

# **Mesco Denmark A/S**

Registration No. 13 25 53 77

## **Annual Report 2021**

**33<sup>nd</sup> Financial Year**

The Annual Report is adopted at the Annual General Meeting of shareholders on 22 February 2022.

Chairman .....

c/o DLA Piper, Oslo Plads 2, DK-2100 Copenhagen Ø, Denmark

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

<b>Company Name</b>	<b>Incorporated in:</b>	<b>Ownership</b>
<b>Parent Company in the Burmeister &amp; Wain Scandinavian Contractor A/S Group</b>		
Burmeister & Wain Scandinavian Contractor A/S*	Denmark	100%
<b>Subsidiaries in the Burmeister &amp; Wain Scandinavian Contractor A/S Sub-Group</b>		
BWCC Ltd.	The Bahamas	100%
BWSC Belgium B.V.	Belgium	100%
BWSC Benin SARL	Benin	100%
BWSC Cayman Ltd.	Cayman	100%
BWSC Cyprus Ltd.	Cyprus	100%
BWSC Foreign Investments ApS	Denmark	100%
BWSC Generation ApS	Denmark	100%
BWSC India (Private) Ltd.	India	100%
BWSC Japan Ltd.	Japan	100%
BWSC Lebanon Construction SARL	Lebanon	100%
BWSC Macau Ltd.	Macau	100%
BWSC Mali SARL	Mali	100%
BWSC (Mauritius) Ltd.	Mauritius	100%
BWSC Panama S.A.	Panama	100%
BWSC Regional Services S.A.	Panama	100%
BWSC Mindanao Inc.	The Philippines	100%
BWSC Lanka (Private) Ltd.	Sri Lanka	100%
BWSC Sweden AB	Sweden	100%
BWSC Generation Services Northern Ireland Ltd.	United Kingdom	100%
BWSC Generation Services UK Ltd.	United Kingdom	100%
Asia Power (Private) Ltd.	Sri Lanka	55%
<b>Equity interests in the Burmeister &amp; Wain Scandinavian Contractor A/S Sub-Group</b>		
Rabai Operation and Maintenance Ltd. **	Kenya	51%
Western Biomass Operating Company Ltd. **	United Kingdom	51%
APOM Ltd. **	United Kingdom	50%
Rabai Power Holding Ltd.	United Kingdom	25.5%
Kent Power Corporation Ltd.	United Kingdom	18%
ERE LPS Holdings Ltd.	United Kingdom	17.2%
Mersey Bioenergy Holdings Ltd.	United Kingdom	10.6%
Albatros Energy Mali S.A	Mali	8%

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

\*\* Mesco Denmark A/S does not have controlling influence in these companies and therefore classified as equity investments in associates

Investments in BWSC Power Corporation Ltd., Pedregal Power Company S.D.E.R.L and Tilbury Green Power Holding Ltd. Have been sold during 2021

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

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## **Management's Statement**

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2021 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 2021, 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 2021.

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, 22 February 2022

### **Executive Management**

.....  
 Artur Bugsgang  
 Managing Director

### **Board of Directors**

.....  
 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 2021 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 2021 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 2021 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 22 February 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Niels Vendelbo

State Authorised

Public Accountant

MNE-no. 34532

Martin Pieper

State Authorised

Public Accountant

MNE-no. 44063



## Company Information

**The Company****Mesco Denmark A/S**

c/o DLA Piper

Oslo Plads 2

DK-2100 Copenhagen Ø

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 E&amp;S Holdings Co. Ltd., Tokyo, Japan

**Subsidiary**

Burmeister &amp; Wain Scandinavian Contractor A/S

Gydevang 35

DK-3450 Allerød

Denmark

Registration No. (CVR-nr.) 87 92 91 16

**Auditors**

KPMG Statsautoriseret Revisionspartnerselskab

**Bank**

Danske Bank A/S

## Group Company Overviews

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## Group Financial Highlights

<b>KEY FIGURES</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Income Statement (mDKK):</b>					
Revenue	1,245	1,814	1,609	2,158	2,882
Gross profit	305	131	99	105	179
Net financials	2	-14	2	-18	3
Net result	92	-232	-86	-173	-43
<b>Balance Sheet (mDKK):</b>					
Total fixed assets	701	615	661	488	678
Total assets	1,305	1,528	1,770	1,928	1,959
Cash	365	413	504	529	381
Equity	714	629	680	464	680
Interest-bearing debts	106	109	213	216	169
<b>FINANCIAL RATIOS</b>					
Gross margin	24%	7%	6%	5%	6%
Profit ratio	10%	-14%	-6%	-9%	-2%
Equity ratio	55%	41%	38%	24%	35%
Return on equity	14%	-36%	-15%	-31%	-6%

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.

## 2021 Review

Mesco Denmark A/S (the Company) is mainly a holding company with no revenue in the parent company.

Further description of the activity in the subgroup is available in the 2021 annual report of Burmeister & Wain Scandinavian Contractor A/S (hereinafter BWSC), which is accessible on the homepage of BWSC ([www.bwsc.com](http://www.bwsc.com)).

### Development in activities and finances

The Group's financial statements and the financial statements of the Parent Company show a result for the year of DKKm 92 (2020: DKKm -232) and equity at 31 December 2021 of DKKm 714 (2020: DKKm 629).

The expectation for 2021 stated in the Annual Report for 2020 of higher revenue and higher profit before tax have been realised.

### Events after the balance sheet date

No significant events subsequent to 31 December 2021, which could materially impact the financial position, have occurred.

### Main Activities

The group has two main activities:

- O&M
- Service

### 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:

- 708 employees
- Emphasis on further education and training of the employees

**Order intake and backlog**

The order intake for 2021 amounted to DKKm 899 compared to DKKm 1,206 in 2020. After the restructuring initiated in 2020 no further turnkey power plant orders have been entered into. The order intake in O&M amounted to DKKm 494 compared to DKKm 390 in 2020 and in Service DKKm 397 compared to DKKm 363 in 2020. The order backlog at the end of 2021 amounted to DKKm 6,325 (2020: DKKm 6,031). The service order and O&M order intakes have met expectations. The service orders are typically carried out over a time period of up to 18 months and O&M orders typically run over a longer time period (up to 20 years).

**EBIT**

The financial performance has been above expectations, which has resulted in a profit before interest and tax (operating result or EBIT) of DKKm 119 for 2021 compared to a loss of DKKm 175 in 2020. The improved EBIT is due to both better project performance and recognition of intercompany profit of DKKm 82 as a result of the sale of equity interests in entities owning power plants built by BWSC. EBIT for the year is also impacted by some larger provisions relating to ongoing legal and other disputes.

**Changes in focus**

In November 2020 BWSC announced a restructuring of its business and a changed focus going forward. BWSC's focus is now on the O&M activities and on the service activities as well as on green energy solutions. In the O&M and Services areas, BWSC has over the past years gained a solid market position. The restructuring gave rise to a significant reduction of the number of employees, abandonment of development projects, impairment of assets no longer to be used, etc. The restructuring costs in 2020 comprised of write down of assets for a total of DKKm 56 and other restructuring costs, mainly relating to employees, for a total of DKKm 39. A total of DKKm 95 of restructuring costs were included in the 2020 result, which shall be considered when comparing to the result this year.

**Uncertainties**

In 2014, work on two engine-based projects in the Middle East was suspended due to the client not paying the milestone payments on time. These outstanding milestone payments were paid at the end of 2014, and the suspension was lifted at the beginning of 2015. BWSC has claimed the customer for direct costs, overhead and profit. A part of the costs related to the claims have been included in the project accounts/work in progress over the years. At the end of 2016, the taking-over-certificates (TOC) were signed by the customer. Since 2017, focus has been on reaching an agreement on the claims with the Client and the Client's representative. Since it has not been possible to reach an agreement, BWSC decided in 2018 to file for arbitration through ICC, France. The arbitration has been on stay (on hold) from 2019 until the beginning of 2021 due to settlement negotiations with the Client and the Client's Representative. The arbitration case at ICC re-started in January 2021 since no amicable agreement had been reached through negotiation, and BWSC submitted the Statement of Claim to ICC in the spring of 2021. A material part of the amount BWSC is claiming has not been recognised as income due to the claim negotiations not being

finalised. It is the assessment that a finalisation of the case, either via a settlement or via the ICC case will result in an outcome for BWSC amounting to at least the amount recognised as income.

### **Investments**

BWSC has made a number of investments in power plants together with partners. During the year BWSC has divested a number of its investments, including a significant investment in the Brigg and Snetterton plants in the UK as well as another but smaller investment in a biomass power plant in the UK and one smaller investment in an engine-based power plant in Panama. The power plants that BWSC still has investments in, are all in operation except for the Asia Power Pte Ltd in Sri Lanka, where the Power Purchase Agreement has expired but where an extension is under consideration by the owner of the power plant. Key elements for the financial performance of the plants are the sales price for the power produced and fuel prices. For all of the power plants BWSC has invested in, BWSC earns revenue from operating and maintaining the plants. In general, the power prices in the UK have increased compared to 2020, improving the financial performance of the plants. Result from investments in equity interests amounts to DKKm 19 (2020: DKKm -67) and the result from the sale of shareholdings amounts to DKKm -11.

### **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 184 power plants in more than 54 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, investment and credit risks which are mitigated and considered less material. For additional information please see the Annual Report for the subsidiary Burmeister & Wain Scandinavian Contractor A/S on their homepage ([www.bwsc.com](http://www.bwsc.com)).

**Corporate social responsibility**

The Company is mainly a holding company and consequently the Company has not itself implemented any policies for corporate social responsibility. This includes all 6 main focus areas of CSR:

- Environment and climate
- Human & labour rights
- Business integrity
- Social and staff matters
- Community engagement and social impact
- Data ethics (§99d)

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/sustainability](http://www.bwsc.com/sustainability)). 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. Mesco Denmark A/S has set the target that one general assembly elected member of the Board of Directors must be a woman by 2026. 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.

**2022 Outlook**

Revenue in 2022 is expected to decrease compared to 2021 as a result of the decision to leave the area of turn-key EPC projects. The profit before tax for 2022 is expected to be in the range of DKKm 40-60. This is a significant reduction compared to 2021 where the result before tax was impacted significantly by one-off gains.

Forward looking statements like the 2022 outlook are uncertain and depend on a number of factors.

Furthermore, MESCO Denmark disclaims any liability to update or adjust statements made in the Annual Report 2021 about future or possible reasons for differences between actual and anticipated results except where required by law.

**Income Statement**  
(In DKK thousands)

<u>Parent company</u>				<u>The Group</u>	
2020	2021	Notes		2021	2020
0	0	2	Revenue	1.244.978	1.814.434
<u>0</u>	<u>0</u>	5, 13	Costs of production	<u>-939.970</u>	<u>-1.683.630</u>
0	0		<b>Gross profit</b>	305.008	130.804
0	0	5, 13	Sales costs	-15.937	-58.516
-1.560	-1.148	4, 5, 13	Administrative costs	-177.155	-247.519
0	0		Other operating income	8.876	0
<u>0</u>	<u>0</u>		Other operating loss	<u>-3.268</u>	<u>0</u>
-1.560	-1.148		<b>Operating result</b>	117.524	-175.231
			Income from equity investments in group entities	0	0
-230.369	93.259	6	Income from equity investments in associates	18.969	-66.734
0	0	6	Loss on sale of investments	-11.330	0
0	0		Financial income	18.544	5.882
<u>-46</u>	<u>-72</u>	16	Financial costs	<u>-16.191</u>	<u>-19.409</u>
-231.975	92.039		<b>Result before tax</b>	127.516	-255.492
<u>-340</u>	<u>268</u>	3	Tax on result for the year	<u>-36.104</u>	<u>24.872</u>
<u><u>-232.315</u></u>	<u><u>92.307</u></u>		<b>Net result for the year</b>	<u><u>91.412</u></u>	<u><u>-230.620</u></u>
			Attributable to:		
			Minority interests	-895	1.695
			Shareholders in Mesco Denmark A/S	92.307	-232.315

Distribution of profit for the year is specified in note 19



**Balance Sheet 31 December****Assets**

(In DKK thousands)

<u>Parent Company</u>			<u>The Group</u>	
2020	2021	Notes	2021	2020
0	0		6.375	10.627
<u>0</u>	<u>0</u>		<u>0</u>	<u>3.263</u>
<u>0</u>	<u>0</u>	4	<u>6.375</u>	<u>13.890</u>
0	0		35.006	36.500
<u>0</u>	<u>0</u>		<u>7.316</u>	<u>8.511</u>
<u>0</u>	<u>0</u>	5	<u>42.322</u>	<u>45.011</u>
614.581	701.468		0	0
<u>0</u>	<u>0</u>		<u>112.133</u>	<u>150.054</u>
<u>614.581</u>	<u>701.468</u>	6	<u>112.133</u>	<u>150.054</u>
<u>614.581</u>	<u>701.468</u>		<u>160.830</u>	<u>208.955</u>
<u>0</u>	<u>0</u>		<u>1.623</u>	<u>3.751</u>
<u>0</u>	<u>0</u>		<u>1.623</u>	<u>3.751</u>
0	0		106.428	110.182
0	0	7	560.072	590.497
0	0		1.556	51.072
0	5.789		7.405	7.015
0	0	8	44.281	66.463
0	0		52.220	71.859
<u>0</u>	<u>0</u>		<u>5.402</u>	<u>5.312</u>
<u>0</u>	<u>5.789</u>		<u>777.364</u>	<u>902.400</u>
<u>10.273</u>	<u>8.845</u>		<u>365.157</u>	<u>412.800</u>
<u>10.273</u>	<u>14.634</u>		<u>1.144.144</u>	<u>1.318.951</u>
<u>624.854</u>	<u>716.102</u>		<u>1.304.974</u>	<u>1.527.906</u>

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

<u>Parent Company</u>			<u>The Group</u>	
2020	2021	Notes	2021	2020
62.000	62.000		62.000	62.000
444.580	531.468		6.553	79.340
0	0		-17.978	-6.278
608.000	608.000		0	0
<u>-493.393</u>	<u>-494.345</u>		<u>656.548</u>	<u>486.125</u>
			<b>shareholders of Mesco</b>	
<u>621.187</u>	<u>707.123</u>		<u>707.123</u>	<u>621.187</u>
<u>0</u>	<u>0</u>		<u>7.579</u>	<u>7.860</u>
<u>621.187</u>	<u>707.123</u>		<u>714.702</u>	<u>629.047</u>
			<b>Total Equity</b>	
0	0	8	358	442
0	0	9	54.822	68.404
<u>0</u>	<u>0</u>	9	<u>85.605</u>	<u>165.498</u>
<u>0</u>	<u>0</u>		<u>140.785</u>	<u>234.344</u>
			<b>Provisions</b>	
0	0		3.125	6.245
0	0		0	100.000
<u>0</u>	<u>0</u>		<u>28.149</u>	<u>29.288</u>
<u>0</u>	<u>0</u>	10	<u>31.274</u>	<u>135.533</u>
			<b>Long-term liabilities</b>	
0	0		3.117	3.119
0	0		100.000	0
0	0	7	101.325	185.736
0	0		73.425	167.701
3.283	3.283		9.004	10.770
0	0		7.284	5.737
0	5.521		0	0
<u>384</u>	<u>175</u>	11	<u>124.058</u>	<u>155.919</u>
<u>3.667</u>	<u>8.979</u>		<u>418.213</u>	<u>528.982</u>
			<b>Current liabilities</b>	
			<b>Total long-term and current liabilities</b>	
<u>3.667</u>	<u>8.979</u>		<u>449.487</u>	<u>664.515</u>
			<b>TOTAL EQUITY AND LIABILITIES</b>	
<u><u>624.854</u></u>	<u><u>716.102</u></u>		<u><u>1.304.974</u></u>	<u><u>1.527.906</u></u>

**Other notes without reference to the financial statements**

Note 12: Audit fees  
Note 14: Financial instruments  
Note 17: Contingency liabilities, security for loans, etc.  
Note 18: Guarantees

Note 19: Distribution of profit  
Note 20: Cash flow adjustments  
Note 21: Changes in working capital  
Note 22: Events after the balance sheet date

**Statement of Changes in Equity**  
(In DKK thous ands)

**Parent Company**

	<u>Share capital</u>	<u>Reva- luation reserve</u>	<u>Share premiums</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021	62.000	444.580	608.000	-493.393	621.187
Profit of the year	0	93.259	0	-952	92.307
Changes in financial instruments	0	-15.052	0	0	-15.052
Tax on changes in equity	0	3.352	0	0	3.352
Foreign exchange adjustment etc. of subsidiaries and equity interests	0	5.329	0	0	5.329
<b>Equity at 31 December 2021</b>	<u>62.000</u>	<u>531.468</u>	<u>608.000</u>	<u>-494.345</u>	<u>707.123</u>

Besides the increase of nominal 1 mDKK in 2019 and mDKK 1 in 2020 there have been no changes in the share capital during the last 5 years. The share capital is divided into 62 shares of DKK 1 million each. Share premiums is classified as a distributable reserve.

**The Group**

	<u>Share capital</u>	<u>Reva- luation reserve</u>	<u>Financial instrum.</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021	62.000	79.340	-6.278	486.125	621.187
Profit of the year	0	-78.116	0	170.423	92.307
Changes in financial instruments	0	0	-15.052	0	-15.052
Tax on changes in equity	0	0	3.352	0	3.352
Foreign exchange adjustment etc. of subsidiaries and equity interests	0	5.329	0	0	5.329
<b>Equity owned by shareholders of Mesco Denmark A/S at 31 December 2021</b>	<u>62.000</u>	<u>6.553</u>	<u>-17.978</u>	<u>656.548</u>	<u>707.123</u>
Non-controlling interest				7.860	7.579
<b>Equity at 31 December 2021</b>	<u>62.000</u>	<u>6.553</u>	<u>-17.978</u>	<u>664.408</u>	<u>714.702</u>

## Cash Flow Statement

(In DKK thousands)

### The Group

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Operating profit		117.524	-175.231
Adjustments	19	-181.431	44.572
Changes in working capital	20	<u>-111.782</u>	<u>-44.286</u>
Cash flows from operating activities before net financials		-175.689	-174.945
Financial income		1.003	5.882
Financial costs		<u>-4.283</u>	<u>-24.357</u>
Cash flows from ordinary activities		-178.969	-193.420
Taxes paid		<u>-11.520</u>	<u>35.860</u>
<b>Cash flows from operating activities</b>		<u>-190.489</u>	<u>-157.560</u>
Additions of tangible assets		-3.259	-1.358
Additions of intangible assets		-2.527	-29.462
Dividends received from associated companies		10.193	1.323
Investments in equity interests		0	-884
Disposals of business activities		18.982	0
Disposals of equity investments in associates		<u>123.719</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<u>147.108</u>	<u>-30.381</u>
Loan from Parent Company		0	100.000
Repayment of mortgage debt		-3.123	-3.114
Repayment of other long-term liabilities		<u>-1.139</u>	<u>0</u>
<b>Cash flows from financing activities</b>		<u>-4.262</u>	<u>96.886</u>
Cash at beginning of year		412.800	503.855
Changes in cash		<u>-47.643</u>	<u>-91.055</u>
<b>Cash at year-end</b>		<u>365.157</u>	<u>412.800</u>

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**

There are no changes to accounting policies compared to previous year.

### **Accounting estimates and Judgements**

In preparing the financial statements, MESCO Denmark A/S has made a number of estimates and judgements 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, 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.
- The Group has a material claim related to engine-based 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 the result when the claim has been final settled. It is considered less likely that the settlement would have a negative impact on the result
- Provisions are based on the best estimate of the amount at which the obligation is expected to be discharged. Provisions consist mainly of warranty provisions and other provisions.
- Equity investments in associates are recognised at the proportionate share of the net assets of the Companies (the equity method). An impairment test is performed when an indicator of impairment exists. The impairment test is based on cash flow estimates of future income and cost. Uncertainty

about the future development in the power sales price and fuel cost are the key uncertainties in the impairment test. The impairment loss relates to investments in equity interests in the UK operating a number of power plants. The impairment is caused by underlying lower than expected earnings of the companies as well as lower than expected long term outlook for the companies. The impairment is based on a discounted cash flow model calculation and budgets for the power plants throughout the expected life of the plants.

### **Accounting judgements**

In applying the accounting policies, the company makes judgements 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. BWSC has for each group of transactions assessed, whether projects 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 projects are recognised as revenue on sale of finished projects.

### **Defining materiality**

The Annual Report is based on the concept of materiality to ensure that the content is material and relevant to the reader. This objective is pursued, amongst other things, by providing relevant rather than generic descriptions. The consolidated financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the financial statements and in the notes as required by the Danish Financial Statements Act. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes.

### **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 consolidated 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 result 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 equity interests 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 adjustments 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 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 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 or 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. 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 for construction and service projects, evaluated on the basis of costs incurred on the project, compared to the total estimated costs and for operation and maintenance projects based on length and duration of the projects. Realised profits on completed contracts are recognised net of provisions for warranties. Income from spare part contracts and the sale of electricity is recognised when delivered.

**Production costs**

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

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

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



**Sales costs**

Costs related to offers and orders, including expenses related to sales personnel, marketing 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.

**Financial items**

Financial income and costs include interest income and costs, realised and unrealised capital gains and losses, changes of financial instruments not designated as hedging arrangement, 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 its Parent Company 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:

Goodwill	3 years
Contract rights	2 years
IT software	3-7 years
IT hardware	3 years
Development costs	3 years
Office building	100 years
Warehouse	25 years
Installations	10 years
Cars	5 years
Plant and equipment	5 years
Fixtures, fittings and tools	3-10 years
Land is not depreciated	

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 and business combinations**

Equity investments in group entities and associates are recognised at the Parent Company's proportionate share of the net assets of the companies, calculated by reference to the accounting policies applied by the Parent Company, adjusted for proportionate share of unrealised intra-group profits and losses (the equity method).

Equity investments in group entities and associates whose net asset value is negative are recognised at DKK 0, and any receivables from these companies are written down by the Parent Company's share of the negative net asset value. If the net asset value exceeds the receivables, the residual amount is recognised under provisions provided that the Parent Company has a legal or actual obligation to cover the subsidiaries' deficits.

For equity investments in associates where the eliminated intercompany profit exceeds the value of the investments either due to impairments or based on the proportional share of equity the remaining part of the eliminated intercompany profit is not recognised.

Net revaluation of equity investments in group entities and associates is taken to equity as a net revaluation reserve according to the equity method.

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

Profits or losses on the sale of equity investments in group entities and associates 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 statement under other income.

The takeover method is applied to newly acquired equity investments in group entities and associates. Thus, the assets and liabilities of such companies are measured at fair value at the time of acquisition. The takeover method is also applied when an equity interest in an associate becomes a subsidiary, through step acquisition of more shares in the associated company, whereby control of the company is obtained at such time. A positive difference between the fair value of assets and liabilities acquired and the purchase consideration is treated as goodwill, which is subsequently amortised over the useful life; and a negative difference is treated as negative goodwill, which is recognised as other operating income at the time of acquisition or the time of obtaining control.

#### 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.

#### Trade receivables

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

Impairment for bad debts is based on individual assessments if there is an objective indication that a debtor is impaired.

#### Contract work in progress

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

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 debtors 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 as prepayments under receivables or current liabilities.

**Warranty provisions**

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

**Other provisions**

Other provisions comprise expected remaining costs relating to delivered contracts.

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 costs under production costs.

**Financial liabilities**

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

The financial liability is 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 creditors, payables to related and equity interests and other creditors, 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 operating result, adjusted for non-cash operating and financial items, changes in working capital, financial items and paid income taxes.

**Cash flows from investing activities**

Cash flows from investing activities comprise payments related to additions and disposals of companies and additions and disposals of intangible and tangible assets.

### **Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the Company's 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:

<b>Gross margin</b>	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
<b>Profit ratio</b>	$\frac{\text{Profit before tax} \times 100}{\text{Revenue}}$
<b>Solidity ratio</b>	$\frac{\text{Equity at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$
<b>Return on equity</b>	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$

**Notes**  
(in DKK thousands)

**Note 2 Revenue**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
0	0	Final invoicing	866.965	1.639.356
<u>0</u>	<u>0</u>	Changes in contract work in progress	<u>378.013</u>	<u>175.078</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>1.244.978</u></u>	<u><u>1.814.434</u></u>

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

0	0	South and Central America	331.697	470.351
0	0	Southeast Asia	98.428	199.848
0	0	Africa and Middle East	124.422	103.551
<u>0</u>	<u>0</u>	Europe	<u>690.431</u>	<u>1.040.684</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>1.244.978</u></u>	<u><u>1.814.434</u></u>

With reference to paragraph 96 of the Danish Financial Statements Act, the distribution of revenue on business activities has for competitive reasons been omitted from the annual report.

**Note 3 Tax on profit for the year**

340	-268	Income tax payable/receivable	13.581	7.513
0	0	Deferred tax	23.012	-34.278
<u>0</u>	<u>0</u>	concerning previous years	<u>-489</u>	<u>1.893</u>
<u><u>340</u></u>	<u><u>-268</u></u>		<u><u>36.104</u></u>	<u><u>-24.872</u></u>

**Notes**  
(in DKK thousands)

**Note 4 Intangible assets**

	<b>The Group</b>				
	<b>Contract rights</b>	<b>Software</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Total</b>
Cost at 1 January 2021	16.631	100.249	8.889	39.342	165.111
Currency adjustment at 1 January 2021	1.383	0	0	0	1.383
Additions in the year	0	2.527	0	0	2.527
Disposals in the year	0	-32	0	-39.342	-39.374
Cost at 31 December 2020	18.014	102.744	8.889	0	129.647
Depreciation at 1 January 2021	13.368	89.622	8.889	39.342	151.221
Currency adjustment at 1 January 2021	1.259	0	0	0	1.259
Depreciation for the year	3.387	6.779	0	0	10.166
Disposals in the year	0	-32	0	-39.342	-39.374
Impairment	0	0	0	0	0
Depreciation at 31 December 2021	18.014	96.369	8.889	0	123.272
<b>Book value at 31 December 2021</b>	0	6.375	0	0	6.375
Book value at 31 December 2020	3.263	10.627	0	0	13.890

Depreciation for the year DKKt 10,166 is included in administrative costs (DKKt 47,104 in 2020)

**Notes**  
(in DKK thousands)

**Note 5      Tangible fixed assets**

	<b>The Group</b>	
	<b>Fixture and fittings, tools and equipment</b>	<b>Land and buildings</b>
Cost at 1 January 2021	52.670	120.821
Currency adjustment at 1 January 2020	1.540	0
Additions in the year	3.259	0
Cost at 31 December 2021	57.469	120.821
Depreciation at 1 January 2021	44.159	84.321
Currency adjustment at 1 January 2021	1.074	0
Depreciation for the year	4.920	1.494
Depreciation at 31 December 2021	50.153	85.815
<b>Book value at 31 December 2021</b>	<b>7.316</b>	<b>35.006</b>
Book value at 31 December 2020	8.511	36.500
Depreciation for the year is included in:		
	<b>2021</b>	<b>2020</b>
Cost of production	3.759	3.804
Administrative costs	2.655	32.703
	6.414	36.507



**Notes**  
(in DKK thousands)

**Note 6      Financial fixed assets**

<u>Parent Company</u>	<b>Investments</b>	<u>The Group</u>
<b>Equity investments in group entities</b>		<b>Equity investments in associates</b>
170.000	Cost at 1 January 2021	528.763
<u>0</u>	Disposals in the year	<u>-423.183</u>
<u>170.000</u>	Cost at 31 December 2021	<u>105.580</u>
444.581	Revaluations/write-downs at 1 January 2021	-378.709
0	Disposals in the year	290.801
93.259	Profit share	18.969
-11.700	Changes in financial instruments	0
5.328	Foreign exchange adjustments etc.	272
0	Distribution of dividend to parent company	-10.193
<u>0</u>	Elimination intercompany profit	<u>85.413</u>
<u>531.468</u>	Revaluations/write-downs at 31 December 2021	<u>6.553</u>
<u>701.468</u>	<b>Book value at 31 December 2021</b>	<u>112.133</u>
<u>614.581</u>	Book value at 31 December 2020	<u>150.054</u>

As per 31 December 2021, the accumulated elimination of the proportionate share of the intercompany profit of DKKm 48 (2020: DKKm 133) before tax has been deducted from the equity investments in associated companies.

**Notes**  
(in DKK thousands)

**Note 7 Contract work in progress**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
0	0	Sales value of production in progress	4.672.241	4.294.228
0	0	Invoiced on account	-4.213.494	-3.889.467
<u>0</u>	<u>0</u>	Contract work in progress, net	<u>458.747</u>	<u>404.761</u>
Classified as follows:				
0	0	Receivables	560.072	590.497
<u>0</u>	<u>0</u>	Prepayments received from customers	<u>-101.325</u>	<u>-185.736</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>458.747</u></u>	<u><u>404.761</u></u>

**Note 8 Deferred tax**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
0	0	Deferred tax at 1 January	66.021	34.489
0	0	Adjustment concerning previous years	914	1.242
0	0	Acquisition of entities	0	0
0	0	Adjustment for tax credit scheme	0	-4.328
<u>0</u>	<u>0</u>	Deferred tax	<u>-23.012</u>	<u>34.618</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>43.923</u></u>	<u><u>66.021</u></u>
Deferred tax can be specified as follows:				
0	0	Acquisition of entities	0	0
0	0	Tangible fixed assets	4.045	2.798
0	0	Financial fixed assets	10.577	29.368
0	0	Intangible fixed assets	1.100	1.424
0	0	Contract work in progress etc.	-46.932	-45.254
0	0	Provisions	15.650	12.897
<u>0</u>	<u>0</u>	Tax loss carried forward	<u>59.483</u>	<u>64.788</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>43.923</u></u>	<u><u>66.021</u></u>
Deferred tax distributed on				
0	0	Tax assets	44.281	66.463
<u>0</u>	<u>0</u>	Tax liabilities	<u>-358</u>	<u>-442</u>
<u><u>0</u></u>	<u><u>0</u></u>		<u><u>43.923</u></u>	<u><u>66.021</u></u>

**Notes**  
(in DKK thousands)

**Note 9            Warranty and Other Provisions**

Warranty provisions amounts to DKKm 55 (2020: DKKm 68) where DKKm 15 has been added, DKKm 24 has been used, and DKKm 4 has been released during 2021.

Approximately DKKm 52 of the warranty provision is expected to be settled within the next 12 months and DKKm 3 is expected to be settled within 1-5 years.

Other provisions amounts to DKKm 72 (2020: DKKm 150) where DKKm 43 has been added, DKKm 96 has been used, and DKKm 25 has been released during 2021.

Approximately DKKm 59 of the other provision is expected to be settled within the next 12 months and DKKm 13 is expected to be settled within 1-5 years.

**Note 10            Other long-term liabilities**

Long-term debts maturing after 5 years from the end of the fiscal year amount to DKKm 0 (2020: DKKm 0).

The other long-term liabilities DKKm 28 (2020: DKKm 29) are non-interest bearing.

**Note 11            Other creditors**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
94	47	Payable payroll related costs	42.669	54.251
0	0	Financial instruments	25.678	12.383
0	0	Payable VAT	5.840	7.578
<u>290</u>	<u>128</u>	Other accrued expenses, etc.	<u>49.870</u>	<u>81.636</u>
<u><u>384</u></u>	<u><u>175</u></u>		<u><u>124.057</u></u>	<u><u>155.848</u></u>

**Note 12            Audit fees**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
73	82	Audit fee	1.375	897
46	0	Other declaration assignments	0	115
0	0	Tax advisory fee	203	1.077
<u>0</u>	<u>0</u>	Other fees	<u>211</u>	<u>385</u>
<u><u>119</u></u>	<u><u>82</u></u>		<u><u>1.789</u></u>	<u><u>2.474</u></u>

**Notes**  
(in DKK thousands)

**Note 13**      **Staff costs etc.**

<u>Parent Company</u>			<u>The Group</u>	
2020	2021		2021	2020
955	980	Wages and salaries	357.352	417.846
0	0	Pension contribution	7.429	7.599
4	4	Social security costs	14.816	13.271
<u>959</u>	<u>984</u>		<u>379.597</u>	<u>438.716</u>
Including remuneration for:				
<u>959</u>	<u>984</u>	Board of Directors of Parent Company	<u>984</u>	<u>959</u>
<u>1</u>	<u>1</u>	Average number of employees	<u>709</u>	<u>768</u>

For the Parent Company Staff costs of DKKm 1.0 are allocated to Administrative costs. For the Group staff costs of 12.7 are allocated to Sales costs, DKKm 45.5 are allocated to Administrative costs and 321.4 are allocated to Production costs.

**Note 14**      **Financial instruments**

The subsidiary BWSC manages the currency hedging as well as the Group cash management. The major part of the Group's cash flow are in DKK, EUR, USD and GBP. The 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 which is not within the treasury policy.

The Group has made interest swaps to hedge payment of interest on a mortgage loan with variable interest. The principal of the loan at 31 December 2020 is DKKm 6 (2020: DKKm 9) with a maturity of 2 years. The market value of the interest swaps as per 31 December 2021, amounted to DKKm 0 (2020: DKKm -1) which has been accounted for in the equity. The net market value for foreign exchange hedging DKKm -15 is recognised in the equity.

(in DKK thousands)

#### **Note 15. Derivative financial instruments (continued)**

The market value of foreign exchange hedging and interest rate hedging recognised in the equity amounts to DKKm -23 (2020: DKKm -7). The maturity is as follows:

- Within one-year DKKm -12 (2020: DKKm 2)
- Between one and five years DKKm -11 (2020: DKKm -9)
- Later than five years DKKm 0 (2020: DKKm 0)

#### **Note 16. Transactions between related parties**

Purchase of goods and services and loan from Mitsui E&S Holdings Co., Ltd., Japan and sale of goods to equity interests in group entities and associates are specified below in this note.

Apart from intercompany transactions which have been eliminated in the Group accounts, purchase of services from DASH engineering, service sales to equity interests, remuneration for the Board of Directors and the Executive Management, no transactions have been made with the Board of Directors, the Executive Management, subsidiaries and equity interests or other related parties during the year

#### **Group relationships**

Burmeister & Wain Scandinavian Contractor A/S is 100% owned by Mescos Denmark A/S, which prepares its own consolidated financial statements. The Mescos Denmark financial statements can be obtained via BWSC or [www.datacvr.virk.dk](http://www.datacvr.virk.dk). The ultimate Parent Company is Mitsui E&S Holdings Co., Ltd., which prepares consolidated financial statements for the group in which BWSC is included. Group Financial Statements for the ultimate Parent Company can be obtained from: Mitsui E&S Holdings Co., Ltd., 6-4, Tsukiji

## Notes

(in DKK thousands)

### Note 16. Transactions between related parties (continued)

	Sales	Purchases	Receivables outstanding	Payables outstanding	Dividends received	Loans received	Interest payable
BWSC Mindanao Inc.	0	0	0	68	0	0	0
BWSC Cayman Ltd.	0	0	0	3.412	0	0	0
BWSC Cyprus	0	0	164	0	0	0	0
BWSC Generation Services Northern Ireland Ltd	0	26.243	0	3.781	0	0	0
BWSC Lanka (Private) Ltd.	0	0	0	0	0	0	0
BWSC Panama S.A.	0	95	0	5.863	0	0	0
BWSC Mali SARL	0	613	0	2.557	0	0	0
BWCC Ltd.	18.733	0	86.666	0	0	0	0
BWSC (Mauritius) Ltd.	0	0	0	2.867	0	0	0
BWSC Regional Services S.A.	0	0	271	0	0	0	0
BWSC Macau Ltd.	0	226	0	2.810	0	0	0
BWSC Sweden AB	0	1.688	0	842	0	0	0
BWSC Lebanon SARL	0	0	0	27.017	0	0	0
BWSC Foreign Investments ApS	0	0	0	71	0	0	0
BWSC Generation Services UK	0	251.695	0	26.367	0	0	0
BWSC Generation ApS	0	0	0	412	0	0	0
BWSC Japan Ltd.	0	3.373	0	2.286	0	0	0
BWSC Benin SARL	0	3.476	0	2.553	0	0	0
BWSC Belgium B.V.	0	5.234	0	607	0	0	0
Asia Power (Private) Ltd.	0	0	0	0	0	0	0
<b>Subsidiaries Total</b>	<b>18.733</b>	<b>292.643</b>	<b>87.101</b>	<b>81.513</b>	<b>0</b>	<b>0</b>	<b>0</b>
Western Biomass Operating Company Ltd.	5.554	0	19.139	282	0	0	0
Rabai Power Holding Ltd.	21.110	0	1.080	0	4.960	0	0
APOM Ltd.	5.301	0	1.457	0	0	0	0
ERE LPS Holdings Ltd.	48.782	0	2.756	0	0	0	0
BWSC North Lines Ltd.	19.045	0	0	0	0	0	0
BWSC East Anglia Ltd.	23.632	0	0	0	0	0	0
Rabai Operation and Maintenance Ltd.	410	0	413	266	484	0	0
Tilbury Green Power Holding Ltd.	0	0	0	37	0	0	0
Albatros Energy Mali S.A	44.488	0	14.916	0	0	0	0
Mersey Bioenergy Holdings Ltd.	46.855	0	3.561	0	0	0	0
Kent Power Corporation Ltd.	70.611	0	0	0	0	0	0
<b>Associated companies Total</b>	<b>285.788</b>	<b>0</b>	<b>43.322</b>	<b>585</b>	<b>5.444</b>	<b>0</b>	<b>0</b>
Mitsui E&S Holdings Co. Ltd.	654	7.002	0	2.707	0	100.000	3.802*
<b>Parent company Total</b>	<b>654</b>	<b>7.002</b>	<b>0</b>	<b>2.707</b>	<b>0</b>	<b>100.000</b>	<b>3.802*</b>
Dash Engineering Inc.	0	2.151	0	37	0	0	0
<b>Sister companies Total</b>	<b>0</b>	<b>2.151</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Interests payable to parent company has been expensed in 2021.

## Notes

(in DKK thousands)

### **Note 17. Contingency liabilities, security for loans, etc.**

The Group has not entered into any material leasing obligations.

The Group is party to disputes and litigation from time to time. It is the assessment that appropriate provisions have been made for the outcome of such disputes and litigation.

The Group is involved in ongoing tax disputes in Africa, of which some relate to significant amounts in dispute. It is Management's assessment that these tax disputes are unjustified, and it is the assessment that appropriate provisions have been made for ongoing tax cases and risks.

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 DKKm 35 (2020: DKKm 37) has been provided as security for mortgage debt. The total mortgage debt is DKKm 6 (2020: DKKm 9).

The Group has invested in power plants via equity interests and the not paid in committed capital in equity interests amounts to DKKm 0 at 31 December 2020 (2020: DKKm 1).

The Group has received DKKm 50 under a product delivery guarantee. The amount has been off set in work in progress, since payments to be received from the customer shall be passed on to the guarantee provider. Should it turn out that BWSC has no right to claim the amount from the customer, the amount received of DKKm 50 shall be paid back to the guarantee provider

### **Note 18. Guarantees**

At 31 December 2021 guarantees given by banks and credit insurance institutions on behalf of the subsidiary BWSC for contract work, etc. amounted to DKKm 686 (2020: DKKm 829). The guarantees are typically provided in the form of performance and down payment guarantees to cover project-related risks, such as performance, payment, quality and delay for projects and supplies towards our customers.

**Notes**  
(in DKK thousands)

**Note 19      Distribution of profit**

It is recommended that the profit for the year, tDKK 92,307 is appropriated as follows:

	<u>Parent company</u>	
	<b>2021</b>	<b>2020</b>
Transferred to net revaluation reserves	93.259	-230.369
Retained profit	<u>-952</u>	<u>-1.946</u>
	<u><u>92.307</u></u>	<u><u>-232.315</u></u>

**Note 20      Cash flow adjustments**

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Amortization, depreciation and impairment	16.580	83.611
Changes in provisions	-106.990	-63.087
Financial instruments	0	8.514
Elimination of intercompany profit	-85.413	-8.791
Other long-term liabilities	0	24.325
Other Operating income/loss	<u>-5.608</u>	<u>0</u>
	<u><u>-181.431</u></u>	<u><u>44.572</u></u>

**Note 21      Changes in working capital**

	<u>The Group</u>	
	<b>2021</b>	<b>2020</b>
Changes in inventories	2.128	2.815
Changes in contract work in progress	-37.642	-123.638
Changes in trade receivables	-10.434	23.624
Changes in receivables from group enterprises and associates	49.516	13.344
Changes in other receivables	27.316	15.166
Changes in prepayments and deferred income	-90	-751
Changes in trade payables	-94.276	-12.658
Changes in payables to group enterprises	-5.568	6.744
Changes in other payables	<u>-42.732</u>	<u>31.068</u>
	<u><u>-111.782</u></u>	<u><u>-44.286</u></u>



**Notes**  
**(in DKK thousands)**

**Note 22**      **Events after the balance sheet date**

No significant events that could materially affect the financial position at 31 December 2021 have occurred after the balance sheet date.