Babcock & Wilcox A/S

Falkevej 2, 6705 Esbjerg Ø

Annual report

2023

Company reg. no. 25 05 36 64

The annual report was submitted and approved by the general meeting on the 2 July 2024.

Rodney Ernest Carlson
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Babcock & Wilcox A/S for the financial year 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Esbjerg Ø, 2 July 2024

Managing Director

Ole Hedegaard Madsen
Managing Director

Board of directors

Rodney Ernest Carlson Chairman	Brandy Lynn Johnson Aungst	Cameron Michael Frymyer

Independent auditor's report

To the Shareholders of Babcock & Wilcox A/S

Opinion

We have audited the financial statements of Babcock & Wilcox A/S for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review
Management is responsible for Management's Review.

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

Independent auditor's report

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

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the 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 Management's Review.

Kolding, 2 July 2024

Martinsen
State Authorised Public Accountants
Company reg. no. 32 28 52 01

Andy Philipp Gøttig State Authorised Public Accountant mne36186	Jørn Dam Jensen State Authorised Public Accountant mne33686

Company information

The company	Babcock & Wilcox A/S Falkevej 2 6705 Esbjerg Ø
	Company reg. no. 25 05 36 64 Financial year: 1 January - 31 December
Board of directors	Rodney Ernest Carlson, Chairman Brandy Lynn Johnson Aungst Cameron Michael Frymyer
Managing Director	Ole Hedegaard Madsen, Managing Director
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Jupitervej 2 6000 Kolding
Bankers	Danske Bank A/S, Strandbygade 2, 6700 Esbjerg
Parent company	B&W PGG Luxembourg Finance
Subsidiaries	Babcock & Wilcox Vølund, Gothenburg, Sweden Babcock & Wilcox Vølund, London, UK

Financial highlights

DKK in thousands.	2023	2022	2021	2020	2019
Income statement:					
Revenue	464.339	580.733	388.262	436.632	660.562
Gross profit	-55.008	37.661	82.249	192.349	27.777
Profit from operating activities	-139.354	-41.770	-42.477	37.114	-169.575
Net financials	-49.839	-41.163	-6.861	-194.535	-258.268
Net profit or loss for the year	-142.074	-95.118	-48.057	-166.026	-443.452
Statement of financial position:					
Balance sheet total	425.228	407.156	414.896	392.475	310.001
Investments in property, plant and equipment	2.368	3.234	3.671	7.102	4.003
Equity	-259.286	-116.767	-20.972	26.810	-4.178.842
Employees:					
Average number of full-time employees	136	156	222	271	325
Key figures in %:					
Gross margin ratio	-11,8	6,5	21,2	44,1	4,2
Profit margin (EBIT-margin)	-30,0	-7,2	-10,9	8,5	-25,7
Solvency ratio	-61,0	-28,7	-5,1	6,8	-1.348,0

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Gross margin ratio

$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Profit margin (EBIT margin)

$$\frac{\text{Operating profit or loss (EBIT) x 100}}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Management´s review

Business review

Babcock & Wilcox A/ S is a fully owned subsidiary of Babcock & Wilcox Enterprises, Inc. (B&W), a U.S.-based public company listed on the New York Stock Exchange (Ticker: BW). We are a leading international supplier of technologies for renewable energy plants that use various types of waste and biomass as fuel. We design, engineer, manufacture, install and service components of various dimensions and configurations primarily based on our own stoker/ grate firing technology. We also provide operating and maintenances services and aftermarket equipment for renewable energy plants.

Uncertainties about recognition or measurement

We refer to descriptions in note 2 in the financial statements.

Going concern

The ultimate parent company Babcock & Wilcox Enterprises, Inc. has issued a letter of comfort inter alia stating that it is in the interest of the parent company to ensure that the company meets its financial obligations at all times and that it is the policy of the parent company to provide the company with such support and assistance as may be required to ensure that it maintains capital and liquidity levels to enable it at all times to meet its obligations in conformity with standards of prudence generally accepted for its field of business.

This letter of comfort is valid through at minimum December 2025. Based on this, it is the Management's assessment that the Company can continue as going concern.

Development in activities and financial matters

The financial position on 31 December 2023 of the Company and the results of the activities of the Company for the financial year for 2023 have resulted in loss of the share capital. It is the management’s expectations that the equity will be reestablished based on the Company's operation.

Management´s review

Financial review

The end-market demand for our products is strong. The markets 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 our products and services.

We are confident in our leading technology, which is in high demand in all markets. In 2023, we continued to focus on our core technologies and on transitioning into a fully integrated and efficient global projects and engineering execution model leveraging our knowledge and expertise with the rest of the global B&W operations.

Our operations regarding service have been reduced as the main activity of service have been transferred to Babcock & Wilcox Renewable Service A/ S, which is also part of the group. This strategic transfer was to ensure we consolidated our service personnel under one system and operation and best service our customers.

We continue to see strong demand for our renewable technologies. As a result, we expect sales to increase as we continue to pursue our growth strategy. We have handed over well-performing plants to our customers, and these plants function as showcases for future customers and offer longer-term opportunities for our service and O&M business.

A more detailed project status summary is contained in our parent company's 10-K to be found at lnvestors.babcock.com. The shareholders' support letter provided in 2017, in which B&W committed to fund our company with the cash required to meet our obligations and allow the business to continue as a going concern, was last year extended through at minimum December 2025 (see note 1).

Management´s review

Profit/loss for the year in relation to expected developments

Our full-year 2023 net revenues were DKK 464 million, which is a decrease of DKK 117 million compared to the prior year due to a decreasing activity level in large project activities. Operating results was worsened with an operating loss in 2022 of 30,1 million to 139,3 million in 2023.

We have remained focus on serving our customers, making important decisions to better position our businesses for the future, and driving improved financial performance. The year-end results reflected a loss of DKK 142,1 million.

We generally recognize revenues and related costs from long-term contracts on a percentage- of completion basis. Accordingly, we review contract price and cost estimates regularly as work progresses and reflect adjustments in profit proportionate to the percentage of completion in the periods in which we revise estimates to complete the contract. To the extent that these adjustments result in a reduction of previously reported profits from a contract, we recognize a charge against current earnings. If a contract is estimated to result in a loss, such loss is recognized in the current period as a charge to earnings and the full loss is accrued on our balance sheet, which results in no expected gross profit from the loss contract in the future unless there are revisions to our estimated revenues or costs of completion in periods following the accrual of the contract loss. Changes in the estimated results of our percentage-of-completion contracts are necessarily based on information available at the time of the estimates 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.

Insurance recoveries and sub-contractor claims

We have collected on claims in 2023 and we continue to pursue insurance recoveries and subcontractor claims related to the previous loss-making projects.

Restructuring and growth activities

In May 2020, we aligned under The Babcock & Wilcox Company (B&W) in a global company structure for all B&W operations. Under this structure, sales, engineering, project management, procurement, manufacturing, and other project-related support is provided through a globally matrixed structure. The structure helps us better address workload ebbs and flows, while also allowing employees across the global B&W operations to expand their skills and gain greater experience in supporting all of B&W’s product line areas, thus increasing overall manpower flexibility. Throughout 2023, we continued to identify and implement multiple actions to proactively improve our cost structure. Key actions included workforce reductions to align with the new global structure and our activity levels, other selling, general and administrative cost reductions as well as other process improvements. These actions have continued into 2023 and were focused on productivity and efficiency gains to enhance profitability and cash flow going forward.

Outlook

We expect the results of the year for 2024 to be at, or just below, DKK 0 thousand.

Management´s review

Financial risks and the use of financial instruments

Particular risks operation

The key operational risks relate to the execution of new projects within schedule and budget. To ensure a strong project execution a relaunch of the Global Project Management Manual is ongoing across the B&W Group including B&W A/S. The purpose is to enable an effective use of the global execution resource pool supported by a common B&W project governance model.

Other risks involve failure by third-party subcontractors, partners or suppliers to perform their obligations on time and as specified; our ability to successfully resolve claims by vendors for goods and services provided and claims by customers for items under warranty; our ability to realize anticipated savings and operational benefits from our cost-savings initiatives; our ability to successfully address productivity and schedule issues; and our ability to successfully partner with third parties to win and execute contracts.

Market risks

The key market risks relate to a continued development of our technological expertise and our different delivery models to enable us to meet market requirements in our core areas. This is ensured through dialogue with our customers, partners, and the academia.

Currency exposure

As we sell projects and make purchases in foreign currencies, these involve a foreign exchange risk. Transactions are made in EUR, GBP, USD, and SEK, for example. We engage in new currency hedging activities to limit the risks of currency fluctuations as appropriate. Fluctuations in foreign currencies could have a negative impact on the profitability of our global operations, which would harm our financial results and cash flows.

Interest risks

As of December 31, 2023, the net floating-rate interest-bearing debt is primarily provided through our parent company's credit facility, so we do not enter into transactions to hedge against interest rate exposure.

Management´s review

Credit risks
According to our policy for assuming credit risks, major customers and business partners are credit rated regularly.

Research and development activities
Our research and development activities are aimed at developing and optimizing production processes and our product portfolio. These activities are partly carried out in cooperation with public authorities.

Costs expensed for research and development amount to DKK 5,6 million net of contributions received, which is a decrease of DKK 4,1 million compared to 2022.

Foreign branches
Babcock & Wilcox Vølund AB, Sweden, is included as a fully owned subsidiary. Babcock & Wilcox Vølund Ltd., UK, is included as a fully owned subsidiary.

Transactions with related parties
We have routine transactions involving contract work and administrative items with various related enterprises, which are subsidiaries of Babcock & Wilcox Enterprises, Inc. All transactions are carried out on an arm's length basis.

Events occurring after the end of the financial year
No other events have occurred after the balance sheet date, which could influence this Annual Report.

Management´s review

Corporate social responsibility report pursuant to section 99 a of the Danish Financial Statements Act

Statutory CSR report
This section on corporate social responsibility is included in accordance with the Danish Financial Statements Act, § 99a.
For information about our business, please see above under "Business review".

Health, Safety and Environment (HSE)
We value the health and safety of each employee and are committed to ensure that we have a workplace that is free of accidents and injuries. The Company's Target Zero program, incl. corporate policy and procedures, is implemented and this reflects our commitment to the overall safety of each employee. Rather than just reacting to incidents and correcting contributing factors, we strive to be proactive and prevent accidents from occurring. We promote Target Zero as a corporate-wide process that helps us ensure a safe work environment.

The most significant risks within HSE are:
- lifting of heavy structures in the production workshops and during assembly of energy plants on customer sites

- fumes and dust from welding and grinding in Inconel layers on boiler walls and pipes. We pursue HSE improvements leading to high-quality performance demonstrated through objective metrics and process reviews. Managers, supervisors, employees, subcontractors, vendors, and customers work together to practice and promote proper work habits, develop positive attitudes, use good judgment and comply with applicable HSE requirements. End of each year a formal HSE Business Plan is established, this was also the case this year. The business plan included various initiatives, all of which are launched to make our company an even safer, healthier, and greener workplace. Our approach in identification of these initiatives involves a risk-based aspect., which involved Zero Incident Planning for all activities. In 2022, we maintained our certification according to the ISO
45001 OH&S Management Standard.

We set ambitious targets for our safety performance and take corrective actions as needed.
While we in 2023 we were unsuccessful in meeting our TRIR (Total Recordable Incident Rate target with a recorded TRIR rate of 0.71 against a target of 0.40, we were successful in meeting our DART (Days Away Restricted Transfer Rate) with a recorded DART rate of 0.00 against a target of 0.40. The cultures for reporting and registering near misses and accidents have improved significantly and are still improving, and a strong incident investigation process involving top management is in place to support the preventive actions and to understand and share the lessons learned.

As part of our working environment efforts, the top management meets with elected employees in the

Management´s review

Main Safety Committee taking care of strategic health and safety initiatives and the HSE Business Plan. Elected safety representatives from offices, workshop, warehouse, commissioning, and construction sites meet with local managers in Safety Groups to address improvement initiatives and incidents.

If we fail to manage our Health and Safety work and do not comply with our goals, it could have a risk of negative impact on our employees, on our reputation, and on our future business opportunities. We will continue to focus on our existing and robust efforts within HSE going forward.

Climate and environment
Our core business contributes significantly to several UN Sustainable Development Goals including Sustainable Cities, Clean Energy, Climate Action, and Waste Management. We strive toward a world without landfills by offering and continuously improving our clean waste-to-energy solutions. Our solutions are an important part of the circular economy to reduce, reuse, recycle and reenergize.

Our environmental policy sets the overall frame for our environmental efforts. Our vision for environmental sustainability is to act according to our environmental management system and endeavor the least impact possible in relation to the environmental development and the technical and economical means at our disposal. We are taking on responsibility for the environment. We prioritize preventions and continuously strive to reduce environmental impacts. We are committed to work systematically toward sustainability through development of best available technology and project management.

Our mission for environmental sustainability is based on the following:
- We comply with current legal requirements concerning environmental protection and we comply with environmental requirements from B&W.

- We are working to prevent pollution and contamination and to achieve a measurable decrease in our energy consumption as well as our waste volume in relation to our activities, as we deem these areas to pose the most significant risk on the environment. The end target is zero waste to landfill.

- Environmental goals and targets are set, and our performance is reviewed on a regular basis. If we do not manage our environmental work and fail our goals, we have a risk related to production having a negative impact on the environment, the climate, the surrounding communities, on reputation, and on our future business opportunities.

- We continuously strive to ensure that environmental impact prevention is integrated into the development, design, calculation, purchasing, planning, organizing, and decision processes, into the implementation of new processes and equipment as well as into everyday tasks.

- Managers and employees are aware of the environmental management system, and they follow the

Management´s review

requirements and the intentions of the system.

- We cooperate with our subcontractors about environmental protection, requiring that they follow the same approach and course of actions about environment as we do. The Environmental Policy is communicated to all employees and subcontractors, and it is available to interested parties.

In terms of the environmental impact of our office locations and production facilities, the significant aspects are identified and include Energy consumption and waste. Reduction targets are set and energy audits are being carried out at regular intervals.
Going forward, we continue to set goals, maintain our certifications and upgrade our Business Management.

Recruiting, training, and retaining
Our mission is to be a supplier of technologies for efficient and environmentally sound waste-to-energy and biomass energy plants around the world and there is a continuous requirement for recruiting and retaining qualified staff. This is ensured through policies and procedures for recruiting, performance management, employee development, part time post-retirement contracts, retirement etc. To develop our employees, we amongst other conduct training activities. In 2023, a total of 322 training days (268 in 2022) were held, which corresponds to approx. 2.32 training days per employee.

Ethics, Compliance and Human Rights
We consider corruption and other unethical behavior to represent a risk to our business and the surrounding society, because unethical behavior can damage our relations, our contracts and our reputation and erode trust.

Our business conduct is governed by our ethics and compliance rules "Code of Business Conduct" and a number of other policies on ethics and compliance (E&C) issues like Anti-Bribery, Anti-Corruption, Fair Business Competition, Conflicts of Interest, Proper use of Information Systems, Gift and Entertainment, etc. These rules apply to all employees and to sub-suppliers. E&C training is carried out continuously to ensure proper observance. As part of this training, a culture has been developed and is maintained that encourages employees to seek advice, voice concerns, and report misconduct without fear of retaliation. A system to report any non-compliance with the rules is implemented, and the reports are being registered and treated seriously. It is our assessment that these activities have contributed to maintaining a strong culture of ethics and compliance in our company.

We respect the human rights of our employees and recognize that our business carries risks of discrimination, of data breaches, and of negatively impacting our employees' rights to work-life balance. Our employee handbook and the above-mentioned E&C policies as well as HR and GDPR policies define our expectations and practices to manage these risks. All of these are made available to our employees through our intranet portal and several of these are reinforced through mandatory

Management´s review

trainings.

In 2023, we have not identified any violations of our employees' human rights and we will diligently work to ensure this for the future as well. Additionally, no corruption incidents were identified in our reporting system in 2023.

In 2020 the Danish Parliament adopted an amendment § 99d, to the Danish Financial Statements act. The new amendment requires our company to actively adopt a policy on our responsibility for data ethics.

In 2022 we have not yet adopted a formal written policy because we generally consider that our Data Privacy / protection policy and related procedures cover our current operations adequately. We will be working closely with our parent company in having such a policy in place in 2024.

Target figures and policies for the underrepresented gender

Overview of the status of target figures for the underrepresented gender

	2023	2022
Board of Directors		
Total number of members of board of Directors, excluding employee-elected members	4	4
Underrepresented gender in board of Directors	25 %	25 %
Target figure of underrepresented gender in board of Directors	50 %	50 %
Year of expected fulfillment	2026	2026
Other management levels		
Total number of other management levels	14	15
Underrepresented gender at other management levels	14 %	11 %
Target figure of underrepresented gender at other management levels	25 %	25 %
Year of expected fulfillment	2030	2030

Management´s review

This section on the under represented gender is included in accordance with the Danish Financial Statements Act, § 99b.

Our policy about diversity is included in our Code of Business Conduct. The diversity of our work force is a key asset, and we are committed to providing a professional atmosphere that promotes productivity and encourages creativity and innovation. We offer equal employment opportunities to qualified individuals, regardless of race, religion, national origin, age, sex, or disability, and we work to maintain a diverse work force where employees are hired, retained, compensated, disciplined, and promoted based on their contribution to our company and their performance.

In 2023, our Board of Directors was composed of 5 members of which 2 were elected by the general assembly. We target to have both sexes represented in the Board of Directors among the general assembly elected members. During 2023, 1 member was female resulting in a 20 /80 allocation. This does not align with the Danish Business Authority's guidance and definition of equal gender representation (33%).

At the end of 2023, the gender composition in our executive group and department management group was 14.29 % female managers (11.11 % in 2022). The recruiting of executives and managers is solely based on the skills and competences needed for the job, cf. our Fair Employment Practices policy; however, we also focus on diversity and have a goal to increase the female representation at the management level to 20% over the next two years. To action and bring forward female leadership, we have launched a B&W Women's Employee Resource Group (ERG), which is an employee-led group designed to elevate, motivate, and celebrate female colleagues across our global organization, to connect with others to develop leadership skills, broaden knowledge, and inspire conversation. As another action to promote gender diversity, we give specific instructions to recruitment agencies to present at least one candidate of either gender for vacant leadership roles.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

Babcock & Wilcox A/S secures appropriate use of IT systems through effective personal data protection and ethical data considerations.

Income statement 1 January - 31 December

DKK thousand.

Note		2023	2022
4	Revenue	464.339	580.733
	Production costs	-519.347	-543.072
	Gross profit	**-55.008**	**37.661**
	Distribution costs	-24.285	-20.039
	Administration expenses	-60.378	-59.392
	Other operating income	317	0
	Operating profit	**-139.354**	**-41.770**
	Income from investments in group enterprises	13.434	12.360
	Other financial income	5.838	0
7	Other financial expenses	-69.111	-53.523
	Financing, net	-49.839	-41.163
	Pre-tax net profit or loss	**-189.193**	**-82.933**
	Tax on net profit or loss for the year	47.119	-12.185
8	**Net profit or loss for the year**	**-142.074**	**-95.118**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2023	2022
	Non-current assets		
9	Completed development projects, including patents and similar rights arising from development projects	572	737
10	Development projects in progress and prepayments for intangible assets	1.400	1.426
	Total intangible assets	1.972	2.163
11	Land and buildings	25.082	27.388
12	Plant and machinery	13.044	15.266
13	Other fixtures, fittings, tools and equipment	2.513	3.562
14	Property, plant and equipment in progress and prepayments for property, plant and equipment	0	1.236
	Total property, plant, and equipment	40.639	47.452
15	Investments in group enterprises	54.634	41.561
16	Deposits	1.625	2.226
	Total investments	56.259	43.787
	Total non-current assets	**98.870**	**93.402**
	Current assets		
	Raw materials and consumables	3.488	5.781
	Work in progress	5.512	5.949
	Manufactured goods and goods for resale	21.800	7.943
	Total inventories	30.800	19.673
	Trade receivables	120.200	67.440
17	Contract work in progress	70.576	47.574
	Receivables from group enterprises	17.081	111.038
	Income tax receivables	32.272	15.877
	Other receivables	28.841	18.784
18	Prepayments	4.200	24.448
	Total receivables	273.170	285.161

Balance sheet at 31 December

DKK thousand.

Note	Assets	2023	2022
	Cash and cash equivalents	22.388	8.920
	Total current assets	**326.358**	**313.754**
	Total assets	**425.228**	**407.156**

Balance sheet at 31 December

DKK thousand.

Note	Equity and liabilities	2023	2022
	Equity		
19	Contributed capital	5.000	5.000
	Reserves for net revaluation as per the equity method	9.180	0
20	Reserve for development costs	1.538	1.687
21	Retained earnings	-275.004	-123.454
	Total equity	**-259.286**	**-116.767**
	Provisions		
22	Other provisions	61.814	13.647
23	Provisions for investments in group enterprises	41.521	41.418
	Total provisions	**103.335**	**55.065**
	Liabilities other than provisions		
	Current portion of long term liabilities	42.748	14.767
	Bank loans	44	0
	Prepayments received from customers	0	14.766
	Trade payables	72.543	59.125
	Payables to group enterprises	409.776	282.045
	Income tax payable	0	28.222
	Other payables	56.068	69.933
	Total short term liabilities other than provisions	581.179	468.858
	Total liabilities other than provisions	**581.179**	**468.858**
	Total equity and liabilities	**425.228**	**407.156**

1 Uncertainties relating to going concern

2 Uncertainties concerning recognition and measurement

3 Special items

5 Staff cost

6 Fees for auditor

24 Contingencies

25 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2022	5.000	0	0	-25.972	-20.972
Share of results	0	0	0	-96.804	-96.804
Transferred from results brought forward	0	0	1.687	0	1.687
Exchange rate adjustments	0	0	0	-678	-678
Equity 1 January 2023	5.000	0	1.687	-123.454	-116.767
Share of results	0	9.625	0	-151.550	-141.925
Transferred from results brought forward	0	0	-149	0	-149
Exchange rate adjustments	0	-445	0	0	-445
	5.000	**9.180**	**1.538**	**-275.004**	**-259.286**

Notes

DKK thousand.

1. Uncertainties relating to going concern

The financial position at 31 December 2023 of the Company and the results of the activities of the Company for the financial year for 2023 have resulted in additionel loss of the share capital. It is the management's expectations that the equity will be reestablished based on the Company's operation.

The ultimate parent company Babcock & Wilcox Enterprises, Inc. has issued a letter of comfort inter alia stating that it is in the interest of the parent company to ensure that the company meets its financial obligations at all times and that it is the policy of the parent company to provide the company with such support and assistance as may be required to ensure that it maintains capital and liquidity levels to enable it at all times to meet its obligations in conformity with standards of prudence generally accepted for its field of business. This letter of comfort is valid through at minimum December 2025. Based on this, it is the Management's assessment that the Company can continue as going concern.

Notes

DKK thousand.

2. Uncertainties concerning recognition and measurement

We are engaged in a highly competitive industry, and we have priced several our contracts on a fixedprice basis. Our actual costs could exceed our projections, as was the case in recent years with several large contracts in Denmark and the United Kingdom. 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 fixedprice 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 contracts. Some of these risks include:

- difficulties encountered on our large-scale contracts 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 because of our customers or subcontractors 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 contract delays and cause us to incur additional costs.

Notes

DKK thousand.

We conduct significant portions of our business by engaging in long-term contracts related to highly complex, customized equipment or facilities for electrical generation, industrial processes, and/or environmental compliance. The complexity of these contracts generally necessitates the participation of others, including subcontractors, equipment or part manufacturers, partner companies, other companies with whom we do not have contractual relationships, customers, financing organizations, regulators, and others. While we endeavor to limit our liability to matters within our control, not all scenarios can be foreseen, and we may become subject to the risk of others' performance that may or may not be within our control or influence. Delays, changes, or failures of others, including subcontractors, could subject us to additional costs, delays, technical specification changes, contractual penalties, or other matters for which we may be unable to obtain compensation, or compensation may not be sufficient. In extreme cases, the direct or indirect effects of such matters may cause us to be unable to fulfill our contractual requirements.

We conduct our business by obtaining orders that generate cash flows in the form of advances, contract progress payments and final balances in accordance with the underlying contractual terms. We are thus exposed to potential losses resulting from contractual counterparties' failure to meet their obligations. As a result, the failure by customers to meet their payment obligations, or a mere delay in making those payments, could reduce our liquidity and increase the need to resort to other sources of financing, with possible adverse effects on our business, financial condition, results of operations and cash flows. In some cases, we have joint and several liability with consortium partners in our projects, as with our previous EPC projects in the United Kingdom, and we may be subject to additional losses if our partners are unable to meet their contractual obligations.

In addition, the deterioration of economic conditions or negative trends in the credit markets could have a negative impact on relationships with customers and our ability to collect on trade receivables, with possible adverse effects on our business, financial condition, results of operations and cash flows.

We generally recognize revenues and profits under our long-term contracts on a percentage-ofcompletion basis. Accordingly, we review contract price and cost estimates regularly as the work progresses and reflect adjustments proportionate to the percentage of completion in income in the period when we revise those estimates. To the extent these adjustments result in a reduction or an elimination of previously reported profits with respect to a contract, we would recognize a charge against current earnings, which could be material. Our current estimates of our contract costs and the profitability of our long-term contracts, although reasonably reliable when made, could change because of the uncertainties associated with these types of contracts, and if adjustments to overall contract costs are significant, the reductions or reversals of previously recorded revenue and profits could be material in future periods.

We can perform contracts jointly with third parties. For example, we enter contracting consortia and other contractual arrangements to bid for and perform jointly on large contracts. Success on

Notes

DKK thousand.

these joint contracts depends in part on whether our co-venturers fulfill their contractual obligations satisfactorily. If any one or more of these third parties fail to perform their contractual obligations satisfactorily, we may be required to make additional investments and provide added services to compensate for that failure. If we are unable to adequately address any such performance issues, then our customer may exercise its right to terminate a joint contract, exposing us to legal liability, loss of reputation and reduced profit.

Our collaborative arrangements also involve risks that participating parties may disagree on business decisions and strategies. These disagreements could result in delays, additional costs, and risks of litigation. Our inability to successfully maintain existing collaborative relationships or enter new collaborative arrangements could have a material adverse effect on our results of operations.

For 2023 the company has a recognized provision for onerous contracts for tDKK 47.213. According to the above, these estimates are subject to uncertainty.

3. Special items

Special items for the year are specified below, indicating where they are recognised in the income statement.

	2023
Expenses:	
Provisions for onerous contracts	47.213
	47.213
Special items are recognised in the following items in the financial statements:	
Production costs	-47.213
Profit of special items, net	**-47.213**

Notes

DKK thousand.

4. Revenue

Segmental statement

	New Energy Plants	Service Business	Licensing	Other	Total
Activities – primary segment:	228.777	126.815	108.261	486	464.339

	Denmark	United Kingdom	China	France	Other	Total
Geographical – secondary segment:	26.159	175.380	110.604	32.261	119.935	464.339

		2023	2022
5.	**Staff cost**		
	Salaries and wages	93.819	112.238
	Pension costs	7.377	4.320
	Other costs for social security	-483	-960
		100.713	**115.598**
	Executive board	175	
	Average number of employees	136	156
6.	**Fees for auditor**		
	Total fee for Martinsen, State Authorised Public Accountants	550	0
	Fee concerning compulsory audit	400	0
	Other services	150	0
		550	**0**
	Total fee for Deloitte State Authorised Public Accountants	0	960
	Fee concerning compulsory audit	0	960
		0	**960**

Notes

DKK thousand.

		2023	2022
7.	**Other financial expenses**		
	Interest, banks	47.291	33.441
	Interest, group enterprises	21.614	10.392
	Bank fees	206	165
	Exchange differences	0	9.525
		69.111	**53.523**

		2023	2022
8.	**Proposed distribution of net profit**		
	Reserves for net revaluation according to the equity method	9.625	0
	Transferred to other statutory reserves	-149	0
	Allocated from retained earnings	-151.550	-95.118
	Total allocations and transfers	**-142.074**	**-95.118**

		2023	2022
9.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2023	921	0
	Additions during the year	26	921
	Cost 31 December 2023	**947**	**921**
	Amortisation and write-down 1 January 2023	-184	0
	Amortisation for the year	-191	-184
	Amortisation and write-down 31 December 2023	**-375**	**-184**
	Carrying amount, 31 December 2023	**572**	**737**

		2023	2022
10.	**Development projects in progress and prepayments for intangible assets**		
	Cost 1 January 2023	1.426	2.347
	Disposals during the year	-26	-921
	Cost 31 December 2023	**1.400**	**1.426**
	Carrying amount, 31 December 2023	**1.400**	**1.426**

Notes

DKK thousand.

		31/12 2023	31/12 2022
11.	**Land and buildings**		
	Cost 1 January 2023	68.188	67.781
	Additions during the year	29	407
	Cost 31 December 2023	**68.217**	**68.188**
	Depreciation and write-down 1 January 2023	-40.800	-38.484
	Depreciation for the year	-2.335	0
	Writedown for the year	0	-2.316
	Depreciation and write-down 31 December 2023	**-43.135**	**-40.800**
	Carrying amount, 31 December 2023	**25.082**	**27.388**

		31/12 2023	31/12 2022
12.	**Plant and machinery**		
	Cost 1 January 2023	60.051	59.803
	Additions during the year	1.475	248
	Disposals during the year	-5.375	0
	Cost 31 December 2023	**56.151**	**60.051**
	Depreciation and write-down 1 January 2023	-44.785	-42.042
	Depreciation for the year	-2.601	-2.743
	Depreciation, amortisation and writedown for the year, assets disposed of	4.279	0
	Depreciation and write-down 31 December 2023	**-43.107**	**-44.785**
	Carrying amount, 31 December 2023	**13.044**	**15.266**

Notes

DKK thousand.

		31/12 2023	31/12 2022
13.	**Other fixtures, fittings, tools and equipment**		
	Cost 1 January 2023	36.945	34.959
	Additions during the year	47	1.986
	Disposals during the year	-15.337	0
	Cost 31 December 2023	**21.655**	**36.945**
	Depreciation and write-down 1 January 2023	-33.383	-32.371
	Depreciation for the year	-1.096	-1.012
	Depreciation, amortisation and writedown for the year, assets disposed of	15.337	0
	Depreciation and write-down 31 December 2023	**-19.142**	**-33.383**
	Carrying amount, 31 December 2023	**2.513**	**3.562**

14.	**Property, plant and equipment in progress and prepayments for property, plant and equipment**		
	Cost 1 January 2023	1.236	643
	Additions during the year	816	593
	Disposals during the year	-2.052	0
	Cost 31 December 2023	**0**	**1.236**
	Carrying amount, 31 December 2023	**0**	**1.236**

Notes

DKK thousand.

		31/12 2023	31/12 2022
15.	**Investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2023	45.526	45.526
	Cost 31 December 2023	**45.526**	**45.526**
	Writedown, opening balance 1 January 2023	-3.965	-14.709
	Translation by use of the exchange rate valid on b	0	-34
	Results for the year before goodwill amortisation	14.587	13.413
	Translation by use of the exchange rate valid on balance sheet date	-464	-544
	Amortisation of goodwill for the year	-1.153	-1.153
	Transferred to provisions	103	-938
	Writedown 31 December 2023	**9.108**	**-3.965**
	Carrying amount, 31 December 2023	**54.634**	**41.561**

Group enterprises:

	Domicile	Equity interest
Babcock & Wilcox Vølund	Gothenburg, Sweden	100 %
Babcock & Wilcox Vølund	London, UK	100 %

		31/12 2023	31/12 2022
16.	**Deposits**		
	Cost 1 January 2023	2.226	2.372
	Disposals during the year	-601	-146
	Cost 31 December 2023	**1.625**	**2.226**
	Carrying amount, 31 December 2023	**1.625**	**2.226**

Notes

DKK thousand.

		31/12 2023	31/12 2022
17.	**Contract work in progress**		
	Sales value of the production of the period	548.025	47.574
	Progress billings	-520.197	-14.767
	Contract work in progress, net	**27.828**	**32.807**
	The following is recognised:		
	Work in progress for the account of others (current assets)	70.576	47.574
	Contract work in progress (long-term debt falling due within 1 year)	-42.748	-14.767
		27.828	**32.807**

18. Prepayments

Prepayments include advance payments regarding rent, IT-subscriptions, insurenace etc.

		31/12 2023	31/12 2022
19.	**Contributed capital**		
	Contributed capital 1 January 2023	5.000	5.000
		5.000	**5.000**

The contributed capital consist of:
1.000 A shares of DKK 1.000 nominal value each.
1.000 B shares of DKK 4.000 nominal value each.

Each A share carries five voting rights and each B share carries one voting right.

2021-2023: The company's contributed capital has remained unchanged.
2020: Capital increase of tDKK 687.411 and a capital reduction of tDKK 702.411.
2019: The company's contributed capital remained unchanged at tDKK 20.000.

20.	**Reserve for development costs**		
	Reserve for development costs 1 January 2023	1.687	0
	Transferred from results brought forward	-149	1.687
		1.538	**1.687**

Notes

DKK thousand.

		31/12 2023	31/12 2022
21.	**Retained earnings**		
	Retained earnings 1 January 2023	-123.454	-25.972
	Profit or loss for the year brought forward	-151.550	-96.804
	Exchange rate adjustments	0	-678
		-275.004	**-123.454**

22. Other provisions

Other provisions comprise of Warranty Provisions tDKK 14.601 (2022: tDKK -27.863) and for onerous contracts tDKK 47.213 (2022: tDKK +176).

23. Provisions for investments in group enterprises

Provisions for investments in group entreprises comprise of negativ equity in Babcock & Wilcox Vølund Ltd. tDKK 41.521 (2022: 41.418 tDKK).

24. Contingencies

Contingent assets

Based on the loss in 2023, management has evaluated that it is not possible to produce convincing evidence for utilizing the deferred tax 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 year-end 2023.

Contingent liabilities

	DKK in thousands
Rent and lease liabilities	8.340
Total contingent liabilities	**8.340**

Notes

DKK thousand.

24. Contingencies (continued)

Contingent liabilities (continued)

Rent and lease liabilities

The company has entered into operational leases regarding cars and serviceagreements of tDKK 1.113 with a remaining contract terms of 11-23 month.

Rent obligation regarding property during the non-cancellation period amounts to tDKK 7,227.

Recourse guarantee commitments:

The company has guaranteed the bank loans of Babcock & Wilcox Vølund AB. On 31 December 2023, the total bank loans totalled tDKK 0.

Warranty commitments and other contingent liabilities:

The company's bank has provided guarantees to third parties for a total of tDKK 49,893. The guarantees cover a period of 8 - 30 months.

25. Related parties

Controlling interest

B&W PGG Luxembourg Finance SARL	100 % ownership
Babcock & Wilcox Enterprises, Inc.	Ultimate parent

Transactions

Pursuant to section 98c (5) of the Danish Financial Statements Act only related party transactions not conducted on an arm’s length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Consolidated financial statements

The company is included in the consolidated financial statements of Babcock & Wilcoc Enterprises, 1200 E Market Steet, Suite 650, Akron OH 44305, USA.

Accounting policies

The annual report for Babcock & Wilcox A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of company and its group enterprises are included in the consolidated financial statements for Babcock & Wilcox Enterprises, Inc.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Babcock & Wilcox Enterprises, INC. (B&W).

Income statement

Revenue
The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Investment property costs comprise operating costs, repair and maintenance costs, taxes, charges, and other costs. Costs concerning the heating account are recognised in the statement of financial position as a balance with lessees.

Distribution costs
Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

Administration expenses
Administration expenses comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

Cost of sales
Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Accounting policies

Other operating income

Value adjustment of investment property

Value adjustment of investment property comprises value adjustments of properties at fair value and profit or loss from the disposal of properties.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

Accounting policies

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	10-25 years
Plant and machinery	3-12 years
Other fixtures and fittings, tools and equipment	3-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Property, plant, and equipment under construction

Property, plant, and equipment under construction are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

Accounting policies

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Accounting policies

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises but are not represented in the parent, the following accounting policies have been applied.

Investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Other financial instruments

Financial instruments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Accounting policies

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Accounting policies

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments

Prepaymentsrecognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

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

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Accounting policies

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Accounting policies

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Segmental statement

Information on activity and geographical markets is provided. The segmental statement complies with the consolidated accounting policies, risks, and management control systems of the company.

Assets in the segment comprise the assets used directly in the segment's revenue-generating activity.

Segment liabilities comprise liabilities derived from the segment's operations, including accounts payable and other liabilities.