Babcock & Wilcox Vølund A/S

Falkevej 2

6705 Esbjerg Ø

CVR No. 25053664

Annual Report 2016

17. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 29 March 2017

Rodney Ernest Carlson
Chairman

Contents

Management's Statement

Today, the Board of Directors and the Executive Board have considered and approved the Annual Report of Babcock & Wilcox Vølund A/S for the financial year 1 January 2016 - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January 2016 - 31 December 2016.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

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

Esbjerg, 29 March 2017

Executive Board

Jimmy Brian Morgan
Man. Director

Board of Directors

Rodney Ernest Carlson Chairman	Kimberly Lewis Clark	Jimmy Brian Morgan
Rasmus Peter Sejerup Rasmussen Employee Representative	Helge Steenstrup Employee Representative	

Independent Auditor's Report

To the shareholders of Babcock & Wilcox Vølund A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Babcock & Wilcox Vølund A/S for the financial year 01-01-2016 - 31-12-2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements and parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31-12-2016 and of the results of their operations and the consolidated cash flows for the financial year 01-01-2016 - 31-12-2016 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 parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Independent Auditor's Report

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

* Identify and assess the risks of material misstatement of the consolidated financial statements and parent 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 Entity's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and parent 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent 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 Entity to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the consolidated financial statements and parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 review
Management is responsible for the management review.

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

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

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

Independent Auditor's Report

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

Esbjerg, 29 March 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No.: 33963556

Palle Jensen
State Authorised Public Accountant

Company information

Company	Babcock & Wilcox Vølund A/S Falkevej 2 6705 Esbjerg Ø Telephone: 76 14 34 00 Telefax: 76 14 36 00 Email: bwv@volund.dk Website: www.volund.dk CVR No.: 25053664 Date of formation: 22 November 1999 Registered office: Esbjerg Financial year: 1 January 2016 - 31 December 2016
Board of Directors	Rodney Ernest Carlson, Chairman Kimberly Lewis Clark Jimmy Brian Morgan Rasmus Peter Sejerup Rasmussen, Employee Representative Helge Steenstrup, Employee Representative
Executive Board	Jimmy Brian Morgan, Man. Director
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Dokken 8 Postbox 200 6700 Esbjerg CVR-no.: 33963556
Bank	Danske Bank A/S Finanscenter Sydjylland Strandbygade 2 6700 Esbjerg

Management's Review

The Annual Report of Babcock & Wilcox Vølund A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Art applying to large enterprises of reporting class C.

Market overview
Babcock & Wilcox Vølund A/S (BWV) is an international supplier of energy plants based on
* utilization of various types of waste as fuel
* utilization of various types of biomass as fuel
* gasification of various types of fuel.

The Company designs, manufactures, installs and services components as well as turnkey energy plants of various dimensions and configurations primarily based on its own stoker/grate firing technology. Furthermore, the Company operates and maintains energy plants.

The market situation continued to provide BWV with a high level of contract activity during 2016 due to the ongoing political focus on reducing greenhouse gas emissions and the EU directive to reduce landfilling of waste from households and industry.

In addition, several countries in Europe, North and South America and Asia are showing increasing interest in renewable power generation projects from waste and biomass fuel sources which are well aligned with the Company's products and services.

Development in the year

Profit/loss for the year and follow-up on last year's expectations
The operating loss of the Group for the year was DKK 782,7 million. The result of the year after financials and taxes amounted in a loss of DKK 735,2 million.

A considerable part of the Company's activities are based on contracts of long duration, in connection with which there is always a certain degree of uncertainty especially on large projects. The management evaluates, that the procedures and internal controls of the Company are sufficient to provide reliable project estimates.

The Company generally recognizes revenues and related costs from long-term contracts on a percentage-of-completion basis. Accordingly, management reviews contract price and cost estimates regularly as work progresses and reflects adjustments in profit proportionate to the percentage of completion in the periods in which estimates revised to complete the contract. To the extent that these adjustments result in a reduction of previously reported profits from a project, charges are recognized against current earnings. To the extent we expect an overall loss on a contract, that expected loss is fully charged against current earnings. Changes in the estimated results of our percentage-of-completion contracts are based on information available at the time that the estimates are made and are based on judgments that are inherently uncertain as they are predictive in nature. As with all estimates to complete used to measure contract revenue and costs, actual results can and do differ from our estimates made over time.

The Company encountered challenges during the year and subsequently put plans in place to address them. As the Company grew significantly over the last two years, resources and capabilities were stretched. It experienced productivity and schedule issues that increased the estimated costs and lengthened the timeline to complete some projects. The Company is committed to completing these projects in line with its revised timelines and budgets, and has made changes to the business and has a plan in place to address these matters. It has appointed a new management team, and has been working to enhance its engineering and project management resources and infrastructure. The Company is confident in its leading technology and expects results to improve in 2017.

Management's Review

The net revenues of the Group for the year amounted to DKK 1.733 million, which is an increase of the revenue by DKK 32 million, an increase of 2 % compared to the previous year.

The activities of the year have resulted in an unfavorable cash flow movement of DKK 157 million due to progress on the projects offset against previous prepayments per the contractual billing milestones and from payment of an extraordinary dividend of DKK 85 million.

It is concluded that the expectations on 2016 mentioned in the previous annual report are not met due to the losses associated with the increased estimates to complete some projects.

Events during the fiscal year
During 2016, the Company entered and received orders for some new projects including Gloucester in the UK, Boden in Sweden and Shenzhen in China.

During 2016, the following Service projects were handed over to:

* Vattenfall Värme AB, Sweden, plant upgrade.
* Aars Fjernevarme, Denmark, plant upgrade.

Capital and cash resources
The loss for the year and adjustment of hedged contracts to the fair value combined with payment of extraordinary dividend in 2016 have generated a decrease of the Company's equity from DKK 217.7 million to negative DKK 604 million.

The Babcock & Wilcox Company (“B&W”), the parent company of BWV, has issued a letter of support, in which it commits to fund the Company with the cash required to meet the Company's obligations through at minimum, of February 28, 2018.

Based on the commitment from the parent company, it is the clear assessment of the management that the cash flow necessary for the fulfillment of the Company's financial obligations will be available in full.

As it has been established that the Company's equity represents less than half of its share capital, under section 119 of the Danish Companies Act a general meeting of shareholders must be held no later than six months thereafter at which meeting the board of directors must report on the Company's financial position and, if necessary propose measures that should be taken. Said report will be given at the Company's annual general meeting of shareholders which is held on 29. March 2017. Based on the commitment from the parent company and management's plan to improve the future results of the Company and the Group, the Board of directors does not expect to propose that other measures be taken at the general meeting of shareholders.

Significant post-balance sheet events
No events have occurred after the balance sheet date which could influence this Annual Report.

Special operational and financial risks

Operations
The key operating risks relate to the time as well as the cost realization of project completions. This is mitigated through structured management of all projects. The new management team is taking actions including investing in enhanced engineering and project management capabilities and infrastructure with the expectation to complete the backlog projects within the revised project estimates and schedules. In addition, the management team is limiting near term new bidding opportunities so as not to overburden resources as they focus on executing the current backlog projects.

Management's Review

Market risks
The key market risks relate to a continued development of technological know-how to enable the Company to meet market requirements in its core areas. This is ensured through dialogue with customers and universities as well as continued improvement and development in relevant technological areas, including through the work of the Company's research and development department.

Currency exposure
As the Company sells projects and makes a number of purchases for foreign exchange, these involve a foreign exchange risk. Transactions are made in e.g. EUR, GBP, USD, SEK and NOK. To the extent that net positions are considered a material foreign exchange exposure, the risk is minimized by means of forward exchange contracts. Hedging is not made to reduce or eliminate the foreign exchange risk of inter-company accounts.

Interest risks
As the net floating-rate interest-bearing debt is primarily provided through the parent company's credit facility, the Company does not enter into transactions to hedge against interest rate exposure.

Credit risks
According to the Group's policy for assuming credit risks, major customers and business partners are credit rated regularly.

Basis of earnings

Research and development
The Company carries out research and development activities with a view to developing and optimizing production processes and the product portfolio. These activities are partly carried out in cooperation with public authorities.
Costs expensed for research and development of the Group amount to DKK 13.2 million net of contributions received, which is an increase of DKK 0.9 million to 2015. The amount is equal to 0,8 % of the net revenues. Furthermore, there is project related development paid by customers.

Recruiting, training and retaining
As the Company's mission is to a great extent based on sale and servicing of technically complex plants, there is a continuous requirement for recruiting and retaining qualified staff.

This is ensured through policies and procedures for recruiting, performance appraisal interviews, senior employees, retirement, etc. Furthermore, a number of training activities are carried out. Thus in 2016, a total of 1.158 training days were held, which corresponds to 2,1 training day per employee. It is noted that also in 2016 the employee turnover was very low.

Health, Safety and Environment (HSE)
In 2016, the focus on safety and health was maintained throughout the Company. Safety moments are still on the agenda for different meetings like all-staff meetings, department meetings etc. All HSE meetings are also led off with a safety moment.

A HSE business plan was established at the beginning of the year. The plan included 22 specific tasks, which have all been completed.

The targets for Total Recordable Case Rate and Days Away Restricted Transfer Rate were both fulfilled in 2016. The culture for reporting and registering near-misses and accidents has also improved.

All employees and the management are greatly involved and committed to safety. In 2016, a new overall HSE program “Target Zero” has been launched. The goal is to end every work day incident and injury free.

The increased focus on HSE is supported by an increased HSE organization.

Management's Review

Transactions with related parties
The Company has routine transactions involving contract work and administrative issues with various related enterprises which are subsidiaries of Babcock & Wilcox Enterprises, Inc.

Foreign subsidiary
Babcock & Wilcox Vølund AB (formerly Götaverken Miljö AB), Sweden, is included as a fully owned subsidiary.
Babcock & Wilcox Slovakia s.r.o, Slovakia, is included as a fully owned subsidiary.
Babcock & Wilcox UK Ltd., UK, is included as a fully owned subsidiary.

Climate/environment
The final report based on the energy audit carried out in 2015 was received in the beginning of 2016. We have evaluated the report and asked the external energy consultants to calculate expected investments and savings for several areas including new energy management system, optimization of temperatures in the workshop, changing to LED lightning and improvement of insulation etc. Once Management has reviewed the calculation a plan will be made for which initiatives the Company will implement based on the cost of investments, savings and their impact on climate and environment.

Ethics and Compliance
The Company's business conduct is governed by its ethics and compliance rules "Code of Business Conduct". The rules are applying to and known by all employees, and training is carried out continuously in order to ensure proper observance. A system to report any non-compliance with the rules is implemented, and the reports are being registered and treated seriously. A recurrent theme in the Company's Code of Business Conduct is the obligation to respect human rights in all matters.

Gender composition (parent company)
As of February 1, 2017 Ms. Kimberly Lewis Clark was appointed as member of the Board of Directors, thereby meeting the goal that at least 1 out of the 3 board members elected by the general meeting should be female.

In the executive group and the department management group the composition is 16 % (2015: 10%) female and 84 % (2015: 90%) male managers. The recruiting of managers is purely based on the skills and competences needed for the position. The Company still has a goal to increase the female representation to 20 % over the next 2 years, however, with due consideration of the Company's Fair Employment Practices policy.

Key Figures and Financial Ratios

The development in the Group's key figures and financial ratios can be described as follows:
Numbers appears in thousands

	2016	2015	2014	2013	2012
Group					
Income Statement:					
Net revenues	1.732.773	1.701.080	830.191	690.545	899.924
Operating income	-782.669	107.569	44.798	50.571	51.782
Net financials	-7.108	20.621	11.268	-6.862	3.279
Profit/loss for the year	-735.164	102.403	45.047	31.615	39.264
Balance Sheet:					
Balance sheet total	776.623	1.255.724	552.509	511.169	563.838
Equity	-604.153	217.682	183.526	194.701	207.504
Cash flows:					
Cash flows from:					
- operating activities	-59.241	303.429	-7.428	69.744	-121.393
- investments in property, plant and equipment	-12.023	-7.502	-1.597	-5.754	-4.239
- other investing activities	-897	-910	-1.525	271	1.559
- financing activities	-84.764	-120.085	-17.347	-14.660	98.568
Change in cash and cash equivalents for the year	-156.925	174.932	-27.897	49.601	-25.505
Avg. number of full-time employees	561	457	416	415	420
Ratios:					
Gross margin (%)	-36,42	14,32	19,71	24,03	18,91
Profit margin (%)	-45,17	6,32	5,41	7,32	5,75
Return on net assets (%)	-110,52	17,69	14,34	15,37	15,72
Solvency ratio (%)	-77,79	17,34	33,22	38,09	36,81
Return on equity (%)	0	51,05	23,82	15,72	21,25

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

Gross margin (%) $= \dfrac{\text{Gross profit/(loss) X 100}}{\text{Net revenue}}$

Profit margin (%) $= \dfrac{\text{Operating income X 100}}{\text{Net revenue}}$

Return on net assets (%) $= \dfrac{\text{Operating income X 100}}{\text{Average operating assets}}$

Solvency ratio (%) $= \dfrac{\text{Equity at year end X 100}}{\text{Total assets at the year end}}$

Return on equity (%) $= \dfrac{\text{Profit/(loss) for the year X 100}}{\text{Average equity}}$

Accounting Policies

Reporting Class
The Annual Report of Babcock & Wilcox Vølund A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Reporting currency
The Annual Report is presented in Danish kroner.

Consolidated Financial Statements
The Consolidated Financial Statements comprise the parent company Babcock & Wilcox Vølund A/S and subsidiaries in which Babcock & Wilcox Vølund A/S directly or indirectly holds more than 50% of the voting rights or in other ways has control. Enterprises in which the Group holds between 20% and 50% of the voting rights and exercises significant but not controlling influence are considered associates.

For the consolidation, intercompany income and costs, shareholdings, intercompany balances and dividends as well as realised and unrealised profit and loss are eliminated in connection with transactions between the consolidated enterprises.

Equity investments in subsidiaries are eliminated by the proportionate share of the subsidiaries' market value of net assets and liabilities at the time of acquisition.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Enterprises sold or liquidated are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not corrected for enterprises newly acquired, sold or liquidated.

General Information

Basis of recognition and measurement
All revenues are recognized in the income statement as earned based on the following criteria:

* delivery has been made or services performed before year end.
* a binding sales agreement has been made.
* the sales price has been determined.
* payment has been received at the time of sale or is with reasonable certainty expected to be received.

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

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

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

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Accounting Policies

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Income Statement

Revenue

Net revenues
Net revenues equal the selling price of the work completed for the year (percentage-of-completion method) as contract work in progress is recognized at the rate of completion. This method is applied when total revenues and expenses in respect of the construction contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group.

When it is determined that an uncompleted contract will not be completed on-time and the contract has liquidated damages provisions, the estimated liquidated damages that will be incurred are recorded as a reduction of revenue in the period the change in estimate occurs.

Parts orders, certain aftermarket service activities, license and rental income, etc. are included in the net revenues with the amounts related to the period, as goods are delivered and work is performed.

Net revenues is recognized as net of VAT, duties and sales discounts.

Segment information is presented in respect of business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system.

Production costs
Production costs comprise the costs paid to obtain the revenue of the year. Cost includes direct and indirect production costs, including patent costs, depreciation, amortization and salaries.

Production costs also include research and development costs that do not qualify for capitalization as well as amortization of capitalized development costs. Amortization of goodwill is also included to the extent that goodwill relates to the production activity.

Moreover provision for losses on construction contracts is recognized.

Sales and proposal costs
Sales and proposal costs comprise costs for proposal work, sales staff, advertising and exhibition costs, including depreciation.

Administration expenses
Expenses incurred during the year for management and administration are recognised in adminstration expenses. This includes expenses incurred for the administrative staff, Management, offices as well as office expenses and similar expenses and amortisation and impairment of intangible and tangible assets.

Amortisation and impairment of tangible and intangible assets
Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

Accounting Policies

	Useful life
Goodwill	10 years
Properties	10-25 years
Plant and machinery	3-12 years
IT (hardware & software)	3-5 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	over the lease period

Land is not amortised.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Result of equity investments in subsidiaries and associates
The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the parent company's Income Statement after full elimination of intercompany profit/loss.

The proportionate shares of the associates' profit/loss after tax are recognised in both the group's and parent company's Income Statement after elimination of the proportionate share of intercompany profit/loss.

Financial income and expenses
Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year
Tax for the year which comprises the current corporation tax for the year and any changes in deferred tax, including as a consequence of a change to the tax rate, is recognised by the part attributable to the profit/loss for the year and directly in equity by the part attributable to items directly in equity.

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Balance Sheet

Intangible assets
Intangible assets is measured at cost less accumulated amortization and impairment losses based on management's experience with the individual business areas. In certain cases, the amortization period is up to 10 years for strategically acquired enterprises with strong market position and a long-term earnings profile if the longer amortization period is considered to give a better reflection of the benefit from the relevant resources.

Development projects comprise salaries, amortization and other expenses directly or indirectly attributable to the Company's development activities less grants received.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated,

Accounting Policies

and where it is the intention to manufacture, market or use the project, are recognized as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover the production costs, sales and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognized as expenses in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortization and impairment losses or at a lower recoverable amount.

Acquired intangible assets, such as patents and trademarks, are measured at cost less accumulated amortization and impairment losses or at a lower recoverable amount.

Tangible assets
Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labor, materials, components and subsuppliers. Any borrowing expenses in the period of construction are not recognized.

Any revaluation is based on external assessment.

Impairment of fixed assets
The carrying amounts of both intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the need for impairment is assessed in the smallest group of assets for which a reliable recoverable amount can be determined.

Goodwill, head office buildings and other assets, for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows, are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries
Equity investments in subsidiaries are measured by the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the enterprises' equity value determined according to the group's accounting policies with deduction or addition of unrealised intercompany profit or loss and with the addition or deduction of the residual value of positive or negative goodwill determined according to the acquisition method.

Equity investments in subsidiaries with a negative equity value are measured at DKK 0, and any receivable from these enterprises are written down in so far as the receivable is uncollectible. In so far as the parent company has a legal or actual obligation to cover a negative balance that exceeds the receivable, the residual amount is recognised in provisions.

Net revaluation of equity investments in subsidiaries is tied up as reserve for net revaluation by the equity method in equity, in so far as the carrying amount exceeds the cost. Dividends from subsidiaries that are expected to be adopted before the annual report for Babcock & Wilcox Vølund A/S is approved are not tied up in the revaluation reserve.

Accounting Policies

The acquisition method is used to purchase enterprises, cf. the above description under determination of goodwill.

Equity investments in consortiums
Equity investments in consortiums are treated in compliance with the rules about jointly controlled operations. This means that the Company recognizes in its financial statements:

* the assets that it controls
* the liabilities that it incurs
* the expenses that it incurs
* that it recognizes income concurrently with the progress of its production activities

Inventories
Raw materials and consumables, work in progress and manufactured goods and goods for resale are measured at the lower of cost under the average method and net realizable value.

The net realizable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum less the estimated expenses necessary to make the sale.

The cost of raw materials and consumables equals landed costs. The cost of finished goods and work in progress comprises cost of raw materials, consumables and direct labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses in the period of construction are not recognized.

Contract work in progress
Contract work in progress is measured at the selling price of the work performed based on the stage of completion.

The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement. Furthermore when it is determine that an uncompleted contract will not be completed on-time and the contract has liquidated damages provisions, the estimated liquidated damages that will incur are recorded as a reduction of revenue in the period the change in estimate occurs.

Prepayments are set off against contract work in progress. Payments received on account in excess of the contract work performed to date are stated separately for each contract and recognized as prepayments received from customers in short-term debt.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Receivables
Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Accrued income, assets
Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Accounting Policies

Prepayments
Prepayments include expenses incurred in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity
Proposed dividend for the year is recognised as a separate item in equity.

Provisions
Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized in respect of temporary differences concerning goodwill not deductible for tax purposes or other items apart from business acquisitions where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Adjustment is made for deferred tax concerning eliminations made of unrealized intercompany gains and losses.

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 2-5 years. Provisions are measured and recognized based on experience with guarantee work at fair value.

Financial liabilities
Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Current tax liabilities
Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Contingent assets and liabilities
Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Cash Flow Statement

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

Accounting Policies

Cash flows from operating activities
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortization and impairment losses, provisions as well as changes in working capital, interest received/paid and corporation tax paid. Working capital comprises current assets less short-term liabilities excluding items included in cash and cash equivalents.

Cash flows from investing activities
Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, tangible assets as well as financial fixed asset.

Cash flows from financing activities
Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt, payment of dividend to share-holders as well as loan from Parent Company.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

Income Statement

All amounts in DKK'000

		Group		Parent	
	Note	2016	2015	2016	2015
Net revenues	4	1.732.773	1.701.080	1.670.862	1.657.023
Cost of production	5, 6, 7	-2.363.788	-1.457.533	-2.333.195	-1.431.995
Gross result		**-631.015**	**243.547**	**-662.333**	**225.028**
Sales and proposal costs	5, 6, 7	-92.450	-82.582	-87.913	-72.581
Administrative costs	5, 6, 7	-59.204	-53.396	-48.650	-48.368
Profit from ordinary operating activities		**-782.669**	**107.569**	**-798.896**	**104.079**
Result from investments in subsidaries		0	0	14.605	6.539
Financial income	9	3.987	22.372	347	17.174
Other finance expenses		-11.095	-1.751	-10.443	-1.751
Profit from ordinary activities before tax		**-789.777**	**128.190**	**-794.387**	**126.041**
Tax expense on ordinary activities	11	54.613	-25.787	59.223	-23.638
Profit/loss	12	**-735.164**	**102.403**	**-735.164**	**102.403**

Balance Sheet as of 31. December

All amounts in DKK'000

		Group		Parent	
	Note	2016	2015	2016	2015
Assets					
Completed development projects	13	302	515	302	515
Acquired intangible assets	14	10.727	11.880	0	0
Goodwill	15	9.236	12.315	0	0
Development projects in progress	16	1.503	1.181	1.503	1.181
Intangible assets		**21.768**	**25.891**	**1.805**	**1.696**
Land and buildings	17	40.479	43.031	40.479	43.031
Plant and machinery	18	12.055	10.008	12.055	10.008
Fixtures, fittings, tools and equipment	19	5.444	4.407	4.305	3.359
Leasehold improvements	20	1.852	1.254	91	107
Property, plant and equipment in progress and prepayments for property, plant and equipment	21	4.060	517	4.060	517
Property, plant and equipment		**63.890**	**59.217**	**60.990**	**57.022**
Long-term investments in group enterprises	8, 22	0	0	42.858	51.356
Other long-term receivables		5.130	5.191	4.546	4.797
Deposits, investments		3.284	2.899	3.068	2.785
Investments		**8.414**	**8.090**	**50.472**	**58.938**
Fixed assets		**94.072**	**93.198**	**113.267**	**117.656**
Inventories	23	**48.933**	**42.847**	**48.792**	**42.694**
Short-term trade receivables	24	152.857	376.831	133.516	325.742
Contract work in progress	25	101.539	337.903	103.314	408.442
Short-term receivables from group enterprises		7.552	217	9.902	3.079
Short-term tax receivables		0	2.126	0	1.594
Other short-term receivables	26	143.554	14.584	142.714	14.121
Prepaid expenses		6.535	9.719	4.309	8.430
Current deferred tax		317	110	0	0
Receivables		**412.354**	**741.490**	**393.755**	**761.408**
Cash and cash equivalents		**221.264**	**378.189**	**184.988**	**240.449**
Current assets		**682.551**	**1.162.526**	**627.535**	**1.044.551**
Assets		**776.623**	**1.255.724**	**740.802**	**1.162.207**

Balance Sheet as of 31. December

All amounts in DKK'000

		Group		Parent	
	Note	2016	2015	2016	2015
Liabilities and equity					
Contributed capital		20.000	20.000	20.000	20.000
Reserve for net revaluation according to equity method		0	0	0	5.793
Retained earnings		-624.153	197.682	-624.153	191.889
Equity	27	**-604.153**	**217.682**	**-604.153**	**217.682**
Provisions for deferred tax	28, 29	3.716	69.415	0	65.066
Other provisions	30	74.150	39.275	72.319	38.472
Provisions		**77.866**	**108.690**	**72.319**	**103.538**
Other payables		725	489	0	0
Long-term liabilities other than provisions		**725**	**489**	**0**	**0**
Prepayments received from customers		816.066	537.546	814.873	476.130
Trade payables		312.600	254.251	293.044	245.272
Payables to group enterprises		8.584	6.558	21.311	22.197
Payables to associates		10.915	10.957	10.915	10.957
Tax payables		5.008	2.482	1.150	1.468
Other payables		149.012	117.069	131.343	84.963
Short-term liabilities other than provisions		**1.302.185**	**928.863**	**1.272.636**	**840.987**
Liabilities other than provisions within the business		**1.302.910**	**929.352**	**1.272.636**	**840.987**
Liabilities and equity		**776.623**	**1.255.724**	**740.802**	**1.162.207**

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Related parties	33
Fees for auditors elected on the general meeting	34

Cash Flow Statement

All amounts in DKK'000

	2016	2015
Profit	-735.164	102.403
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	11.722	10.901
Adjustments of interest and similar incomes	-3.987	-22.372
Adjustments of interest and similar expenses	11.095	1.751
Adjustments of tax expense	-54.613	25.787
Other provisions	34.875	21.414
Other adjustments	-1.740	956
Decrease (increase) in working capital	692.300	136.344
Cash flow from operating activities before financial items	**-45.512**	**277.184**
Interest received	3.987	22.372
Interest paid	-11.095	-1.751
Cash flow from ordinary operating activities	**-52.620**	**297.805**
Income taxes paid	-6.621	5.624
Cash flows from operating activities	**-59.241**	**303.429**
Purchase of intangible assets	-322	-141
Purchase of tangible assets	-12.023	-7.502
Purchase of financial fixed assets	-575	-769
Cash flows from investing activities	**-12.920**	**-8.412**
Repayments of long-term liabilities	236	-85
Repayment of debt to group enterprises	0	-40.000
Dividend paid	-85.000	-80.000
Cash flows from financing activities	**-84.764**	**-120.085**
Net increase (decrease) in cash and cash equivalents	**-156.925**	**174.932**
Cash and cash equivalents, beginning balance	378.189	203.257
Cash and cash equivalents, ending balance	**221.264**	**378.189**

Notes

All amounts in DKK'000

1. Uncertainties relating to going concern

The Babcock & Wilcox Company (“B&W”), the parent company of B&W Vølund A/S, has issued a letter of support, in which it commits to fund the Company with the cash required to meet the Company’s obligations through at minimum of February 28, 2018. In this context, the management has presented the annual report under the assumption of going concern.

2. Unusual matters

During 2016 the Company realized a significant loss and thereby lost more than 50% of the share capital. The loss was driven by the increased cost to complete and lengthened schedule on several contracts. The Company has grown significantly over the past two years and resources used to address issues at one project, led to productivity and scheduling issues on others. A new management team has been appointed and is taking actions to address these issues, including investing in enhanced engineering and project management capabilities and infrastructure.

During 2016 the company recorded a total of 945,370 DKK’000 in losses (net of 100.000 DKK’000 of a probable insurance recovery) from changes in the estimated revenues and costs to complete some projects including four projects that are now in a loss position. The total losses include 250.942 DKK’000 of anticipated liquidated damages that reduced revenue. Three of the loss projects are expected to be completed mid to end 2017 and the last project is estimated to be completed in early 2018.The cumulative effect of the changes also resulted in a 118.303 DKK’000 non-cash income tax expense from establishing valuation allowance on the deferred income tax asset.

3. Uncertainty connected with recognition or measurement

We review contract price and cost estimates periodically as the work progresses and reflect adjustments proportionate to the percentage-of-completion in income in the period when those estimates are revised.
We are engaged in a highly competitive industry, and we have priced a number of our contracts on a fixed-price basis. Our actual costs could exceed our projections, as was the case in 2016 for a number of large contracts. We attempt to cover the increased costs of anticipated changes in labor, material and service costs of long-term contracts, either through estimates of cost increases, which are reflected in the original contract price, or through price escalation clauses. Despite these attempts, however, the cost and gross profit we realize on a fixed-price contract could vary materially from the estimated amounts because of supplier, contractor and subcontractor performance, changes in job conditions, variations in labor and equipment productivity and increases in the cost of labor and raw materials, particularly steel, over the term of the contract.

These variations and the risks generally inherent in our industry may result in actual revenues or costs being different from those we originally estimated and may result in reduced profitability or losses on projects. Some of these risks include:

- difficulties encountered on our large-scale projects related to the procurement of materials or due to schedule disruptions, equipment performance failures, engineering and design complexity, unforeseen site conditions, rejection clauses in customer contracts or other factors that may result in additional costs to us, reductions in revenue, claims or disputes,

- our inability to obtain compensation for additional work we perform or expenses we incur as a result of our customers providing deficient design or engineering information or equipment or materials,

- requirements to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts, and

- difficulties in engaging third-party subcontractors, equipment manufacturers or materials suppliers or failures by third-party subcontractors, equipment manufacturers or materials suppliers to perform could result in project delays and cause us to incur additional costs.

Notes

All amounts in DKK'000

	Group		Parent	
	2016	**2015**	**2016**	**2015**
4. Net Revenues				
New Energy Plants	1.471.057	1.486.146	1.409.146	1.458.286
Service Business	261.391	214.603	261.391	198.407
Other	325	331	325	330
	1.732.773	**1.701.080**	**1.670.862**	**1.657.023**
Denmark	444.635	778.762	405.588	768.560
Other European countries	1.256.801	865.467	1.233.937	832.176
Other countries	31.337	56.851	31.337	56.287
	1.732.773	**1.701.080**	**1.670.862**	**1.657.023**
5. Employee benefits expense				
Wages and salaries	354.899	293.820	328.161	275.303
Post-employement benefit expense	13.257	10.508	9.950	7.859
Social security contributions less refunding	8.771	6.318	939	713
	376.927	**310.646**	**339.050**	**283.875**
Employee benefits expense are allocated as follows in the income statement				
Cost of production	311.979	253.068	285.369	235.622
Sales and proposal costs	26.326	23.454	22.539	19.702
Administrative costs	38.622	34.124	31.142	28.551
	376.927	**310.646**	**339.050**	**283.875**
Hereof remuneration to management				
Executive board	6.770	7.062	6.770	7.062
	6.770	**7.062**	**6.770**	**7.062**
Average number of employees	561	457	504	418
6. Amortization of tangible assets				
Costs of production	2.221	2.179	2.127	2.001
Sales and proposal costs	33	71	0	0
Administrative costs	5.023	4.528	4.493	4.476
	7.277	**6.778**	**6.620**	**6.477**
7. Amortization of intangible assets				
Costs of production	4.445	4.123	504	351
	4.445	**4.123**	**504**	**351**

Notes

All amounts in DKK'000

8. Disclosure in long-term investments in group enterprises and associates

Group enterprises

Name	Registered office	Share held in %	Equity	Profit
Babcock & Wilcox Vølund AB (Share capital 500 SEK '000)	Gothenburg, Sweden	100,00	21.184	15.420
Amortization of value added				-3.598
Value added as per 31. December 2016			16.249	
Babcock & Wilcox Slovakia s.r.o. (Share capital 5 EUR '000)	Trencin, Slovakia	100,00	1.753	2.148
Babcock & Wilcox Vølund Ltd. (Sharecapital 0 GBP '000)	London, UK	100,00	3.672	635
			42.858	**14.605**

In the parent company 42.858 DKK'000 (2015: 51.356 DKK'000) are included in long-term investments in subsidiaries and 0 DKK'000 (2015: 394 DKK'000), have reduced receivables from group enterprises.

	Group		Parent	
	2016	**2015**	**2016**	**2015**
9. Finance income				
Interest received from group enterprises	0	0	57	7
Exchange rate gain	3.695	21.791	0	16.591
Other financial income	292	581	290	576
	3.987	**22.372**	**347**	**17.174**
10. Finance expenses				
Interest paid to group enterprises	446	361	450	361
Exchange rate losses	9.070	0	8.429	0
Other financial expenses	1.579	1.390	1.564	1.390
	11.095	**1.751**	**10.443**	**1.751**
11. Tax expense				
Tax on profit/(loss) for the year	11.264	4.255	5.831	1.478
Adjustment of tax previous years	9	738	9	738
Adjustment of provision for deferred tax	-65.886	23.255	-65.063	23.883
Adjustment of provision for deferred tax due to change in taxrate	0	-2.461	0	-2.461
	-54.613	**25.787**	**-59.223**	**23.638**

Notes

All amounts in DKK'000

	Group		Parent	
	2016	**2015**	**2016**	**2015**
12. Proposed distribution of results				
Extraordinary distributions	85.000	75.000	-814.371	21.610
Reserve for net revaluation according to equity method	0	0	-5.793	5.793
Retained earnings	-820.164	27.403	85.000	75.000
Distribution of profit	**-735.164**	**102.403**	**-735.164**	**102.403**

13. Completed development projects

Cost at the beginning of the year	3.759	4.363	3.759	4.363
Disposal during the year	0	-604	0	-604
Cost at the end of the year	**3.759**	**3.759**	**3.759**	**3.759**
Depreciation and amortisation at the beginning of the year	-3.244	-3.497	-3.244	-3.497
Amortisation for the year	-213	-351	-213	-351
Reversal of prior years' impairment losses and amortisation	0	604	0	604
Impairment losses and amortisation at the end of the year	**-3.457**	**-3.244**	**-3.457**	**-3.244**
Carrying amount at the end of the year	**302**	**515**	**302**	**515**

14. Acquired intangible assets

Cost at the beginning of the year	18.798	18.798	0	0
Cost at the end of the year	**18.798**	**18.798**	**0**	**0**
Depreciation and amortisation at the beginning of the year	-6.918	-5.765	0	0
Amortisation for the year	-1.153	-1.153	0	0
Impairment losses and amortisation at the end of the year	**-8.071**	**-6.918**	**0**	**0**
Carrying amount at the end of the year	**10.727**	**11.880**	**0**	**0**

Notes

All amounts in DKK'000

	Group		Parent	
	2016	2015	2016	2015
15. Goodwill				
Cost at the beginning of the year	72.875	72.875	41.653	41.653
Cost at the end of the year	**72.875**	**72.875**	**41.653**	**41.653**
Depreciation and amortisation at the beginning of the year	-60.560	-57.941	-41.653	-41.653
Amortisation for the year	-3.079	-2.619	0	0
Impairment losses and amortisation at the end of the year	**-63.639**	**-60.560**	**-41.653**	**-41.653**
Carrying amount at the end of the year	**9.236**	**12.315**	**0**	**0**

	Group 2016	Group 2015	Parent 2016	Parent 2015
16. Development projects in progress				
Cost at the beginning of the year	1.181	1.040	1.181	1.040
Addition during the year, incl. improvements	322	141	322	141
Cost at the end of the year	**1.503**	**1.181**	**1.503**	**1.181**
Carrying amount at the end of the year	**1.503**	**1.181**	**1.503**	**1.181**

	Group 2016	Group 2015	Parent 2016	Parent 2015
17. Land and buildings				
Cost at the beginning of the year	72.414	71.254	67.014	65.854
Addition during the year, incl. improvements	342	1.160	342	1.160
Cost at the end of the year	**72.756**	**72.414**	**67.356**	**67.014**
Revaluations at the beginning of the year	23.572	23.572	0	0
Revaluations at the end of the year	**23.572**	**23.572**	**0**	**0**
Depreciation and amortisation at the beginning of the year	-52.955	-50.083	-23.983	-21.111
Amortisation for the year	-2.894	-2.872	-2.894	-2.872
Impairment losses and amortisation at the end of the year	**-55.849**	**-52.955**	**-26.877**	**-23.983**
Carrying amount at the end of the year	**40.479**	**43.031**	**40.479**	**43.031**

Notes

All amounts in DKK'000

	Group 2016	Group 2015	Parent 2016	Parent 2015

18. Plant and machinery

	Group 2016	Group 2015	Parent 2016	Parent 2015
Cost at the beginning of the year	39.287	36.519	39.287	36.519
Addition during the year, incl. improvements	4.107	2.768	4.107	2.768
Cost at the end of the year	**43.394**	**39.287**	**43.394**	**39.287**
Depreciation and amortisation at the beginning of the year	-29.279	-27.347	-29.279	-27.347
Amortisation for the year	-2.060	-1.932	-2.060	-1.932
Impairment losses and amortisation at the end of the year	**-31.339**	**-29.279**	**-31.339**	**-29.279**
Carrying amount at the end of the year	**12.055**	**10.008**	**12.055**	**10.008**

19. Fixtures, fittings, tools and equipment

	Group 2016	Group 2015	Parent 2016	Parent 2015
Cost at the beginning of the year	31.627	29.529	26.939	25.795
Change due to a foreign currency translation adjustment	-215	187	0	0
Addition during the year, incl. improvements	2.999	1.911	2.597	1.144
Cost at the end of the year	**34.411**	**31.627**	**29.536**	**26.939**
Depreciation and amortisation at the beginning of the year	-27.220	-25.127	-23.580	-21.942
Change due to foreign currency translation adjustment	174	-154	0	0
Amortisation for the year	-1.921	-1.939	-1.651	-1.638
Impairment losses and amortisation at the end of the year	**-28.967**	**-27.220**	**-25.231**	**-23.580**
Carrying amount at the end of the year	**5.444**	**4.407**	**4.305**	**3.359**

Notes

All amounts in DKK'000

	Group		Parent	
	2016	2015	2016	2015
20. Leasehold improvements				
Cost at the beginning of the year	2.280	1.133	1.133	1.133
Change due to a foreign currency translation adjustment	-6	0	0	0
Addition during the year, incl. improvements	1.032	1.147	0	0
Disposal during the year	-26	0		
Cost at the end of the year	**3.280**	**2.280**	**1.133**	**1.133**
Depreciation and amortisation at the beginning of the year	-1.026	-991	-1.026	-991
Change due to foreign currency translation adjustment	1	0	0	0
Amortisation for the year	-403	-35	-16	-35
Impairment losses and amortisation at the end of the year	**-1.428**	**-1.026**	**-1.042**	**-1.026**
Carrying amount at the end of the year	**1.852**	**1.254**	**91**	**107**

21. Property, plant and equipment in progress and prepayments for property, plant and equipment

	Group 2016	Group 2015	Parent 2016	Parent 2015
Cost at the beginning of the year	517	0	517	0
Addition during the year, incl. improvements	4.547	517	4.547	517
Disposal during the year	-1.004	0	-1.004	0
Cost at the end of the year	**4.060**	**517**	**4.060**	**517**
Carrying amount at the end of the year	**4.060**	**517**	**4.060**	**517**

Notes

All amounts in DKK'000

	Parent	
	2016	2015
22. Long-term investments in group enterprises		
Cost at the beginning of the year	45.563	45.526
Addition during the year, incl. improvements	0	37
Cost at the end of the year	**45.563**	**45.563**
Fair value adjustments at the beginning of the year	5.793	-2.098
Share of profit/(loss) for the year	18.204	9.793
Change due to foreign currency translation adjustment	-1.786	900
Dividend paid	-20.854	0
Adjustments for the year and reversal of fair value adjustments of disposed assets	-4.062	-2.802
Fair value adjustments at the end of the year	**-2.705**	**5.793**
Carrying amount at the end of the year	**42.858**	**51.356**

	Group		Parent	
	2016	2015	2016	2015
23. Inventories				
Inventories are stated as follows:				
Raw materials and consumables	11.932	10.629	11.932	10.629
Work in progress	4.325	4.772	4.325	4.772
Manufactured goods and goods for resale	32.676	27.446	32.535	27.293
Inventories in total	**48.933**	**42.847**	**48.792**	**42.694**

24. Trade receivables

Trade receivables include 3.600 DKK'000 (2015: 12.373 DKK'000) due more than 1 year after year end.

25. Contract work in progress

	Group 2016	Group 2015	Parent 2016	Parent 2015
Sales value of work	4.152.874	2.765.597	3.797.892	2.567.431
Progress billings on contracts in progress	-4.867.401	-2.965.240	-4.509.451	-2.635.119
Net value of contract work	**-714.527**	**-199.643**	**-711.559**	**-67.688**
Progress billings are divided as follows in the balance sheet:				
Net receivables	101.539	337.903	103.314	408.442
Net liabilities	-816.066	-537.546	-814.873	-476.130
	-714.527	**-199.643**	**-711.559**	**-67.688**

Notes

All amounts in DKK'000

26. Other receivable

Other short-term receivable includes 100.000 DKK'000' (2015 0 DKK'000') for probable insurance recovery.

27. Statement of changes in equity

Group

	Contributed capital	Retained earnings	Total
Equity, beginning balance	20.000	197.682	217.682
Extraordinary dividend paid	0	-85.000	-85.000
Proposed distribution of results	0	-735.164	-735.164
Exchange rate adjustment of equity investments	0	-1.786	-1.786
Fair value adjustments of hedging instruments	0	115	115
	20.000	**-624.153**	**-604.153**

The share capital has remained unchanged for the last 5 years.

Parent

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity, beginning balance	20.000	5.793	191.889	217.682
Extraordinary dividend paid	0	0	-85.000	-85.000
Proposed distribution of results	0	-5.793	-729.371	-735.164
Exchange rate adjustment of equity investments	0	0	-1.786	-1.786
Fair value adjustments of hedging instruments	0	0	115	115
	20.000	**0**	**-624.153**	**-604.153**

The share capital has remained unchanged for the last 5 years.
The share capital is distributed on shares of DKK 100 or multiples hereof. No shares have any special rights.

Notes

All amounts in DKK'000

28. Provisions for deferred tax

	Group 2016	Group 2015	Parent 2016	Parent 2015
Intangible assets	4.113	4.722	397	373
Tangible assets	-3.655	-1.495	-3.580	-1.495
Contract work in progress	59.822	138.772	59.822	138.772
Tax loss carried forward	-184.923	-82.409	-184.865	-82.320
Liabilities	9.739	9.715	9.923	9.736
Valuation adjustment	118.303	0	118.303	0
Balance at the end of the year	**3.399**	**69.305**	**0**	**65.066**

In the Parent Company 0 DKK'000 (2015: 65.066 DKK'000) are included in liabilities and 0 DKK'000 (2015: 0 DKK'000) in assets.

In the Group, 3.716 DKK'000 (2015: 69.415 DKK'000) are included in liabilities and 317 DKK'000 (2015: 110 DKK'000) in assets.

Based on the loss in 2016, management has evaluated that it is not possible to produce convincing evidence for utilizing the deferred tax asset within the next 3-5 years. Management expects to execute the remaining backlog in a profitable manner and to be able to secure new project opportunities in the market to restore positive income for the Company. However, this evidence does not substantiate the position required to maintain the deferred tax asset from an accounting perspective. Consequently, management has made a valuation allowance for deferred tax assets at yearend 2016.

Under the assumption of full utilization with the current tax legislation in Denmark, the deferred tax asset not recognized amounts to 118.303 DKK’000.

29. Development in provisions for deferred tax

	Group 2016	Group 2015	Parent 2016	Parent 2015
Deferred tax beginning of the year	69.305	45.324	65.066	40.525
Included in the Profit and Loss for the year	-65.886	23.255	-65.063	23.883
Included directly in Equity	-20	726	-3	658
Deferred tax at the end of the year	**3.399**	**69.305**	**0**	**65.066**

Notes

All amounts in DKK'000

	Group 2016	Group 2015	Parent 2016	Parent 2015
30. Other provisions				
Warranty provisions	74.150	39.275	72.319	38.472
Balance at the end of the year	**74.150**	**39.275**	**72.319**	**38.472**

The majority of other provisions is expected to be used within 2-5 year.

31. Contingent liabilities

	Group 2016	Group 2015	Parent 2016	Parent 2015
Work and advance guarantees issued by the Group's financial institution and insurance companies	1.479.718	1.540.742	1.462.685	1.533.161
For the years 2017-2021 lease/rental obligations have been entered at a total cost of	13.766	19.762	10.502	15.532

The Company has entered into consortiums with Interserve Construction Limited in the UK in order to build plants in the UK. The Company has provided work guarantees to the customers amounting to 260.519 DKK '000 (2015: 277.177 DKK '000), which are included in the above work guarantees. In addition, the Company has taken on a joint and several liability for the work guarantees of the consortium partner to the customers. These guarantees amounting to 129.006 DKK '000 (2015: 154.342 DKK '000) are not included in the above work guarantees.

The Company has issued a letter of support to the subsidiary in UK to ensure the subsidiary has sufficient cash to continue as going concern through at minimum 28. February 2018.

32. Use of derivative financial instruments

	Group 2016	Group 2015	Parent 2016	Parent 2015
Contractual value:				
Sale, GBP 3-8 months	129.709	415.650	129.709	415.650
Sale, USD 2-35 months	250.640	0	250.640	0
Sale, SEK 4-29 months	204.638	0	204.638	0
Sale, DKK 1-14 months	39.396	0	0	0
	624.383	**415.650**	**584.987**	**415.650**
Unrealized gain/(loss):				
Sale, GBP 3-8 months	23.424	14.058	23.424	14.058
Sale, USD 2-35 months	-3.607	0	-3.607	0
Sale, SEK 4-29 months	5.320	0	5.320	0
Sale, DKK 1-14 months	-591	0	0	0
	24.546	**14.058**	**25.137**	**14.058**

Notes
All amounts in DKK'000

33. Related parties
The Company is 100 % owned by:
B&W PGG Luxembourg Finance SARL
6, rue Guillaume Schneider
L-2522 Luxembourg
Grand-Duchy of Luxembourg

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made on an arm's length basis in the financial year.

The Company is incorporated into the consolidated financial statements of the ultimate parent company Babcock & Wilcox Enterprises, Inc. (NYSE symbol: BW). The consolidated financial statements of Babcock & Wilcox Enterprises, Inc. can be obtained at the following address:

Babcock & Wilcox Enterprises, Inc.
13024 Ballantyne Corporate Place, Suite 700
Charlotte, NC 28277
USA

	Group		Parent	
	2016	**2015**	**2016**	**2015**
34. Fees for auditors elected on the general meeting				
Statutory audit	731	731	731	731
Other assurance reports	1.356	674	1.356	674
Tax consultancy	14	6	14	6
Other services	30	0	30	0
	2.131	**1.411**	**2.131**	**1.411**
Other assurance reports	237	94	0	0
Tax consultancy	3	0	0	0
Other services	12	0	0	0
	252	**94**	**0**	**0**