martinsen
Rådgivning & Revision

Babcock & Wilcox Renewable Service A/S

Energivej 16, 6670 Holsted

Annual report

1 January - 31 December 2022

Company reg. no. 39 13 42 68

The annual report was submitted and approved by the general meeting on the 23 June 2023.

Christopher Nysted Sørensen
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 Renewable Service A/S for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

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.

Holsted, 23 June 2023

Managing Director

Christopher Nysted Sørensen

Board of directors

Christopher Stephan Riker Chairman	Christopher Nysted Sørensen	Cameron Michael Frymyer

Independent auditor's report

To the Shareholders of Babcock & Wilcox Renewable Service A/S

Opinion

We have audited the financial statements of Babcock & Wilcox Renewable Service A/S for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, statement of cash flows 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 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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 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, 23 June 2023

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

Jørn Dam Jensen
State Authorised Public Accountant
mne33686

Company information

The company	Babcock & Wilcox Renewable Service A/S Energivej 16 6670 Holsted	
	Company reg. no.	39 13 42 68
	Established:	4 December 2017
	Domicile:	Vejen
	Financial year:	1 January - 31 December 5th financial year
Board of directors	Christopher Stephan Riker, Chairman Christopher Nysted Sørensen Cameron Michael Frymyer	
Managing Director	Christopher Nysted Sørensen	
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Jupitervej 4 6000 Kolding	
Parent company	B&W PGG Luxemburg Finance	
Subsidiary	Babcock & Wilcock Renewable Service AB, Sverige	

Financial highlights

DKK in thousands.	2022	2021	2020	2019	2018
Income statement:					
Gross profit	161.732	69.765	40.764	38.976	27.121
Profit from operating activities	55.581	21.508	5.735	9.423	4.295
Net financials	-2.249	-1.535	-178	-303	-343
Net profit or loss for the year	41.587	15.569	3.905	5.138	2.128
Statement of financial position:					
Balance sheet total	199.222	73.788	43.679	41.537	26.518
Investments in property, plant and equipment	7.803	500	1.773	1.956	4.483
Equity	76.660	35.073	19.504	15.099	9.961
Cash flows:					
Operating activities	23.080	25.610	0	0	0
Investing activities	-8.193	-1.300	0	0	0
Financing activities	131	-17.594	0	0	0
Total cash flows	15.018	6.715	0	0	0
Employees:					
Average number of full-time employees	123	61	45	38	28
Key figures in %:					
Solvency ratio	38,5	47,5	44,7	36,4	37,6
Return on equity	74,4	57,1	22,6	41,0	26,1

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

The financial highlights for cash flow only comprise the period 2021 ande 2022.

Management´s review

Description of key activities of the compagny

The company's most important activity is servicing and maintenance in the energy sector and related business.

Development in activities and financial matters

The gross profit for the year totals DKK 161.732.343 against DKK 69.764.640 last year. Income or loss from ordinary activities after tax totals DKK 41.586.774 against DKK 15.568.794 last year.

Management considers the net profit for the year satisfactory and in accordance with the requirements.

Expected developments

A continued stable development is expected for the company in the coming year, where strategy has growth and earnings as its main focus.

Knowledge resources

Over the years, the company has built up extensive market knowledge and extensive product knowledge. A knowledge which today is pervasive in the company and which contributes to achieving the best possible earnings.

Environmental issues

Tthe company continuously works to optimize resource consumption in production from a personnel and environmental perspective, just as the company's objective for good production quality and good production conditions is part of this process.

Research and development activities

The company continuously works with the development of production methods.

Financial risks and the use of financial instruments

Foreign currency risks

The company primarily trades in DKK, EUR, SEK and NOK, which is why currency transactions are not considered a significant risk.

Interest rate risks

The company has neither short- nor long-term debt, which is why interest does not have that risk factor.

Commodity risks

The company does not enter into long-term price agreements, either on the buying or selling side. Service work is continuously adjusted to the cost level. The company therefore does not consider price developments to be a significant operating risk.

Credit risks

Management´s review

The company does not provide unusual long-term credits to their customers and does not consider credit in particular to be a significant risk element.

Events occurring after the end of the financial year

No events have occurred after the end of the financial year which could significantly alter the company's financial position.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2022	2021
	Gross profit	**161.732.343**	**69.764.640**
1	Staff costs	-103.704.577	-46.518.444
	Depreciation and impairment of property, land, and equipment	-2.446.344	-1.738.148
	Other operating expenses	-19	0
	Operating profit	**55.581.403**	**21.508.048**
	Income from investments in group enterprises	129.361	86.362
	Other financial income	52.957	11.759
2	Other financial expenses	-2.431.003	-1.633.139
	Pre-tax net profit or loss	**53.332.718**	**19.973.030**
	Tax on net profit or loss for the year	-11.745.944	-4.404.236
3	**Net profit or loss for the year**	**41.586.774**	**15.568.794**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2022	2021
	Non-current assets		
4	Plant and machinery	2.438.554	1.236.688
5	Other fixtures, fittings, tools and equipment	4.550.332	331.104
	Total property, plant, and equipment	6.988.886	1.567.792
6	Investments in group enterprises	318.310	188.949
7	Other financial investments	1.000.000	1.000.000
8	Other receivables	269.534	259.167
9	Deposits	622.189	242.819
	Total investments	2.210.033	1.690.935
	Total non-current assets	**9.198.919**	**3.258.727**
	Current assets		
	Raw materials and consumables	37.445.032	4.539.864
	Prepayments for goods	0	2.234.849
	Total inventories	37.445.032	6.774.713
	Trade receivables	58.724.852	11.417.722
	Contract work in progress	11.682.286	630.000
	Receivables from group enterprises	36.540.624	20.762.486
10	Deferred tax assets	0	74.000
	Other receivables	2.304.381	1.957.799
11	Prepayments	795.374	442.300
	Total receivables	110.047.517	35.284.307
	Cash on hand and demand deposits	42.530.855	28.470.492
	Total current assets	**190.023.404**	**70.529.512**
	Total assets	**199.222.323**	**73.788.239**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2022	2021
	Equity		
	Contributed capital	769.231	769.231
	Reserve for net revaluation according to the equity method	299.806	170.445
	Retained earnings	75.590.677	34.133.265
	Total equity	**76.659.714**	**35.072.941**
	Provisions		
12	Provisions for deferred tax	383.000	0
13	Other provisions	1.551.590	1.347.998
	Total provisions	**1.934.590**	**1.347.998**
	Liabilities other than provisions		
	Current portion of long term payables	0	174.391
	Bank loans	449.639	144.567
	Prepayments received from customers	24.882.233	13.610.920
	Trade payables	27.330.328	8.327.829
	Payables to group enterprises	37.702.935	0
14	Income tax payable	0	4.366.236
	Income tax payable to group enterprises	11.284.944	0
15	Other payables	18.977.940	10.743.357
	Total short term liabilities other than provisions	120.628.019	37.367.300
	Total liabilities other than provisions	**120.628.019**	**37.367.300**
	Total equity and liabilities	**199.222.323**	**73.788.239**

16 Charges and security

17 Contingencies

18 Related parties

Statement of cash flows 1 January - 31 December

All amounts in DKK.

Note		2022	2021
	Net profit or loss for the year	41.586.774	15.568.794
19	Adjustments	16.376.409	7.509.291
20	Change in working capital	-29.092.606	4.386.850
	Cash flows from operating activities before net financials	28.870.577	27.464.935
	Interest received, etc.	52.950	11.759
	Interest paid, etc.	-1.473.431	-731.883
	Cash flows from ordinary activities	27.450.096	26.744.811
	Income tax paid	-4.370.231	-1.277.432
	Other cash flows from operating activities	0	142.394
	Cash flows from operating activities	**23.079.865**	**25.609.773**
	Purchase of property, plant, and equipment	-7.802.874	-499.958
	Sale of property, plant, and equipment	0	225.000
	Purchase of fixed asset investments	-389.737	-1.025.430
	Cash flows from investment activities	**-8.192.611**	**-1.300.388**
	Repayments of long-term payables	-174.391	-354.017
	Changes in short-term bank loans	305.072	2.172
	Other cash flows from financing activities	0	-17.242.269
	Cash flows from investment activities	**130.681**	**-17.594.114**
	Change in cash and cash equivalents	**15.017.935**	**6.715.271**
	Cash and cash equivalents at opening balance	28.470.492	22.656.477
	Foreign currency translation adjustments (cash and cash equivalents)	-957.572	-901.256
	Cash and cash equivalents at end of period	**42.530.855**	**28.470.492**

	2022	2021
Cash and cash equivalents		
Cash on hand and demand deposits	42.530.855	28.470.492
Cash and cash equivalents at end of period	**42.530.855**	**28.470.492**

Notes

All amounts in DKK.

		2022	2021
1.	**Staff costs**		
	Salaries and wages	89.717.056	40.692.108
	Pension costs	11.607.600	5.162.748
	Other costs for social security	1.002.930	553.007
	Other staff costs	1.376.991	110.581
		103.704.577	**46.518.444**
	Average number of employees	123	61

With reference to ÅRL section 98b subsection 3, information on remuneration to the management is omitted.

		2022	2021
2.	**Other financial expenses**		
	Financial costs, group enterprises	545.994	0
	Other financial costs	1.885.009	1.633.139
		2.431.003	**1.633.139**

		2022	2021
3.	**Proposed distribution of net profit**		
	Reserves for net revaluation according to the equity method	129.361	86.362
	Transferred to retained earnings	41.457.413	15.482.432
	Total allocations and transfers	**41.586.774**	**15.568.794**

Notes

All amounts in DKK.

4. Plant and machinery

Cost opening balance	4.410.962	4.211.993
Additions during the year	2.282.802	198.969
Disposals during the year	-46.202	0
Cost end of period	**6.647.562**	**4.410.962**
Depreciation and write-down opening balance	-3.174.274	-1.968.723
Amortisation and depreciation for the year	-1.080.917	-1.205.551
Reversal of depreciation, amortisation and impairment loss, assets disposed of	46.183	0
Depreciation and write-down end of period	**-4.209.008**	**-3.174.274**
Carrying amount, end of period	**2.438.554**	**1.236.688**
Lease assets are recognised at a carrying amount of	0	170.272

5. Other fixtures, fittings, tools and equipment

Cost opening balance	1.628.787	1.726.798
Additions during the year	5.520.072	300.989
Disposals during the year	0	-399.000
Cost end of period	**7.148.859**	**1.628.787**
Depreciation and write-down opening balance	-1.297.683	-1.107.197
Amortisation and depreciation for the year	-1.300.844	-464.776
Reversal of depreciation, amortisation and impairment loss, assets disposed of	0	274.290
Depreciation and write-down end of period	**-2.598.527**	**-1.297.683**
Carrying amount, end of period	**4.550.332**	**331.104**
Lease assets are recognised at a carrying amount of	0	35.398

Notes

All amounts in DKK.

		31/12 2022	31/12 2021
6.	**Investments in group enterprises**		
	Cost opening balance	18.504	18.504
	Cost end of period	**18.504**	**18.504**
	Revaluations, opening balance opening balance	170.445	84.083
	Net profit or loss for the year before amortisation of goodwill	129.361	86.362
	Revaluation end of period	**299.806**	**170.445**
	Carrying amount, end of period	**318.310**	**188.949**

		31/12 2022	31/12 2021
7.	**Other financial investments**		
	Cost opening balance	1.000.000	0
	Additions during the year	0	1.000.000
	Cost end of period	**1.000.000**	**1.000.000**
	Carrying amount, end of period	**1.000.000**	**1.000.000**

		31/12 2022	31/12 2021
8.	**Other receivables**		
	Cost opening balance	259.167	259.167
	Additions during the year	10.367	0
	Cost end of period	**269.534**	**259.167**
	Carrying amount, end of period	**269.534**	**259.167**
	Der specificeres således:		
	Other receivables	269.534	259.167
		269.534	**259.167**

Notes

All amounts in DKK.

		31/12 2022	31/12 2021
9.	**Deposits**		
	Cost opening balance	242.819	217.389
	Additions during the year	379.370	25.430
	Cost end of period	**622.189**	**242.819**
	Carrying amount, end of period	**622.189**	**242.819**
10.	**Deferred tax assets**		
	Deferred tax assets opening balance	0	74.000
		0	**74.000**
11.	**Prepayments**		
	Other prepayments/deferred income	325.422	230.110
	Accrued 1st payment leasing cars	469.952	212.190
		795.374	**442.300**
12.	**Provisions for deferred tax**		
	Provisions for deferred tax opening balance	-74.000	-74.000
	Deferred tax of the net profit or loss for the year	457.000	0
		383.000	**-74.000**

Notes

All amounts in DKK.

		31/12 2022	31/12 2021
13.	**Other provisions**		
	Other provisions opening balance	1.347.998	4.110.738
	Change in other provisions for the year	203.592	-2.762.740
		1.551.590	**1.347.998**
	Maturity is expected to be:		
	1-5 years	1.551.590	1.347.998
		1.551.590	**1.347.998**

Other provisions include costs for normal guarantee obligations in connection with completed projects within the guarantee period of 1-2 years. The guarantee obligation is recognized on the basis of the company's experience and estimates of the expected obligation

14.	**Income tax payable**		
	Income tax receivables opening balance	4.366.236	1.277.432
	Income tax paid concerning last year	-4.366.236	-1.277.432
	Income tax receivables concerning previous years	0	0
	Income tax calculated for the current year	0	4.366.236
		0	**4.366.236**

15.	**Other payables**		
	VAT payable	4.017.647	2.691.434
	VAT foreing counties	1.114.477	1.202.261
	Free choice sawings	1.870.914	523.140
	Withheld tax and labour market contributions	20.525	1.541.505
	The Danish Labour Market Supplementary Pension Scheme and other social security benefits	281.577	152.168
	Salaries, wages and bonus	2.150.000	2.086.243
	Pension contributions	482.547	109.394
	Compensation C-19	431.688	431.688
	Holiday pay obligations, salaried staff	6.908.115	1.272.052
	Staff Assocation	47.404	45.073
	Employee outlays	53.214	45.004
	Other cost incurred	1.238.113	424.651
	Other cost incurred and Sweeden	361.717	218.744
		18.977.940	**10.743.357**

Notes

All amounts in DKK.

16. Charges and security

For bank loans, t.DKK 451, the company has provided security in company assets representing a nominal value of t.DKK 9.120. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	37.445
Trade receivables	58.725
Property, plant and equipment	6.989

17. Contingencies

Contingent liabilities

Lease liabilities

In addition to finance leases, the company has entered into operational leases with an average annual lease payment of t.DKK 781. The leases have 6 - 30 months to maturity and total outstanding lease payments total t.DKK 913.

Rental obligation

The company has entered into two leases with termination no erlier than 1 September 2023 and 31 January 2029. The total anual rent amounts to t.DKK 1.995 and the total rent obligation until termination amounts to t.DKK 11.309

Guarantee commitments:

The company's bank has provided guarantees for the company's service and maintenance work for a total amount on 31 December 2022 off t.DKK 21.263..

Joint taxation

With Babcock & Wilcox A/S, company reg. no 25053664 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Notes

All amounts in DKK.

18. Related parties

Controlling interest

B&W PGG Luxembourg Finance SARL	Majority shareholder
12E rue Guilaume Kroll	
1882 Luxembourg	

	2022	2021
19. Adjustments		
Depreciation, amortisation, and impairment	2.381.761	1.670.327
Loss from disposal of non-current assets	19	-100.290
Income from investments in group enterprises	-129.361	-86.362
Other financial income	-52.957	-11.759
Other financial expenses	2.431.003	1.633.139
Tax on net profit or loss for the year	11.745.944	4.404.236
	16.376.409	**7.509.291**

	2022	2021
20. Change in working capital		
Change in inventories	-30.670.319	-3.183.511
Change in receivables	-74.837.210	-4.251.378
Change in trade payables and other payables	76.211.331	14.584.479
Other changes in working capital	203.592	-2.762.740
	-29.092.606	**4.386.850**

Accounting policies

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

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Babcock & Wilcox Renewable Service A/S and its group enterprises are included in the consolidated financial statements for Babcock & Wilcox Entreprises Inc., USA, reg. no. 47-2783641.

Changes in the accounting policies

The annual report is presented in Danish kroner (DKK).

The classification of the accounting item "staff costs" has been changed so that certain types of income, which had been presented under staff costs, will in the future be presented under the accounting item "other operating income.

The change in classification, has no monetary effect on the year's result or the balance sheet for neither the current or the previous financial year. The comparative figures are adapted to the changed classification.

Except for the above, the accounting policies remain unchanged from last year.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

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.

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Accounting policies

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Other operating expenses

Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

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.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies

Statement of financial position

Property, plant, and equipment

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying mount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

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 and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	3 -7 years	0 %
Other fixtures and fittings, tools and equipment	2 - 7 years	0 %

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.

Accounting policies

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.

Leases

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

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. write-down 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.

Accounting policies

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.

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.

Accounting policies

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

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 cannot 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

Prepayments recognised 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.

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.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Accounting policies

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Tax receivables from group enterprises" or "Income tax payable to group enterprises"

According to the rules of joint taxation, Babcock & Wilcox Renewable Service A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

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.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

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.

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.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Accounting policies

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and short-term financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.