	50%
BWSC Power Corporation Ltd.	United Kingdom	37.5%
Rabai Power Holding Ltd.	United Kingdom	25.5%
ERE LPS Holdings Ltd.	United Kingdom	17.2%
Mersey Bioenergy Holdings Ltd.	United Kingdom	10.6%
Tilbury Green Power Holding Ltd.	United Kingdom	3,4%
Rabai Operation and Maintenance Ltd.	Kenya	51%
Pedregal Power Company S.D.E.R.L	Panama	7.6%
Asia Power (Private) Ltd.	Sri Lanka	6.8%

* The Subsidiary Burmeister & Wain Scandinavian Contractor A/S has branches in the United Kingdom, Greece and Suriname.

Companies and branches without material activity and assets and liablities and dormant companies are omitted from the list.

BWSC has furthermore invested in Kent Power Corporation which has been accounted for as Other Securities (Note 5)

Group Financial Highlights

KEY FIGURES	2016	2015	2014	2013	2012
Income Statement (mDKK):					
Revenue	2,946	2,106	1,815	1,517	1,055
Gross profit	297	244	131	221	182
Net financials	-11	7	6	-6	-2
Profit for the year	83	76	17	64	56
Balance Sheet (mDKK):					
Total assets	1,854	1,859	1,518	1,309	1,215
Cash	237	797	743	560	849
Equity	786	750	652	644	623
Interest-bearing debts	172	25	28	31	34
Investments in tangible fixed assets	-12	-6	-6	-5	-2

FINANCIAL RATIOS

Gross margin	10%	12%	7%	15%	17%
Profit ratio	4%	5%	1%	6%	7%
Solidity	42%	40%	43%	49%	51%
Return on equity	11%	11%	3%	10%	9%

According to the custom of the sector profit ratio has been calculated as the profit before tax proportional to the revenue. The calculations of the remaining financial ratios are described in the accounting policy section of the Annual Report.

2016 Review

Mesco Denmark A/S (the Company) is mainly a holding company with no revenue in the parent company. The Company employed one employee and the group employed an average of 577 employees during 2016 (2015: one in the parent company and 557 in the group).

Further description of the activity in the subgroup is available in the 2016 annual report of Burmeister & Wain Scandinavian Contractor A/S (hereinafter BWSC), which is accessible on the homepage of BWSC (www.bwsc.com).

Development in activities and finances

The Group's financial statements and the financial statements of the Parent Company show a profit for the year of mDKK 83 (2015: mDKK 76) and equity of mDKK 786 (2015: mDKK 750).

Events after the balance sheet date

On 6 February 2017, BWSC entered into an asset deal with Burmeister & Wain Energy (hereafter BWE) for the acquisition of BWE's biomass activities and other activities, including about 87 former BWE employees. The asset deal will help secure BWSC's position on the UK market for technologically advanced biomass power plants.

Main Activities

The group has three main activities:

- Provider of tailored power plants
- Power plants generation service
- Investments in power plants

Knowledge sharing

The group is knowledge-based. People and internal processes are key resources to solve customers' challenges in the best and most efficient way possible. Furthermore, the group continuously focuses on maintaining and developing its employees.

Knowledge key figures of the group:

- 790 employees including associated companies
- 47% of the employees at the headquarters of BWSC have a seniority of 6 or more years (2015: 52%)
- Emphasis on further education and training of the employees

2016 Review

Profit before tax for 2016 for the group amounts to mDKK 107 (2015: mDKK 100) is a result of increased focus on project development and investment. There has been a continued focus on customer service and project execution as well. A delay in the supply chain for two biomass projects in the UK and the depreciation of the British Pound following the Brexit have on the other hand impacted negatively on our profit.

The order intake consists of a diesel project in Mauritius, a biomass project in the UK, a diesel project on the Faroe Islands, an O&M project in the UK and a number of service projects. The order backlog is at an all-time high of mDKK 6,687 (2015: mDKK 6,597) of which long-term O&M projects amount to mDKK 4,403 (2015: mDKK 3,930).

The group has in 2016 invested mDKK 248 in Kent Power Corporation. The plant will be built by BWSC and the project has furthermore ensured BWSC an O&M contract. Also BWSC Macau Ltd. has been established in 2016 as a 100% owned subsidiary.

In 2015, contract work in progress on the balance sheet has increased by mDKK 258 which has a negative effect on cash flow from operation for 2016. Prepayments received from customers have decreased by mDKK 340 which has a negative effect on cash flow from operation for 2016. Cash has decreased by mDKK 560 to mDKK 237 at 31 December 2016 due to the investment in Kent Power Corporation and the change in working capital, and represents 13% of total assets.

The expectation for 2016 stated in the Annual Report for 2015 of higher revenue and higher profit before tax have been realised.

Risk Management

Risk management is a fundamental part of the Group's business. The groups' business includes large construction and service projects in various jurisdictions and related contracts with sub-suppliers and consortium partners, which expose the group to a number of risks.

The group holds comprehensive experience within engineering, procurement, construction and servicing, which has been accumulated during construction of 182 power plants in more than 53 countries and a large number of service projects. The experience contributes to reducing potential risks. Risk will always be a significant factor in large construction and service projects, and each project is carefully evaluated in the planning and execution phases.

Beside the operational risks, the group is also exposed to currency, interest, counterpart and credit risks which are mitigated and considered less material.

Corporate social responsibility

The Company is mainly a holding company and consequently the Company has not itself implemented any policies for corporate social responsibility. The Company's Sub-Group has a separate CSR statement which is incorporated in their financial statement and available on their homepage (www.bwsc.com).

Equal opportunities for all employees is important to the group and accordingly we do not differentiate based on gender, race or religion when people are employed, or when training programs are offered to employees or when employees are promoted. The Company has implemented a policy regarding gender parity. For Mesco Denmark A/S the policy reflects the fact that the Company is a holding company with only one employee and a Board of Directors of three members with an expected long term of service and anticipated little rotation. Burmeister & Wain Scandinavian Contractor A/S has furthermore implemented a gender parity policy.

2017 Outlook

Revenue for 2017 is expected to increase compared to 2016. The increase is mainly expected to come from the BWE activities taken over. The BWE activities are expected to have a zero profit before tax impact on 2017. The profit before tax ratio for 2017 is expected to be in line with 2016.

Income Statement
(In DKK thousands)

Parent company				The Group	
2015	**2016**	**Notes**		**2016**	**2015**
0	0	2	Revenue	2.946.019	2.105.699
0	0		Costs of production	-2.648.997	-1.861.767
0	0		**Gross profit**	297.022	243.932
0	0		Sales costs	-59.776	-46.434
-1.129	-2.681		Administrative costs	-122.186	-112.743
-1.129	-2.681		**Operating profit/loss**	115.060	84.755
76.428	85.012	6	Profit on investments in subsidiaries	0	0
0	0	6	Profit on investments in associated companies	3.144	7.803
75.299	82.331		**Profit before non-operating items**	118.204	92.558
14	0		Financial income	11.230	11.849
-1	0		Financial costs	-22.246	-4.751
75.312	82.331		**Profit before tax**	107.188	99.656
262	263	3	Tax on profit for the year	-24.594	-24.082
75.574	82.594		**Profit for the year**	82.594	75.574

Distribution of profit for the year is specified in note 17

Balance Sheet 31 December
Assets
(In DKK thousands)

Parent Company 2015	Parent Company 2016	Notes		The Group 2016	The Group 2015
0	0		Software and goodwill	20.348	22.318
0			Development costs	7.357	0
0	0	4	**Intangible fixed assets**	27.705	22.318
0	0		Land and buildings	69.926	69.339
0	0		Fixture and fittings, tools and equipment	13.291	8.350
0	0	5	**Tangible fixed assets**	83.217	77.689
726.608	762.822		Investments in subsidiaries	0	0
0	0		Investments in associated companies	419.067	448.442
0	0		Other securities	249.187	1.499
726.608	762.822	6	**Financial fixed assets**	668.254	449.941
726.608	762.822		**Total fixed assets**	779.176	549.948
0	0		Raw materials and consumables	1.792	1.885
0	0		**Inventories**	1.792	1.885
0	0		Trade debtors	78.633	63.378
0	0	7	Contract work in progress	621.814	363.634
0	0		Amounts owed by associated companies	2.907	7.316
262	263		Receivable corporate taxes	301	614
99	310		Other debtors	126.346	69.731
0	0		Prepayments	6.673	6.119
361	573		**Debtors**	836.674	510.792
23.025	22.392		**Cash and cash equivalents**	236.696	796.696
23.386	22.965		**Total current assets**	1.075.162	1.309.373
749.994	785.787		**TOTAL ASSETS**	1.854.338	1.859.321

Balance Sheet 31 December
Equity and Liabilities
(In DKK thousands)

Parent Company 2015	Parent Company 2016	Notes		The Group 2016	The Group 2015
60.000	60.000		Share capital	60.000	60.000
576.608	612.822		Revaluation reserve according to the equity method	70.853	23.769
0	0		Reserves for financial instruments	32.017	-25.122
0	0		Reserves for development costs	7.357	0
77.164	72.246		Retained earnings	574.841	655.125
36.000	40.500		Proposed dividend	40.500	36.000
749.772	785.568		**Equity**	785.568	749.772
0	0	8	Deferred tax	32.027	33.399
0	0		Warranty provisions	49.843	25.029
0	0	9	Other provisions	21.650	39.523
0	0		**Provisions**	103.520	97.951
0	0		Mortgage debt	18.889	21.986
0	0		Other long-term liabilities	5.276	6.067
0	0	10	**Long-term liabilities**	24.165	28.053
0	0		Mortgage debt, short-term	3.158	3.113
0	0		Bank loan	150.000	0
0	0	7	Prepayments received from customers	321.126	661.245
0	0		Trade creditors	369.746	214.685
0	0		Amounts owed to related companies	4.338	4.804
0	0		Amounts owed to associated companies	918	3.485
0	0		Corporate tax	37.375	3.357
222	219	11	Other creditors	54.424	92.856
222	219		**Current liabilities**	941.085	983.545
222	219		**Total long-term and current liabilities**	965.250	1.011.598
749.994	785.787		**TOTAL EQUITY AND LIABILITIES**	1.854.338	1.859.321

Note 12: Audit fees
Note 13: Staff costs etc.
Note 14: Financial instruments
Note 15: Transactions between related parties
Note 16: Contingency liabilities, security for loans, etc.
Note 17: Distribution of profit
Note 18: Cash flow adjustments
Note 19: Changes in working capital (for the cash flow statement)
Note 20: Events after the balance sheet date

Statement of Changes in Equity
(In DKK thousands)

Parent Company

	Share capital	Revaluation reserve	Financial instrum.	Development costs	Retained earnings	Dividend proposed	Total
Balance at 1 January 2016	60.000	576.608	0	0	77.164	36.000	749.772
Dividends paid	0	0	0	0	0	-36.000	-36.000
Profit of the year	0	47.012	0	0	35.582	0	82.594
Proposed dividend for 2016	0	0	0	0	-40.500	40.500	0
Changes in financial instruments	0	74.368	0	0	0	0	74.368
Tax on changes in equity	0	-17.229	0	0	0	0	-17.229
Foreign exchange adjustment etc. of subsidiaries and associated companies	0	-67.937	0	0	0	0	-67.937
Equity at 31 December 2016	60.000	612.822	0	0	72.246	40.500	785.568

There have been no changes in the share capital during the last 5 years. The share capital is divided into 60 shares of DKK 1 million each.

The Group

	Share capital	Revaluation reserve	Financial instrum.	Development costs	Retained earnings	Dividend proposed	Total
Balance at 1 January 2016	60.000	23.769	-25.122	0	655.125	36.000	749.772
Dividends paid	0	0	0	0	0	-36.000	-36.000
Profit of the year	0	114.834	0	7.357	-39.597	0	82.594
Proposed dividend for 2016	0	0	0	0	-40.500	40.500	0
Changes in financial instruments	0	0	74.368	0	0	0	74.368
Tax on changes in equity	0	0	-17.229	0	0	0	-17.229
Foreign exchange adjustment etc. of subsidiaries and associated companies	0	-67.750	0	0	-187	0	-67.937
Equity at 31 December 2016	60.000	70.853	32.017	7.357	574.841	40.500	785.568

Dividend from the subsidiary Company, which has been declared after the balance sheet date, but prior to adoption of the Annual Report of Mesco Denmark A/S, has been deducted from the net revaluation reserve.

Cash Flow Statement
(In DKK thousands)

The Group

	Notes	2016	2015
Operating profit		115.060	84.755
Adjustments	18	49.495	39.970
Changes in working capital	19	-477.618	130.974
Cash flows from operating activities before net financials		-313.063	255.699
Financial income		11.230	11.694
Financial costs		-22.246	-4.750
Cash flows from ordinary activities		-324.079	262.643
Taxes paid		-8.864	-3.982
Cash flows from operating activities		-332.943	258.661
Additions of tangible assets		-11.966	-5.810
Additions of intangible assets		-18.482	-11.610
Dividends received from associated companies		6.842	7.867
Investments in associated companies and other securities		-316.107	-197.889
Disposals of investments in associated companies		2.499	12.485
Cash flows from investing activities		-337.214	-194.957
Deposits received		0	6.067
Bank loan		150.000	0
Repayment of mortgage debt		-3.843	-3.135
Dividends distributed		-36.000	-13.000
Cash flows from financing activities		110.157	-10.068
Cash at beginning of year		796.696	743.060
Changes in cash		-560.000	53.636
Cash at year-end		236.696	796.696

The cash flow statement cannot be derived directly from the Income Statement and Balance Sheets.

Note 1 Accounting Policies

General

The Annual Report of Mesco Denmark A/S has been presented in accordance with the provisions of the Danish Financial Statements Act for large reporting Class C companies.

Change in accounting policies

As from 1 January 2016, the Company has implemented the amended Danish Financial Statement Act. The amended rules for recognition and measurement has no material impact on the assets, liabilities and the financial position as well as the result and cash flows or the level of disclosure to the financial statements. The following changes have been implemented:

- The residual value of intangible and tangible fixed assets must be reassessed on an ongoing basis. Any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.
- An amount corresponding to the capitalised development costs is tied to the restricted reserve "Reserve for development costs" under equity. The reserve cannot be used for dividend. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. The reserve is reduced by amortisation and write-down, if any, of capitalised development costs on an ongoing basis.
- Unlisted equity investments recognised as Other securities are measured at cost. Previously, these were measured at fair value.

Accounting estimates and Judgements

In preparing the financial statement, the subsidiary BWSC has made a number of estimates and judgement that form the basis for recognition and measurement of assets, liabilities and items in the income statement. The most significant accounting estimates and judgements are stated below.

Determining the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions relating to future events and is therefore by nature subject to uncertainty.

Particular risks referred to in the Risk Management section of the Management Review may have a substantial influence on the accounting risks.

In the financial statements for 2016, attention is particularly drawn to the following assumptions and uncertainties as these substantially influence the assets and liabilities recognised in the statements and may be adjusted in subsequent accounting years if the assumed course of events is not realised as anticipated:

- Construction contracts are measured at contract work performed, less prepayments received from the customers and anticipated losses. The percentage of completion is determined from an assessment. The contract value is measured based on the total expected income of the individual contracts – claim income is further mentioned below. The total expected expenses are partly based on estimates and contingency are included for unforeseen cost deviations to plan cost due to project risks, disputes etc.

- BWSC has a material claim related to diesel projects in the Middle East. Currently, the claim negotiations have not been finalised, and a material part of claim income cannot be recognised as income. The settlement is uncertain and could have a materially positive impact on profit before tax when the claim has been settled.

- Provisions are based on BWSC's best estimate of the amount at which the obligation is expected to be discharged. Provisions consist mainly of warranty provisions and other provisions.

Accounting judgements

In applying the accounting policies the subsidiary BWSC makes judgments concerning recognition principles to use. Especially related to when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method (construction contracts) compared to sale of goods. The subsidiary BWSC has for each group of transactions assessed, whether products contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under the percentage of completion method. If this is not the case the products are recognized as revenue on sale of finished products.

Going concern

The Company is required to decide whether the financial statements can be presented on a "going concern" basis. Based on budgets, forecast and expectations of future cash flow, etc. the Company is of the opinion that there are no factors giving reason to doubt whether the Company can continue operating for at least 12 months from the balance sheet date.

Recognition and measurement in general

Assets are recognised in the Balance Sheet when it is probable that future economic benefits associated with the assets will flow to the Group, and the cost of the assets can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits associated with the liabilities will flow from the Group, and the cost of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Assets and liabilities are afterwards measured as described below for each Balance Sheet item.

Consolidation

The consolidated Financial Statements are prepared on the basis of Financial Statements of the Parent Company and each subsidiary by aggregating items of a similar nature and by eliminating intra-group transactions.

The project Financial Statements of international contracting activities are translated into DKK as follows: The items in the Income Statement and the Balance Sheet are translated according to weighted project rates, corresponding to the exchange rates according to forward exchange contracts entered into. As the exchange rates applied are the same during the entire project period, generally no exchange rate adjustments arise on large projects.

The Financial Statements of foreign subsidiaries that operate as independent entities are translated into DKK as follows: The items in the Income Statement are translated at average rates that do not differ materially from the exchange rates at the date of transaction. Balance Sheet items are translated at closing exchange rates. Exchange rate adjustments are recognised directly in equity.

The Financial Statements of international subsidiaries that operate as integrated entities are translated into DKK as follows: The items in the Income Statement are translated at average rates that do not differ materially from the exchange rates at the date of transaction. Current assets and liabilities are translated at closing exchange rates, whereas fixed assets and long-term liabilities are translated at historical rates. Exchange rate adjustments are recognised in the Income Statement.

The items from the subsidiaries are consolidated into the Group's Financial Statements 100% line by line. The minority interests' proportional share of the net result and equity of the subsidiaries are included as separate items under the consolidated profit for the year and equity.

Companies in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as associated companies as described under the item "Financial Fixed Assets".

Foreign currency translation

Transactions in foreign currency are translated at the exchange rate at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the payment date are recognised in the Income Statement.

Receivables, payables and other monetary items in foreign currency, which are not paid at the balance sheet date, are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time when the receivable or payable is incurred is recognised in the Income Statement.

Financial instruments

Financial instruments are initially recognised in the balance sheet at cost and subsequently measured according to fair value. The fair value of financial instruments is included in other debtors (positive fair value) or other creditors (negative fair value) as the case may be.

Changes in the fair value of financial instruments that hedge the fair value of already recognised assets or liabilities are recognised in the income statement under financial income or financial costs together with changes in the value of the assets and liabilities hedged.

Financial instruments used to hedge expected future transactions regarding specific projects or interest payments are measured at fair value on the balance sheet date, and value adjustments are recognised directly in the equity until the hedged item is realised. When the hedged item is realised, the changes in value are recognised in the same accounting entry as the hedged item, as stated above by transferring the changes in value from the equity to the Income Statement.

Financial instruments which are not held for hedging purposes regarding specific projects or interest payments are recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the income statement under financial income and financial costs.

INCOME STATEMENT

Revenue

The Group's revenue is derived from contract activities, service contracts, etc.

Contract work and operational contracts are recognised according to the percentage-of-completion method. Profits on contracts are recognised by reference to actual stage of completion, based on an estimate allowing for both known and expected additional costs. In connection with consortiums, only the Group's share is taken into account.

Stage of completion is determined on the basis of an assessment of the work carried out, evaluated on the basis of six indicators for the stage completion, including among others hours incurred in relation to the total budgeted hours, costs incurred on the projects compared to the total estimated costs and final delivery of the project.

Realised profits on completed contracts are recognised net of provisions for warranties.

Income from spare part contracts is recognised when delivered.

Costs of Production

Costs of production comprise expenses, including wages and salaries and depreciation made for purposes of generating the year's net revenue, including direct and indirect costs related to raw materials and consumables, wages and salaries, rent and leases and depreciation.

Research costs, development costs that do not qualify for capitalisation and depreciation of capitalised development costs, are recognised as costs of production.

Write-downs in connection with expected losses on contract activities are recognised as costs of production.

Sales Costs

Costs related to offers and orders, including expenses related to sales personnel, marketing, including costs for Independent Power Producer (IPP) project development, and internal development projects, are recognised as sales costs.

Administrative Costs

Costs related to management and group administration, including costs related to administrative officers, management, office premises, office expenses, depreciation etc. are recognised as administrative costs.

The administrative costs that are included in production overheads are transferred to production overheads.

Net Financials

Financial income and costs include interest income and costs, realised and unrealised capital gains and losses, payables and transactions in foreign currency, amortisation of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme, etc. financial income and costs are recognised at the amounts relating to the reporting period.

Tax

The estimated tax charge for the year is recognised in the Income Statement and is recorded as a current liability in the Balance Sheet. Non-refunded dividend tax concerning dividends from foreign subsidiaries is expensed in the year in which the dividend is declared.

The Company and the Danish subsidiaries are jointly taxed. The tax of the joint taxation income is fully allocated by payment of joint taxation contributions.

Deferred tax resulting from timing differences between income and expenses in the financial statements and the statement of taxable income and from tax loss carry-forwards is provided for in the balance sheet. Changes in the deferred tax charge for the year are taken to the income statement. Actual and deferred tax related to equity movements is recognised directly in equity.

BALANCE SHEET

Intangible and Tangible Fixed Assets

Intangible and tangible fixed assets are measured at cost plus subsequent additions and revaluation and less accumulated amortisation/depreciation and impairments.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Amortisation/depreciation in the year is provided on a straight-line basis over the estimated useful lives of the individual assets, using the following periods:

Office building	100	years
Warehouse	25	years
Installations	10	years
Cars	5	years
Plant and equipment	5	years
Fixtures and fittings	3-10	years
IT software	3-7	years
IT hardware	3	years
Development costs	3	years

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to use the project, are recognised as intangible assets provided that the cost can be measured reliably and future earnings exceeding the capitalised costs. Other development costs are recognised in the income statement as incurred.

Financial Fixed Assets

Investments in subsidiaries, associated companies and joint ventures are recognised at the Company's proportionate share of the net assets of the companies, calculated by reference to the accounting polices applied by the Parent Company, adjusted for unrealised intra-group profits and losses (the equity method).

Subsidiaries, associated companies and joint ventures whose net asset value is negative are recognised at DKK 0, and any receivables from these companies are written down by the Company's share of the negative net asset value. If the net asset value exceeds the receivables, the residual amount is recognized under provisions provided that the Company has a legal or actual obligation to cover the subsidiaries' deficits.

Net revaluation of investments in subsidiaries, associated companies and joint ventures is taken to equity as a net revaluation reserve according to the equity method to the extent that the carrying amount according to the equity method exceeds the cost.

Newly acquired or newly established companies are recognized in the financial statements from the time of acquisition. Companies sold or otherwise disposed of are recognized until the time of sale.

Profits or losses on the sale of subsidiaries and associated companies are stated as the difference between the selling price and the carrying amount of the net assets at the time of sale and expected costs related to the sale and/or disposal and recognised in the income statements under net financials.

The takeover method is applied to newly acquired subsidiaries, associated companies and joint ventures. Thus, the assets and liabilities of such companies are measured at fair value at the time of acquisition.

Other securities

Other securities including equity investments are investments in unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Inventories

Inventories, including prepayments for goods, are measured at cost according to the FIFO principle. However, inventories are written down to the lower of cost or net realisable value.

Receivables

Receivables, etc. are measured at amortised cost, which usually equals the nominal value.

Write-downs for bad debts are based on individual assessments if there is an objective indication that a receivable is impaired.

Contract Work in Progress

Contract work in progress is measured by reference to the stage of completion. Reference is made to the section Net Revenue.

The sales value is based on the stage of completion at the balance sheet date and the total expected income on the individual work in progress.

The individual work in progress is recognised in the balance sheet under receivables or liabilities other than provisions, dependent on the net value of the selling price less payments on account and prepayments. Costs related to sales work and contracts are recognised in the income statement as incurred.

Prepayments

Payments, made or received concerning costs or income in subsequent years are recognised under prepayments.

Warranty Provisions

Warranty provision comprises commitments to repair work within the guarantee period. Provisions are measured and recognised based on previous experience with guarantee work.

Other Provisions

Provisions comprise expected remaining costs relating to delivered contracts expected costs to performance guarantees.

When it is probable that the total costs will exceed the total income on contract work in progress, a provision is made for the total loss expected to be incurred on the work. The provision is recognised as a cost under production costs.

Proposed Dividend for the Year

Proposed dividend for the year is included in the equity.

Financial Liabilities

Financial liabilities are recognised from the raising of the loan at the proceeds received net of transaction costs incurred.

Financial liabilities are subsequently measured at amortised cost, equalling the capitalised value, using the effective interest rate method. The difference between the proceeds and the nominal value is thus recognised in the Income Statement over the loan term.

Other financial liabilities, which comprise trade payables, payables to subsidiaries and associated companies and other payables, are measured at amortised cost, which usually corresponds to the nominal value.

Cash Flow Statement

The cash flow statement shows the Group's net cash flows for the year, broken down by operating, investing and financing activities, changes in cash and the Group's cash at the beginning and at the end of the year.

A cash flow statement for the parent company has not been prepared in accordance with §86,4 of the Danish Financial Statements Act.

Cash Flows from Operating Activities

Cash flows from operating activities are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash Flows from Investing Activities

Cash flows from investing activities comprise payments related to additions and disposals of companies and activities and additions and disposals of intangible assets, property, plant and equipment and investments.

Cash Flows from Financing Activities

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs, raising of loans and repayments of interest-bearing debt and dividends distributed to shareholders.

Financial Ratio

Analysis of the financial ratios included in the group financial highlights:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Net revenue}}$$

Profit ratio $$\frac{\text{Profit before tax x 100}}{\text{Net revenue}}$$

Solidity ratio $$\frac{\text{Equity at year-end x 100}}{\text{Total equity and liabilities at year-end}}$$

Return on equity $$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$$

Notes
(in DKK thousands)

Note 2 **Revenue**

Parent Company 2015	Parent Company 2016		The Group 2016	The Group 2015
0	0	Final invoicing	1.360.729	924.725
0	0	Changes in contract work in progress	1.585.290	1.180.974
0	0		2.946.019	2.105.699

Revenue for the year is divided into the following geographical segments:

Parent Company 2015	Parent Company 2016		The Group 2016	The Group 2015
0	0	South and Central America	206.017	411.256
0	0	Southeast Asia	75.279	35.632
0	0	Africa and Middle East	714.285	308.008
0	0	Europe	1.950.439	1.350.803
0	0		2.946.020	2.105.699

Note 3 **Tax for the year**

Parent Company 2015	Parent Company 2016		The Group 2016	The Group 2015
-262	-263	Income tax payable	41.510	5.878
0	0	Deferred tax	-1.388	15.776
0	0	Change in tax rate	0	-1.756
0	0	Tax on changes in equity	-16.361	2.024
0	0	Adjustment of tax concerning previous years	140	1.613
0	0	Paid dividend tax abroad	693	547
-262	-263		24.594	24.082

Notes
(in DKK thousands)

Note 4 **Intangible assets**

	The Group			
	Software	**Goodwill**	**Development costs**	**Total**
Cost at 1 January 2016	54.694	2.187	0	56.881
Currency adjustment at 1 January 2016	0	72	0	72
Additions in the year	11.125	0	7.357	18.482
Cost at 31 December 2016	65.819	2.259	7.357	75.435
Deprecation at 1 January 2016	34.077	486	0	34.563
Currency adjustment at 1 January 2016	0	50	0	50
Deprecation for the year	12.398	719	0	13.117
Deprecation at 31 December 2016	46.475	1.255	0	47.730
Book value at 31 December 2016	19.344	1.004	7.357	27.705
Book value at 31 December 2015	20.617	1.701	0	22.318

Deprecation for the year DKK 13,117 thousand is included in administrative costs (DKK 10,315 thousand in 2015).

Notes
(in DKK thousands)

Note 5 **Tangible fixed assets**

	The Group	
	Fixture and fittings, tools and equipment	**Land and buildings**
Cost at 1 January 2016	28.108	116.887
Currency adjustment at 1 January 2016	-1.712	0
Additions in the year	10.008	1.958
Disposals in the year	-655	0
Cost at 31 December 2016	35.749	118.845
Deprecation at 1 January 2016	19.758	47.548
Currency adjustment at 1 January 2016	-1.636	0
Deprecation for the year	4.612	1.371
Deprecation of disposals	-276	0
Deprecation at 31 December 2016	22.458	48.919
Book value at 31 December 2016	13.291	69.926
Book value at 31 December 2015	8.350	69.339

In fixtures and fittings, tools and equipment financial leasing is recognised with DKKt 189 (2015: DKKt 0).

Deprecation for the year is included in:

	2016	**2015**
Cost of production	2.516	968
Sales costs	70	70
Administrative costs	3.397	3.978
	5.983	5.016

Notes
(in DKK thousands)

Note 6 Financial fixed assets

Parent Company		The Group	
Investments			
Subsidiaries		**Associated Companies**	**Other securities**
150.000	Cost at 1 January 2016	424.673	1.514
0	Additions in the year	68.419	247.688
0	Disposals in the year	-2.499	0
150.000	Cost at 31 December 2016	490.593	249.202
576.608	Revaluations/write-downs at 1 January 2016	23.769	-15
85.012	Profit share	3.144	0
57.139	Changes in financial instruments	0	0
-67.937	Foreign exchange adjustments etc.	-67.750	0
-38.000	Distribution of dividend to parent company	-6.842	0
0	Elimination intercompany profit	-23.847	0
612.822	Revaluations/write-downs at 31 December 2016	-71.526	-15
762.822	**Book value at 31 December 2016**	**419.067**	**249.187**
726.608	Book value at 31 December 2015	448.442	1.499

As per 31 December 2016, the accumulated elimination of the proportionate share of the intercompany profit of mDKK 112.2 (2015: mDKK 88.4) before tax has been deducted from the investments in associated companies

Notes
(in DKK thousands)

Note 7 **Contract work in progress**

Parent Company 2015	Parent Company 2016		The Group 2016	The Group 2015
0	0	Sales value of production in progress	4.933.994	3.348.704
0	0	Invoiced on account	-4.633.305	-3.646.315
0	0	Contract work in progress, net	300.689	-297.611
		Classified as follows:		
0	0	Receivables	621.814	363.634
0	0	Prepayments received from customers	-321.126	-661.245
0	0		300.688	-297.611

Note 8 **Deferred tax**

Parent Company 2015	Parent Company 2016		The Group 2016	The Group 2015
-289	0	Deferred tax at 1 January	33.399	19.112
0	0	Adjustment concerning previous years	16	454
0	0	Change in tax rate	0	-2.232
289	0	Deferred tax	-1.388	16.065
0	0		32.027	33.399
		Deferred tax can be specified as follows:		
0	0	Tangible fixed assets	11.583	11.680
0	0	Financial fixed assets	-24.680	-19.434
0	0	Contract work in progress etc.	45.589	55.535
0	0	Current assets	-192	-1.056
0	0	Provisions	-273	0
0	0	Liabilities other than provisions	0	0
0	0	Tax deficit	0	-13.326
0	0		32.027	33.399
		Deferred tax distributed on		
0	0	Tax assets	0	0
0	0	Tax liabilities	-32.027	-33.399
0	0		-32.027	-33.399

Notes
(in DKK thousands)

Note 9 Other Provisions

Other Provisions DKK 21.7 million (2015: DKK 39.5 million) cover estimated remaining liabilities in connection with finalised contracts, other than warranty provisions.

Approximately 90% of other provisions is expected to be settled within the next 12 months from the balance sheet date.

Note 10 Other long-term liabilities

Long-term debts maturing after 5 years from the end of the fiscal year amount to DKK 11.7 million (2015: 15.6 million).

The other long-term liabilities DKKm 5.3 (2015: DKKm 6.1) are non-interest bearing.

Note 11 Other creditors

Parent Company			The Group	
2015	2016		2016	2015
162	163	Payable payroll related costs	39.648	41.922
0	0	Financial instruments	13.594	42.284
0	0	Payable VAT	92	3.403
60	56	Other accrued expenses, etc.	1.090	5.247
222	219		54.424	92.856

Note 12 Audit fees

Parent Company			The Group	
2015	2016		2016	2015
55	55	Audit fee	1.245	862
0	0	Other declaration assignments	11	63
0	0	Tax advisory fee	262	222
0	0	Other fees	832	345
55	55		2.350	1.492

Notes
(in DKK thousands)

Note 13 Staff costs etc.

Parent Company			The Group	
2015	**2016**		**2016**	**2015**
980	980	Wages and salaries	396.079	326.747
4	4	Social security costs	4.222	5.018
984	984		400.301	331.765
		Including remuneration for:		
984	984	Board of Directors of Parent Company	984	984
1	1	Average number of employees	578	558

Note 14 Financial instruments

The subsidiary BWSC manages the currency hedging as well as the Group cash management. The major part of BWSC's cash flow are in DKK, EUR, USD and GBP. For projects and/or IPP's (Independent Power Producer), future cash flow and net positions in currencies other than EUR and DKK will be hedged initially upon contract signing and during the project execution, if changes in currency net positions occur. Subsequently, investment in subsidiaries, and associated companies in foreign currency are not hedged.

Foreign exchange forwards contracts are used to hedge future cash flow and net positions. Interest rate swaps are used to hedge interest rate exposure on borrowings.

The market value of open derivative financial instruments allocated by type as follows:

Open foreign exchange transactions and options as of 31 December 2016:

	Principal amount in DKK thousands		
	Sold	**Bought**	**Net market value**
USD	0	38.790	2.221
GBP	1.223.853	53.280	44.756
EUR	0	0	0
CHF	0	2.873	-186
HKD	27.555	0	-2328

Notes

(in DKK thousands)

Note 14. Derivative financial instruments (continued)

The Company has made interest swaps to hedge payment of interest on a mortgage loan with variable interest. The principal of the loan at 31 December 2016 is mDKK 22.0 (2015: mDKK 25.1) with a maturity of 7 years. The market value of the interest swaps as per 31 December 2016, amounted to mDKK -3.9 (2015: mDKK -4.6) which has been accounted for in the equity.

Of the net market value for foreign exchange hedging mDKK -44.5 the main part mDKK -44.9 is recognised in the equity.

The market value of foreign exchange hedging and interest rate hedging recognised in the equity amounts to mDKK 41.0 (2015: mDKK -33.3). The maturity is as follows:

- Within one year mDKK 14.2 (2015: mDKK -28.3)
- Between one and five years mDKK 30.8 (2015: mDKK -0.4)
- Later than five years mDKK -3.9 (2015: mDKK -4.6)

Note 15. Transactions between related parties

Purchase of diesel engines, spare parts, guarantees etc. from Mitsui Engineering & Shipbuilding Co., Ltd., Japan and sale of goods to Subsidiaries and Associated Companies have taken place at market conditions and accordingly the amounts are not stated.

Apart from intercompany transactions which have been eliminated in the Group accounts, plus usual management fee and purchase of service from Dash Engineering, no transactions have been made with the Board of Directors, Management group, Subsidiaries, and Associated Companies or other related parties during the year.

Group relationships
Burmeister & Wain Scandinavian Contractor A/S is 100% owned by MESCO Denmark A/S. The ultimate Parent Company is Mitsui Engineering & Shipbuilding Co., Ltd., which prepares the accounts for the group in which BWSC and Mesco is included.

Group accounts for the Parent Company can be obtained from: Mitsui Engineering & Shipbuilding Co., Ltd., 6-4, Tsukiji 5-chome, Chou-ku, Tokyo 104-8439, Japan or via www.mes.co.jp.

Notes

(in DKK thousands)

Note 16. Contingency liabilities, security for loans, etc.

The Group has not entered into any material leasing obligations.

The Parent Company is party to disputes and litigation from time to time which is normal for the Group's business. It is not estimated that the outcome of such disputes or litigation will have a material impact on the Group's financial position.

The Parent Company is jointly taxed with the other Danish entities in the Mesco Denmark Group. As management Company, the Company is jointly and severally liable, together with the other jointly taxed entities, for Danish income taxes and withholding taxes on dividends, interest and royalties within the Group of jointly taxes entities. Any subsequent adjustments of the joint taxable income or withholding taxes may result in an increase of the Company's liability.

Land and buildings with a book value of mDKK 70 (2015: mDKK 69) has been provided as security for mortgage debt. The total mortgage debt is mDKK 22 (2015: mDKK 25).

For a subsidiary service company in the UK, which has entered into a number of long term Operation and Maintenance contracts the Subsidiary Burmeister & Wain Scandinavian Contractor A/S has issued a parent company guarantee for the duration of the O&M contracts lifetime. The duration of the O&M contracts are up to 20 years.

The subsidiary Burmeister & Wain Scandinavian Contractor A/S has invested in power plants via associated companies and the not paid in committed capital in associated companies amounts to mDKK 28 at 31 December 2016. The not paid in capital will be paid in during 2017.

Notes
(in DKK thousands)

Note 17 Distribution of profit

It is recommended that the profit for the year, DKK 82.594 thousands, is appropriated as follows:

	Parent company	
	2016	2015
Proposed dividend	40.500	36.000
Transferred to net revaluation reserves	47.012	40.428
Retained profit	-4.918	-854
	82.594	75.574

Note 18 Cash flow adjustments

	The Group	
	2016	2015
Amortization/deprecation	19.100	15.331
Changes in provisions	6.941	-14.025
Financial instruments	-393	-6.211
Elimination of intercompany profit	23.847	44.875
	49.495	39.970

Note 19 Changes in working capital

	The Group	
	2016	2015
Changes in inventories	93	2.438
Changes in contract work in progress	-598.299	159.579
Changes in trade receivables	-15.255	-18.029
Changes in receivables from group enterprises and associates	4.409	10.513
Changes in other receivables	-10.544	1.603
Changes in prepayments and deferred income	-554	-2.963
Changes in trade payables	155.062	-34.058
Changes in payables to group enterprises	-3.033	1.198
Changes in other payables	-9.497	10.693
	-477.618	130.974

Notes
(in DKK thousands)

Note 20 Events after the balance sheet date

On 6 February 2017, BWSC entered into an asset deal with Burmeister & Wain Energy (BWE) for the acquisition of BWE's biomass activities and other activities. Intangible fixed assets and inventory have been acquired for DKKm 24.

No other significant events subsequent to 31 December 2016, which could materially impact the financial position, have occurred.