



ANNUAL REPORT 2016

Burmeister & Wain Scandinavian Contractor A/S
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Company reg. no. (CVR): 87929116

“ We stay the course, and keep developing, adding to concepts and setting new, ambitious targets to inspire and motivate us in the coming years. We are still solidly founded in our core competencies within engines and boilers, but look to expand our activities, improve our skills and sharpen our methods to be ready to match the customers’ evolving expectations and market opportunities.”

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Front page: Brigg Renewable Energy Plant, UK
Brigg was officially inaugurated on 26 May 2016

CEO STATEMENT

Adaptability and innovation are key to securing our continued competitiveness

2016 was another successful year for BWSC. We increased our activity level, enhanced our health and safety standards and advanced our key strategic initiatives. Led by our vision to be the best partner for reliable and efficient energy solutions and guided by our values, we continued to implement and develop our strategy: to add value to our customers by improving competitiveness in all aspects of our work while focusing on adaptability and innovation in a changing energy market.

2016 has been a year with stable financial performance for BWSC. The number of ongoing projects continued at a very high level with an order backlog of DKKbn 6.7, total revenue of DKKbn 2.9 and a solidity of 42 percent (equity/total assets). This all-time-high for BWSC is a result of increased focus on project development and investment, growing operation and service business and continued focus on project execution and customer service. However, 2016 has also been a year with a number of challenges that have impacted negatively on our profit, for instance delay in the supply chain for two biomass projects in the UK and the depreciation of the British Pound following the Brexit. Impacts of the latter were, however, minimised as a result of our currency hedging.

The work to improve safety in BWSC continued in 2016, and I am pleased to report that no fatalities occurred in 2016, and the lost time injury frequency was at a record low of 2.5. Needless to say, the work to make BWSC an even safer place to work continues. 74 new employees have been welcomed at BWSC in 2016. They have further broadened and strengthened our in-house competences and capabilities and enable us to deliver on the increased business volume and ensure successful project execution.

The increased focus on climate change and reduction of CO₂ emissions in recent years has led to a rising demand for green energy solutions. BWSC has embraced this development and is now an experienced provider of CO₂ neutral biomass power plants. In 2016 we secured yet another IPP (Independent Power Producer) biomass project, and in the UK alone BWSC has been successful in securing 10 projects and is today considered market leader. BWSC has thus changed position from being solely a conventional power plant constructor to also a power producer with (part)-ownership of a total of nine power plants. When these plants have been fully completed, BWSC will have invested more than DKKm 750 in IPP projects, which together with the related O&M contracts will ensure stable earnings for many years to come. One of the tasks ahead is for BWSC to deploy biomass competencies to benefit from new renewables market opportunities.

At the end of 2016, Burmeister & Wain Energy (BWE), our partner on three biomass projects in the UK, faced financial difficulties. To safeguard the three projects we have in February 2017 acquired the assets of BWE, key employees and the three projects in the UK, which BWE and BWSC have jointly been working on. This was a challenging process, and we are still working to secure a successful integration of the new employees, assets and competences.

We have continued to successfully implement our strategy and laid a strong foundation for our future. We have already met our strategy plan (Route 2017) targets, and our strategic direction for the next 5 years, Route 2021, was in Q4 2016 approved by the Board of Directors. The energy market is changing rapidly, and Route 2021 points to ways to utilise new market trends with special focus on liquefied natural gas (LNG) concepts as well as inclusion of renewables technology in traditional engine-based power plant applications. As mentioned above, beginning February 2017, we acquired the biomass assets needed to supply and service complete boiler solutions. Going forward, we are therefore able to meet the market demands of the energy industry through development, design, construction and service of high efficiency biomass steam boilers.

We would like to take this opportunity to thank customers, partners and suppliers and not least our employees who all have contributed to making 2016 a satisfactory year for BWSC. Furthermore, we would like to welcome the former BWE staff employed in February 2017.

Anders Heine Jensen
CEO



BWSC AT A GLANCE

The increased business volume for BWSC is a result of the company's increased focus on project development and investment, growing operation and services business and continued focus on safety and efficient project execution.

Revenue
DKKbn

2.9

↗40%

Investments
in power plants
DKKbn

314

↗70%

Solidity

42

↗2%
points

Average no.
of employees

577

↗4%

Lost time injury
frequency

2.5

2015:
2.9

182

projects

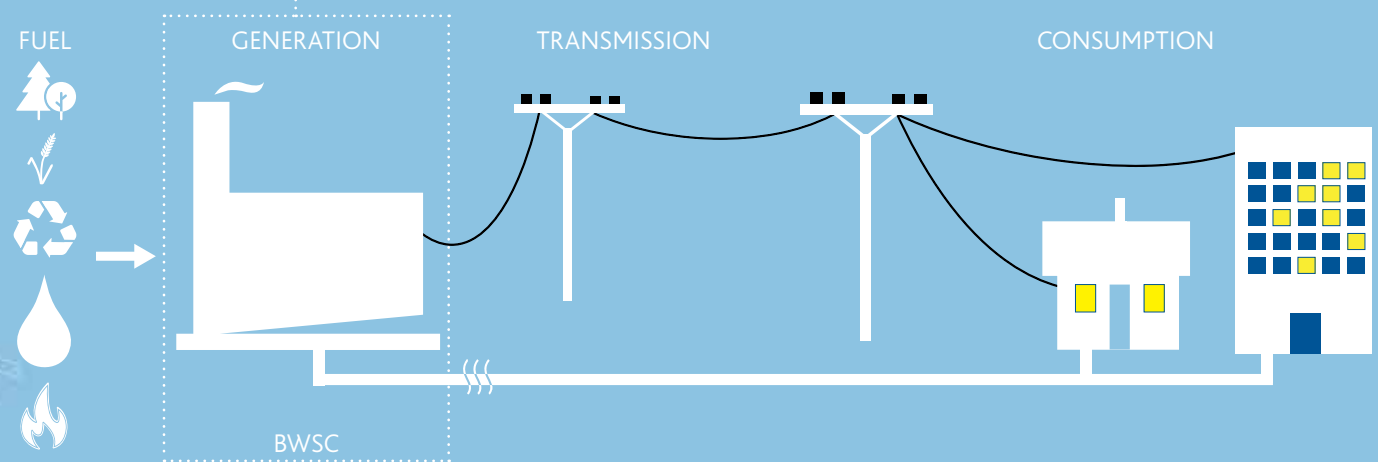
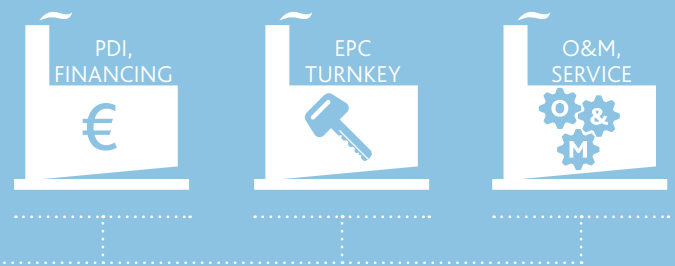
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countries

BWSC in the energy value chain

BWSC is a global turnkey developer, contractor and operator of engine (10–300 MW) and boiler-based (15–70 MW) power plants generating electricity and heat to residential and commercial customers.

BWSC's main activities comprise engineering, procurement & construction (EPC), operation and maintenance (O&M) and post construction services as well as project development & investment (PDI), including financing assistance.



High growth over the last five years



Brigg Renewable Energy Plant, UK
Officially inaugurated on 26 May 2016

GROUP FINANCIAL HIGHLIGHTS

	2016 DKK ^m	2015 DKK ^m	2014 DKK ^m	2013 DKK ^m	2012 DKK ^m	2016 EUR ^m *
Income statement						
Revenue	2,946	2,106	1,815	1,517	1,055	395
Gross profit	297	244	131	221	182	40
Net financials	-11	7	6	-6	-2	-1
Profit before tax	110	101	21	91	71	15
Profit for the year	85	76	17	65	57	11
Balance sheet						
Total assets	1,832	1,836	1,496	1,288	1,195	246
Cash	214	774	708	538	827	29
Equity	763	727	630	623	603	102
Interest-bearing debt	172	25	28	31	34	23
Investments in tangible fixed assets	-12	-6	-6	-5	-2	-2
Cash flows						
From operating activities	-331	273	323	-196	131	-44
From investment activities	-337	-195	-121	-57	12	-45
From financing activities	108	-12	-33	-30	-29	15
Financial ratio (%)						
Gross margin	10	12	7	15	17	10
Profit ratio	4	5	1	6	7	4
Solidity	42	40	42	48	50	42
Return on equity	11	11	3	11	10	11
Other information						
Order intake	3,036	2,655	3,701	3,801	616	408
Order backlog	6,687	6,597	6,018	4,110	1,426	898
Average number of full-time employees	577	557	484	450	415	577
Of which employed by the Parent Company	383	355	287	296	251	383

The profit ratio has been calculated as profit before tax proportional to revenue. The calculation of the remaining financial ratios are described in note 7.1 in the Financial statements.

* The key figures are translated at the year-end EUR exchange rate of 7.45

Five year EUR group financial highlights are included on page 67

An aerial photograph showing a large industrial facility, the Kent Power Plant, situated along a river. The plant is outlined with a blue dashed line. It consists of several large, interconnected buildings and structures, including a tall chimney. To the right of the plant, there is a large, modern building complex, likely a university or research facility, with multiple courtyards and parking areas. The surrounding landscape is a mix of green fields, trees, and some residential areas in the distance.

BWSC – WHO WE ARE

Visualisation of Kent Power Plant, UK

The power plant is expected to be in operation during the summer of 2018

BWSC – WHO WE ARE

BWSC is a global and leading provider of tailored power plants and offers support to its customers in all phases of the power plant life cycle – from project development to plant operation

BWSC's vision is to be the best partner for reliable and efficient energy solutions.

BWSC employs over 28 nationalities and has delivered projects in more than 50 countries around the world. In 2016, BWSC revenue totalled DKKbn 2.9 with an average of 577 employees throughout the year.

BWSC has highly skilled employees, in-house capabilities and long-term experience and can assist customers in every aspect of the development, construction and operation of their power plant investment. BWSC continuously develops the most efficient energy solutions within the requirements set by the customer - to the benefit of both the environment and the financials.

Impacts of global development on the environment and the COP21 Paris Agreement, adopted by 196 countries in 2015, have affected the power generation industry with increased focus on emissions and the need for environmentally friendly sources of energy. BWSC embraces and supports this development and will upon completion of construction projects in the UK deliver green energy to more than 500,000¹ households. BWSC aims to maximise the environmental and economic performance of all its power plants by emphasising the importance of sustainable innovation and total plant efficiency to its customers.

World energy consumption is projected to grow by 48% between 2012 and 2040. The increase in power consumption is mainly driven by GDP growth, population growth and urbanisation, especially in developing countries. Access to reliable power is vital for economic, social and technological development, and BWSC's vision is to be the best partner for reliable and efficient energy solutions.

Source: International Energy Agency (iea)

Main activities

BWSC has three main activities: engineering, procurement & construction (EPC), post construction services and project development & investments (PDI).

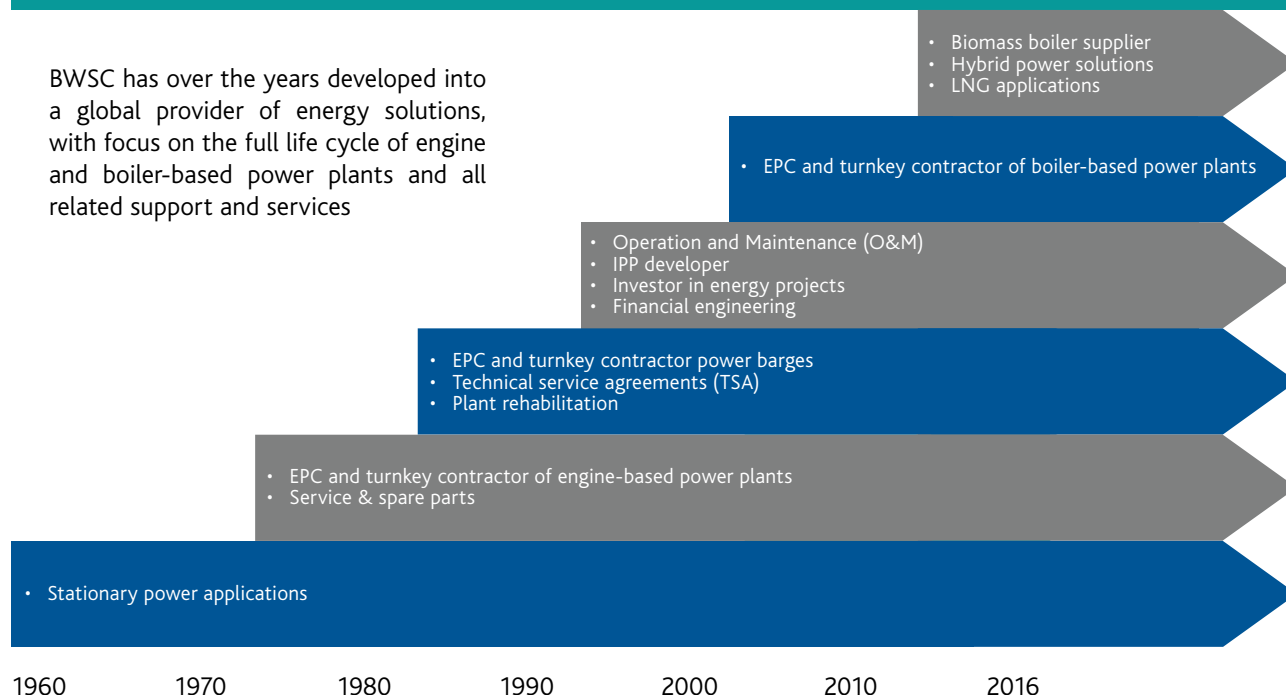
In February 2017, BWSC acquired the assets needed to supply and service complete biomass boiler solutions. BWSC is therefore now also a boiler supplier, offering a wide range of biomass boilers for a variety of bio fuels.

Engineering, procurement and construction

BWSC is a world-leading EPC and turnkey contractor of engine and boiler-based power plants. Under a turnkey contract, BWSC is obligated to deliver a complete plant to the customer who only needs to turn the key to start operating the plant. In addition, BWSC must deliver the plant at an agreed price, by an agreed date and at a specified performance level.

Development of BWSC business

BWSC has over the years developed into a global provider of energy solutions, with focus on the full life cycle of engine and boiler-based power plants and all related support and services



BWSC also offers financing assistance based on in-house experience and an extensive network of financial institutions, funds and lenders. BWSC delivers efficient and competitive solutions accommodating unique requirements and demands from the customer.

Post construction services

A well-defined and well-managed maintenance regime is essential to smooth and reliable operation of a power plant. As a long-term energy partner, BWSC offers a variety of post construction services tailored to its customers' specific project requirements in order to maximise the efficiency of their power plant. BWSC services range from sale of spare parts, training, upgrades and rehabilitation of power plants to Technical Support Agreements (TSA) and Operation & Maintenance (O&M) contracts of up to 20 years.

Project development and investments

BWSC is an experienced developer and power plant investor and provides asset management services. BWSC supports its partners in all aspects of the project development – from potential lead to project implementation. So far, BWSC has invested in nine power plants, of which three are engine-based and six are boiler-based plants fueled by biomass.

Key markets

BWSC currently operates in two key markets – the engine-based and the boiler-based power plant market. The engine-based plants are fuelled by oil and gas and the boiler-based plants are fuelled by biomass, consisting of straw and woodchips. As of February 2017, BWSC has also entered the energy market as supplier of biomass boilers for a variety of bio fuels.

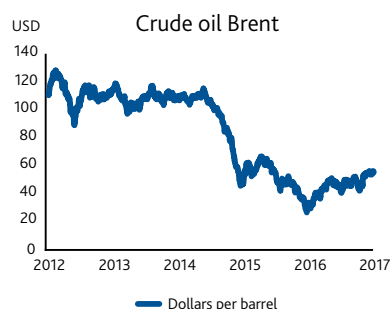
Engine-based market



BWSC is a global market leader and specialist within contracting and operation of medium and large engine-based power plants (approximately 10-300 MW) and has more than 30 years of experience within this area.

Despite the increasing interest for renewable technologies, the economic advantages of the well-proven diesel technology still make this solution attractive to decision makers. This is especially true for developing countries where the need for cost-efficient and reliable energy supply is essential to the infrastructural development. Environmental standards for the engine-based applications are continuously improved and applied, and the BWSC plants often replace inefficient energy sources, which has positive impacts on the environmental footprint of the application.

Market development for engine-based power plants



The significant drop in oil prices has naturally influenced market conditions and the choice of fuel. This has led to an increase in heavy fuel oil and diesel projects and a decrease in both natural gas and dual fuel projects. Lower fuel costs have a positive impact on energy projects in oil importing countries but on the other hand slow down the economy in oil exporting countries, resulting in lower demand for power.

Natural gas is predicted to be the fastest-growing fossil fuel, with global natural gas demand increasing by 1.5% per year to year 2040. Liquefied natural gas (LNG) is by World Energy Council predicted to play the largest role for natural gas enabling a more flexible global energy market. The market for floating LNG power generation solutions, including storage and regasification is very much growing and is expected to be among the important engine-based markets for BWSC.

For engine-based solutions in general, BWSC has special focus on countries in Central and South America, the Caribbean, the Middle East, Africa and Asia.

Boiler-based market



The increased focus on climate changes and reduction of CO₂ emissions in recent years has led to a rising demand for green energy solutions. BWSC has embraced this development and is now an experienced provider of biomass power plants and more recently provider of biomass fired boilers.

The biomass power plants, in the range of 15-70 MW, are typically based on wood or straw fuel and can be configured for combined heat and power (CHP) production. In the UK alone, BWSC has been successful with 10 projects and is today considered market leader with about 10% of the total market share and about 75% when it comes to share of straw fuelled plants. With these projects secured, BWSC has thus changed position from being solely a conventional power plant constructor to also a power producer with (part)-ownership of some of the plants.

Having recently acquired the biomass and other activities of Burmeister & Wain Energy (BWE), BWSC is now also an international hi-tech company that meets the market demand through development, design, construction and commissioning of high efficiency advanced utility and biomass steam boilers to the energy industry.

Market development for boiler-based power plants

Power generation based on renewables is expected to more than double from 2014 to 2040. The market for environmentally friendly solutions is therefore projected to grow substantially in the years to come. However, competitiveness of biomass power plants depends on government support and subsidies which explains the high concentration of BWSC biomass projects in the UK where incentive schemes to promote renewable energy have been present. The UK ROC support scheme runs out in 2017 and will be replaced with the Contract for Difference (CfD) scheme, which is less favourable for biomass power generation.

The task ahead is for BWSC to deploy biomass competences gained from extensive activities in the UK to exploit new renewable market opportunities.

BWSC will consequently explore business opportunities in the UK within the new CfD scheme, which will focus on gasification and CHP solutions. Furthermore, one of the objectives of BWSC Route 2021 strategy is to explore and enter into markets for waste-to-energy and advanced conversion technology (ACT).

Furthermore, BWSC will increase efforts to establish leads outside the UK including seeking new markets with conditions that make projects feasible. Feasibility and competitiveness for biomass EPC and O&M activities in new markets and segments will depend on the individual market cost of energy. Within the boiler-based market segment, the main focus is on the UK, the rest of Europe and Asia.

Customer base

BWSC's customer base is mainly composed of regional utility companies within diesel and gas, but over the last couple of years, private and investment funds have to a larger extent entered this market. Within the boiler-based market segment,

the customer base mainly comprises private companies and investment funds.

Strategic direction

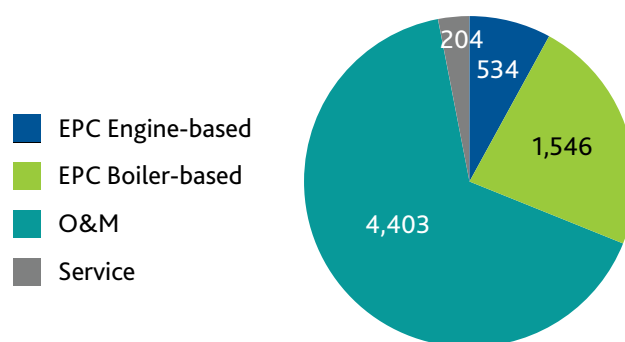
BWSC's strategy towards year 2021, Route 2021, highlights the importance of innovation and adaptability to maintain competitiveness in a changing energy market. BWSC's strategy is to continue in the current direction while identifying and developing new business areas to improve competitiveness. BWSC's strongest positions are within the core engine markets in Africa, South East Asia, Latin America and the Middle East as well as within the biomass market in the UK. BWSC's strategy points to ways to benefit from new market trends in these areas with special focus on gas, dual fuel and LNG applications as well as hybrid power solutions.

BWSC's business setup

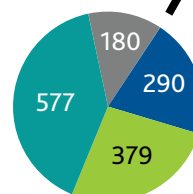
The power plant industry is volatile and reacts to fluctuations in the economy and public regulations. An upturn or a downturn will inherently affect the investment in new power plant capacity. BWSC's business-setup with outsourcing of e.g. manufacturing of boilers, engines and turbines to external suppliers or consortium partners as well as being a flexible organisation with a flexible cost structure enables BWSC to adjust the business according to the financial environment and steer safely through upturns and downturns.

Furthermore, the long-term O&M contracts of up to 20 years and return on investments ensure stable earnings in times of fewer EPC contracts.

Order backlog 2016 DKKm 6,687



Order backlog 2012 DKKm 1,426



The way in which energy is produced is changing rapidly. All forecasts and predictions indicate that energy consumption will grow substantially in the coming years. While renewables are predicted to account for the major share, power generation based on gas is expected to play a major role in the transition to a carbon free society. Especially use of liquefied natural gas (LNG) is expected to grow substantially towards year 2040. BWSC's strategy points to new and – not so new – ways to exploit these market trends.

The number of O&M contracts and contract amounts have significantly increased in recent years. The O&M order backlog has increased from DKKm 577 at end-2012 to DKKm 4,403 at end-2016. The O&M order backlog will generate revenue and income for BWSC for the next 20 years.

The project duration for engine-based EPC projects is up to 18 months, whereas the project duration for boiler-based EPC projects is up to 30 months. An EPC order backlog of DKKm 2,080 ensures that BWSC to a certain degree has time to adjust the business setup if needed.

Competence pool

At BWSC, employees, systems and procedures are key to executing projects in the best possible way, and the development and success of BWSC highly depends on competent employees with a high level of expertise and commitment.

In-house competences include high-level engineering, technological innovation as well as well-proven project management skills. Competences also include power plant operation skills and insights in financial markets. Based on these capabilities BWSC continuously develops the most efficient energy solutions within the requirements set by the customer.

To maintain and develop skills and competences of the employees and to stay at the forefront of the technological development, BWSC places great emphasis on further education and training of the employees. BWSC encourages and supports internal job rotations to promote knowledge sharing and a broad knowledge of BWSC's various business areas.

Cooperation with the engineering hub, DASH Engineering, in the Philippines started in 2015 and is ongoing. Both DASH and BWSC are subsidiaries of the MES Group. Employees from BWSC have been working out of the Philippines, and DASH employees have been working out of Denmark to improve cooperation and knowledge sharing.

In order to support the employees in their everyday work and generally increase efficiency, administrative and IT systems are constantly updated.

Dedicated employees as well as a constructive and inspiring working environment and the ability to foster talent are crucial elements to BWSC's future growth and development. To create a basis for dialogue and promote commitment and engagement among the employees, BWSC carries out employee satisfaction surveys on an ongoing basis. The latest survey was carried out in November 2015 with a very high response rate. The results showed high job satisfaction and very high loyalty and commitment among BWSC's employees. Reviews of the survey at departmental level were carried out, and in 2016, initiatives were taken to further improve the working environment.

Quality management and occupational health and safety

Delivering high quality products in a safe and healthy environment is at the core of BWSC's business. BWSC's power plants are built to recognised international standards and norms, and BWSC continuously strives to improve and streamline its processes and products.

In 2014, BWSC was awarded the ISO 9001 for Quality Management, and work is ongoing to ensure that BWSC O&M sites are included in the certification. In October 2016, BWSC was further certified compliant to the OHSAS 18001 Occupational Health and Safety Management System standard. See also the CSR section.



As part of the quality management system, BWSC has an IRQ (improvement report quality) database where e.g. observations of non-compliance with procedures and formal requirements and areas of improvements are reported and followed up by a corrective action. In 2016, BWSC had a target of receiving a minimum of 50 IRQ's per month and is currently well above this target. For 2017, the target is to deliver a timelier follow-up on the IRQ's received.

Employees

In 2016, BWSC welcomed 74 new employees at the head office, and by the end of the year, BWSC had approximately 790 employees including associated companies. Around 390 of these are based at the head office in Denmark, and around 400 are positioned around the world working on construction or service sites. Despite the large number of new employees, 47% of the employees have a seniority of 6 years or more.

On 6 February 2017, BWSC entered into an asset deal with Burmeister & Wain Energy (BWE) for the acquisition of BWE's biomass activities and other activities. With this acquisition, BWSC now has almost 900 employees including associated companies. BWSC has a shared history with BWE and knows the company and many of the employees very well. BWSC and former BWE employees will work together to continue and further develop BWSC's success in the biomass market, in line with BWSC Route 2021 strategy.

BWSC has a very diverse employee group. In addition to Danish nationalities BWSC employs people from a number of countries and 18 nationalities are represented at the head office in Denmark. At the sites, the majority of employees are of local nationality, and in total, 28 nationalities are employed in the Group.

Close cooperation between people with different educational, technical and cultural backgrounds provides a solid base of knowledge, skills and experience enabling BWSC to deliver tailor-made products and unique services to its customers.

History and ownership

BWSC originates from the Danish Burmeister & Wain Group, which was a large shipyard and a leading producer of diesel engines and steam boilers with its earliest roots dating back to 1843. The company grew to become one of the leading employers in Copenhagen, Denmark, for nearly a century. The group was founded by two Danes, Hans Henrich Baumgarten and Carl Christian Burmeister. Following the retirement of Baumgarten in 1861, the Englishman William Wain joined in as co-owner with Burmeister in 1865.

In 1898, Rudolf Diesel granted Burmeister & Wain (B&W) the exclusive Danish manufacturing rights for the innovative, revolutionary diesel engines, which he had introduced the year before. In the following years, the company's diesel engines and licensed designs were used worldwide.

In 1979 and 1980, the company was split into several entities and the engine division was sold to the German MAN Group. The B&W steam division was sold under the name Burmeister & Wain Energy A/S to the German boiler company Ferdinand Lentjes Dampkessel- und Maschinenbau in Düsseldorf.

The Burmeister & Wain contractor division was established in 1977 to increase the share of Burmeister & Wain's stationary diesel engine plants. In 1980, the division became an independent company and was in 1990 sold to Mitsui Engineering and Shipbuilding Co. Ltd. (MES) in Japan, with Mesco Denmark A/S as the direct owner.

MES is one of Japan's leading heavy industry companies and is listed on the Tokyo Stock Exchange. In the fiscal year 2015/2016, MES had a group revenue of approximately USDbn 7. The MES Group employs approximately 12,700 people.

Since its establishment in 1917, MES has provided trusted products and plants for the society. MES has 3 main business segments, which are Ship & Ocean, Machinery & Systems and Engineering. The Ship & Ocean segment builds merchant vessels as well as military ships. Furthermore, the segment also covers off-shore equipment including FPSO (floating, production, storage and offloading). The Machinery & Systems segment mainly produces marine diesel engines and cranes. The Engineering segment provides EPC (engineering, procurement, and construction) services to construct petrochemical and environmental plants.

In 2015, MES acquired ownership of TGE Marine (registered as MES Germany Beteiligungs GmbH), a German gas carrier engineering company. TGE Marine and BWSC further entered into partnership in 2016 to develop a complete LNG storage and floating barge solution.

On 6 February 2017, BWSC entered into an asset deal with BWE for the acquisition of BWE's biomass activities and other activities, including about 85 former BWE employees. Both companies are historically rooted in the old Danish shipyard, Burmeister & Wain, and have for the past 150 years individually specialised in engineering and delivery of technologically advanced thermal power plants. The asset deal will help secure BWSC's position on the UK market for technologically advanced biomass power plants.

The first ethane fuelled engine in the world was manufactured by MES in June 2016



Widnes, UK

The Widnes biomass power plant achieved first synchronisation to the grid in January 2017



FINANCIAL REVIEW

All-time high revenue for 2016 of DKKm 2,946 (2015: DKKm 2,106) in a year with a number of challenges has secured a profit before tax of DKKm 110 or 4% of revenue (2015: DKKm 101 or 5%)

Revenue growth in BWSC has been high since 2012 and for 2016, revenue has been all-time high with DKKm 2,946 (2015: 2,106). Over the last four years, the compounded annual growth rate (CAGR) for revenue is almost 30%. A revenue graph for the years 2012-2016 is included on page 5. More than 60% of the total revenue for 2016 is related to the biomass projects in the UK which are under construction or in operation.

In 2016, the order intake has exceeded expectations with an order intake of DKKm 3,036 (2015: 2,655). The order intake consists of a diesel project in Mauritius, a biomass project in the UK, a diesel project on the Faroe Islands, an O&M project in the UK and a number of service projects. The order backlog is all-time high with DKKm 6,687 (2015: DKKm 6,597). On page 10, the order backlog is broken down into EPC engine-based, EPC boiler-based, O&M and service. The high order backlog gives BWSC visibility into 2017 and to a certain degree beyond 2017.

The financial performance for two biomass projects in the UK has been lower than expected in 2016 due to delays in the supply chain, which has impacted profit before tax negatively. The other projects have performed almost according to, in line with or above expectations.

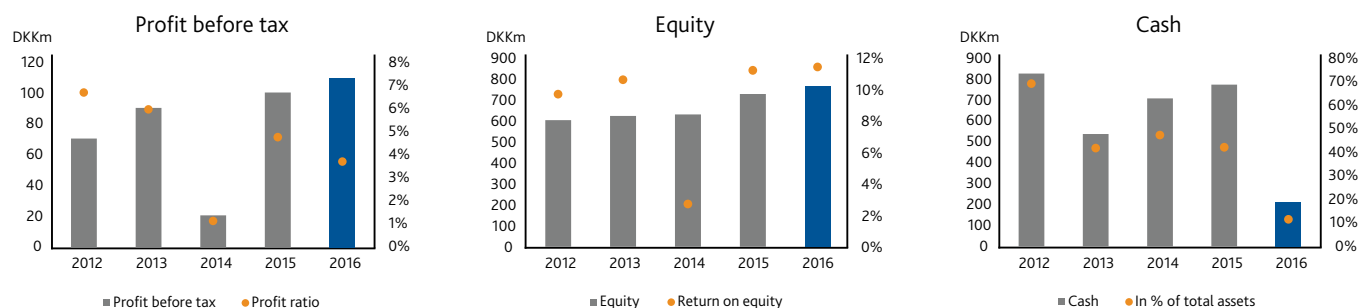
Two diesel projects in the Middle East were suspended in 2014 due to milestone payments not being paid on time. The outstanding milestones were paid at the end of 2014, and the suspension was lifted at the beginning of 2015. BWSC has claimed the customer for direct costs, overhead and profit. A part of the costs related to the claims has been included in the project accounts in 2014 and 2015, respectively. At the end of 2016, the Taking Over Certificates (TOC) were signed by the customer, but the claim negotiations have not been finalised, and a material part of the claim income cannot be recognised as income. The outcome of the claim settlement is uncertain and could have a material positive impact on profit before tax when the claims have been settled.

BWSC has made a number of investments in power plants together with partners. The main investments are in the Brigg, Snetterton and Kent power plants. The Brigg power plant started operation in January 2016, and the Snetterton and Kent power plants are still under construction. A key element for the financial performance of the plants is the sales price for the power produced. In 2016, the power price has been volatile and below expectations, but at the end of 2016 the power price has increased. The lower than expected power price for most of 2016 has a negative impact on profit on investment in associated companies compared to expectations.

A material part of BWSC's business in 2016 has been in the UK, and the British Pound has depreciated against the Danish Kroner by 15% in 2016. The depreciation is above the historical volatility for the British Pound against Danish Kroner. The Brexit election on 23 June has been the main event impacting the currency rate in 2016. Before the election, BWSC took the necessary steps to safeguard our position which has minimised the impact from the British Pound depreciation against Danish Kroner. Even though steps were taken to minimise the impact, financial costs for 2016 have increased compared to 2015 due to the development in the British Pound.

Profit before tax for 2016 amounts to DKKm 110, which is an increase of DKKm 9 from 2015. A profit before tax graph for the years 2012-2016 is included below.

In 2016, BWSC has, as in 2015, been working on projects in which BWSC also has an ownership share. Due to the accounting legislation, part of the profit on these projects has to be eliminated and taken to income over the lifetime of the plants when in operation. For 2016, DKKm 24 has been eliminated compared to DKKm 45 for 2015. Adjusted for the elimination, the profit ratio (profit before tax in relation to revenue) would improve from 4% to 5% for 2016 and from 5% to 7% for 2015.



BWSC has in 2016 invested DKKm 248 in the Kent power plant. The plant will be built by BWSC over the next two years, and the project has furthermore secured BWSC an O&M contract as mentioned above. The investment will be reduced when the ROC accreditation has been achieved in 2018/2019 (ROC is the current UK support scheme for renewable energy). The Kent project is the last of a number of projects in the UK under the ROC.

In 2016, BWSC has been working on a power barge concept as part of the engine based business going forward, and DKKm 7 has been recognised as development costs in 2016.

For 2016, cash flow from operating activities and investments amounts to DKKm -331 (2015: DKKm 273) and DKKm 337 (2015: DKKm 195), respectively, which has generated a negative free cash flow of DKKm 668 (2015: positive DKKm 78). A committed facility of DKKm 250 has been established of which DKKm 150 has been drawn at the end of 2016. BWSC's cash position amounts to DKKm 214 at the end of 2016 (2015: DKKm 774), and cash represents 12% of total assets.

The lower cash position is mainly related to the investment in the Kent power plant, increased contract work in progress and other receivables and lower prepayments received from customers together with a positive increased trade creditors and a bank loan of DKKm 150. The net cash position is expected to be improved during 2017.

Equity amounts to DKKm 763 (2015: DKKm 727), and the solidity level (equity in relation to total assets) is still high with 42% (2015: 40%). Return on equity for 2016 amounts to

11%, which is in line with 2015. The total eliminated profit on power plants built by BWSC due to BWSC's ownership share amounts to DKKm 112 at 31 December 2016 (2015: DKKm 88). The total eliminated profit is mainly related to the years 2013-2016 and will be taken to income over the lifetime of the power plants when in operation.

Further insight into the financial performance for 2016 is included in the notes to the financial statements. A short reading instruction to the notes to the financial statements is included on page 42.

Financial expectations for 2016 realised

In the Annual Report 2015, the revenue for 2016 was expected to increase compared to DKKm 2,106 for 2015. With a revenue increase of 40% to DKKm 2,946 for 2016, revenue expectations have been realised. Profit before tax ratio was expected to be below 5%, but above DKKm 101 (2015: profit before tax DKKm 101). With a profit ratio of 4% and profit before tax of DKKm 110, the profit before tax expectations have been realised.

The order intake for 2016 of DKKbn 3.0 is above the expectation of DKKbn 2.0 to DKKbn 2.6 stated in the Annual Report 2015. With an order backlog of DKKm 6,687 end 2016 (2015: DKKm 6,597) the order backlog is at the same level as at end 2015 and accordingly in line with the expectations stated in the Annual Report for 2015.

*Tilbury Renewable Energy Plant, UK
Work in progress, November 2016*



RISK MANAGEMENT

Risk and risk management is a fundamental part of our business. BWSC's business includes large turnkey construction projects and service projects in a number of jurisdictions and related contracts with sub-suppliers and consortium partners, which exposes BWSC to a number of risks

Risk will always be a significant factor in large construction and service projects, and each project is carefully evaluated in the planning and execution phases. BWSC continuously assesses risks, including possible consequences and mitigating actions. Below is a summary of some of the risks BWSC is exposed to along with the mitigating actions (net after mitigation):

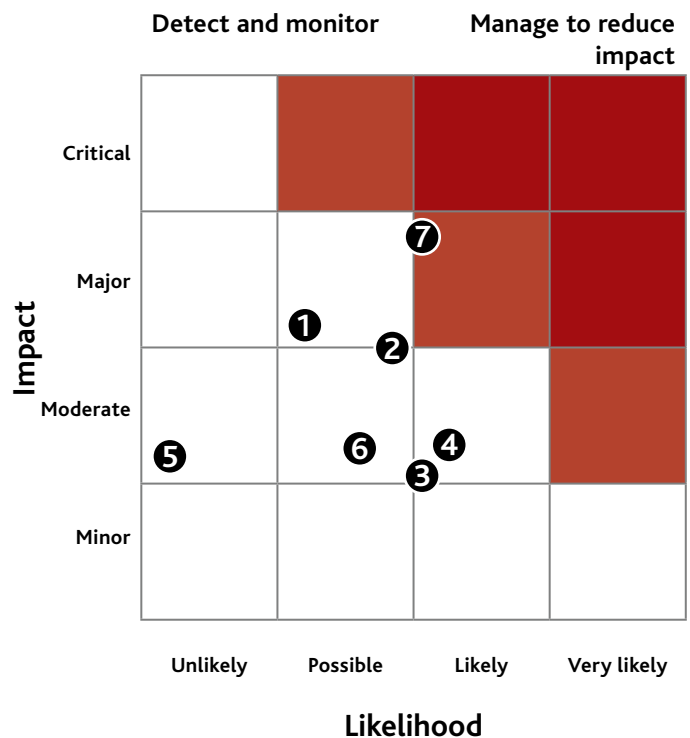
Risk sharing between BWSC and the customer is based on a rational split of responsibility. BWSC's responsibility is contained to risks within our control, i.e. construction on time, within budget, guaranteeing efficiency and availability of the plant. The plant owner is responsible for fundamental supply issues relating to, for example, fuel supply.

BWSC's activities consist of a portfolio of engine-based and boiler-based projects in different countries. The portfolio of projects changes from year to year. The projects are not based on the same technology, and furthermore, the main suppliers vary from project to project. The portfolio approach is essential to the overall risk management for the BWSC Group.

The power plant industry is cyclical by nature. However, BWSC's business setup allows us to manoeuvre safely through the cycles which are described in more detail in the BWSC – who we are on page 10.

At the end of 2016, BWSC has invested in nine power plants in four countries (Kenya, Panama, Sri Lanka and the UK) of which three are engine-based power plants and six are boiler-based power plants. Investments in different technologies and countries are key elements in managing the investment risk.

Three engine-based power plants and three boiler-based plants are already in operation. Three boiler-based power plants in the UK are still under construction, and the main risk is currently related to these plants. BWSC has also entered into long-term O&M contracts for these plants which mitigates a material part of BWSC's investment risks. Further insight into the financials of the investments is included in note 3.3 to the Financial statements.



RISK	CONTEXT	MITIGATION
Safety 1	Personal safety is a basic expectation and, at the same time, a competitive aspect in the energy sector. Personal injury and fatal accidents are unacceptable, first and foremost due to the human consequences of such events, but also because they can affect BWSC's reputation and impact on the effectiveness and efficiency of operations.	Occupational health and safety systems, travel safety instructions and QHSE management guidelines are aimed at protecting employees, suppliers and contractors. Furthermore, we reduce the risk through a number of initiatives, including safety action plans, emergency response drills and a general focus on audits and strengthening the corporate safety culture. Further information can be found in the CSR section.

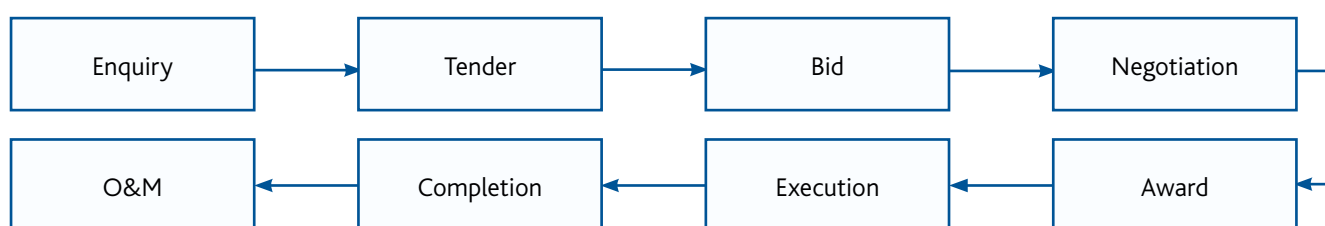
RISK	CONTEXT	MITIGATION
Projects ②	<p>A large part of BWSC's business consists of being responsible for Engineering, Procurement and Construction (EPC) and O&M contracts for large and complex power plants.</p> <p>A number of BWSC's projects are located in remote locations where the infrastructural, political, administrative and judicial structure standards have not yet been fully developed or can change rapidly. This can pose significant logistical challenges as well as country-specific political risks. Diligent project execution is vital to secure delivery on time and according to budget and specifications. Lack of same can cause significant cost overruns.</p>	<p>BWSC focuses its proposal activities to projects which match BWSC's strategic goals and core competences. This ensures that BWSC will only be involved in projects where the Company has an acceptable risk profile.</p> <p>All large EPC and O&M tenders must be reviewed and approved in accordance with the BWSC risk management process described on page 18.</p> <p>Management reviews all EPC and O&M projects on a quarterly basis. Based on the assessment, a monetary value on the net risks is set. In special circumstances, a task force is established with a number of different skills to manage the risks.</p>
Procurement ③	<p>Manufacturing for EPC projects is performed by either consortium partners, delegated to a global network of subcontractors or suppliers. This approach has proven to be a robust and sustainable business setup which is suitable for a cyclical industry.</p>	<p>To mitigate procurement risks, BWSC continues to broaden the supply base by building relations with new equipment manufacturers and civil works contractors as well as entering into long-term consortium or supplier agreements with important suppliers.</p>
Market ④	<p>The power plant industry is volatile and reacts to fluctuations in the economy and public regulations. An upturn or a downturn will inherently affect the investment in new power plant capacity.</p> <p>The UK ROC support scheme runs out in 2017, which is expected to have a negative effect on the biomass market in the UK. Also, there are some uncertainties with regard to content and consequences of both Brexit and the new renewables UK incentive scheme, Contracts for Difference (CfD).</p>	<p>BWSC has a flexible cost structure with a healthy order backlog, which means that BWSC is able to adjust cost levels to mitigate the effect of new market trends.</p> <p>Forecasts indicate that while oil and gas will remain important sources for power generation, renewables, gas and LNG are predicted to account for the major share.</p> <p>World energy consumption is projected to grow by 48% between 2012 and 2040.</p> <p>BWSC's strategy (Route 2021) points to ways to benefit from new market trends with special focus on gas, dual fuel and LNG concepts as well as inclusion of renewables technology in traditionally engine based power plant applications.</p>
Human Resources ⑤	<p>In a knowledge-based company like BWSC, the employees are our most important resource.</p> <p>It is an ongoing focus area to attract and retain employees with the competences needed to continue to develop BWSC's business.</p>	<p>BWSC is focusing on staying competitive on the job market as an attractive and professional employer. Furthermore, focus is on training, educating and developing the skills and competences of the employees. Monitoring and proactively reacting on HR related KPI's is furthermore in focus.</p>
Financial ⑥	<p>BWSC is exposed to a number of financial risks due to its international operations and investments. These mainly include currency, counterpart and liquidity risks.</p>	<p>These risks and mitigation measures are described in detail in note section 5.4 Financial risks.</p>
Investments ⑦	<p>Investments in different technologies and countries are key elements in managing investment risks. Among the risk factors are currency risks and risks associated with sale of electricity and fuel cost. The most important currency risks relate to GBP due to the substantial investments in biomass plants in the UK. Electricity price risk is the risk that fluctuations in electricity sales prices could adversely impact on BWSC income generation from its power plant investments. BWSC is also exposed to risks from fluctuations in fuel cost, such as diesel and biomass due to investments in power plants fuelled by these sources.</p> <p>Meeting the ROC deadline for the investment in Kent Power Corporation is key for maintaining the value of the investment.</p>	<p>For information on currency risk see note section 5.4 Financial risks.</p> <p>Each project defines an energy price hedge strategy based upon continuous analysis by the project companies. Subject to the analysis, each strategy could entail any degree of price hedging implemented in the electricity offtake agreements.</p> <p>BWSC safeguards the supply of fuel through centrally negotiated supply agreements with well-established suppliers. The portfolio of supply agreements must be effectively spread to minimise BWSC counterparty risk.</p> <p>The Kent power plant is being constructed by BWSC and meeting the deadline is being monitored closely and mitigation actions will be implemented if necessary.</p>

BWSC's business setup with outsourcing of manufacturing to external suppliers or partners as well as being a flexible organisation with a flexible cost structure enables BWSC to adjust the business according to the financial environment and steer safely through upturns and downturns. Furthermore, the long-term O&M contracts of up to 20 years and return on investments ensure stable earnings in times of fewer EPC contracts.

In February 2017, BWSC has acquired the assets of BWE, key employees and BWE/BWSC joint projects. Management of the integration of the new employees, assets and competencies is in focus.

BWSC's risk management process

Risk management within BWSC follows the project life cycle and addresses risks ranging from compliance, finance, legal, and construction to operation and maintenance.



As part of the initial screening of a project, a Know Your Customer (KYC) analysis is undertaken as well as a review of all major stakeholders involved. Before signing large contracts or investing projects, BWSC has to go through a formalised risk check list (RCL) procedure covering all aspects of the project including technical issues, contractual terms and conditions, profitability, project planning and general risk assessment. The

RCL has to be approved by the CEO, the Board of Directors and our Japanese Parent Company MES (Mitsui Engineering & Shipbuilding Co., Ltd.). Emphasis is for instance on the planning of project execution thereby ensuring that the road is paved for a smooth implementation, etc. Strong project management and ongoing follow up on project milestones are prerequisites for a successful project implementation.

*Boiler house under construction, January 2017
Kent, UK*



CORPORATE SOCIAL RESPONSIBILITY

Human and labour rights

28

nationalities

Lost time injury frequency

2.5

2015:
2.9

Female managers

10%

Business integrity

New employees attending Code of Conduct introduction

100%

Target of

80%

of suppliers signing up to the UN Global Compact Statement principles met

Environmental

CO₂ scope 1 & 2

4,606 t

CO₂ scope 1 & 2

8.0

t/employee

CO₂ scope 1 & 2 in relation to revenue

1.6 t/DKKm

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is at the very core of our business

Behaving in a responsible manner has always been essential to BWSC, and the BWSC CSR statement is the basis for CSR work together with other policies, guidelines, tone from the top, etc. Tone from the top has been and will continue to be a key element in our CSR work to ensure ongoing adjustments and adherence to responsible behaviour by BWSC.

All employees must comply with the CSR statement which confirms the BWSC commitment to perform its business in a responsible manner. The statement is based on the UN Global Compact 10 principles which have been grouped into three main sections; human and labour rights, business integrity and environment. The CSR statement is available on BWSC's homepage, and work is ongoing to ensure that the statement is incorporated into the BWSC business processes.

Based on the implementation of the Modern Slavery Act 2015 in the UK, the BWSC CSR statement also takes into account the details of this act. The Modern Slavery Act focuses on offences of 'slavery, servitude and forced compulsory labour'. BWSC has for the first time in 2016 issued a Modern Slavery Act Statement and reported separately on initiatives taken to combat offences. The statement can be found on BWSC's website.

The following sections elaborate on the key elements of BWSC's CSR work.

Human and labour rights

BWSC observes human and labour rights in any aspect of the business activities and will not tolerate any violation of human and labour rights.

BWSC conforms to the human and labour rights principles by complying with UN Global Compact principles for diversity and non-discrimination, freedom of association, child labour, forced labour and health and safety.

Diversity and non-discrimination, freedom of association, child labour and forced and compulsory labour are generally not assessed as issues in the power plant industry. Thus based on an assessment of the key risks in BWSC's business, the focus area is primarily on health and safety.

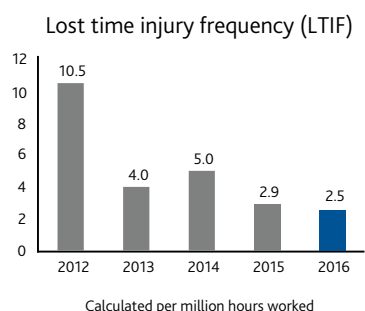
CSR impact on BWSC business: health and safety

CSR is an integrated part of BWSC's core business strategy. Due to the nature of BWSC's business of running large construction sites and operating power plants with heavy machinery, there is an increased risk of work accidents. Accordingly, health and safety is a key focus point for BWSC. First and foremost due to the human consequences of accidents but also because accidents can affect BWSC's reputation and impact on the effectiveness and efficiency of BWSC's performance.

Lost time injury frequency

The efforts to reduce work accidents have resulted in a declining lost time injury frequency (LTIF) over the years. The LTIF number includes BWSC employees' as well as suppliers' and contractors' accidents on BWSC sites.

2016 has seen an improvement in safety numbers highlighted by the LTIF rate dropping to 2.5 in 2016 from 10.5 in 2012 and no fatalities. Zero lost time injuries and work related illnesses are the ultimate goal. The LTIF target for 2016 was 3.5, which was achieved well below target, and a new goal of 3 has been set for 2017.



A number of initiatives have been introduced over the years to further improve health and safety performance at BWSC.

Among the major achievements in 2016 was BWSC's certification of compliance to the OHSAS 18001 standard (Occupational Health and Safety Management System). The system sets out the minimum requirements for occupational health and safety management for best practice in the workplace. In 2014, BWSC was awarded the ISO 9001 certificate for quality management. BWSC is working on expanding these certifications to include BWSC O&M sites, and in 2016, this was achieved for the Sleaford Renewable Energy Site in the UK.

The target for 2017 is to expand the certifications further to include at least one additional O&M site in the UK, followed by other sites in 2018 and beyond.

Other initiatives to further improve the health and safety performance in 2017 include registration of a minimum of 50 near-miss reports per million hours worked in the incident reporting system as well as 4 hours annual safety training for all technical employees.

The decision to become ISO and OHSAS Certified is a proactive one that not only anticipates the demands of clients, but also demonstrates BWSC objective to deliver quality turnkey services to customers while ensuring the health and safety of employees, suppliers and contractors.

Gender distribution

Equal opportunity for all employees is important to BWSC, and accordingly, we do not differentiate on the basis of gender, race or religion when people are employed or promoted. In BWSC and associated companies, we employ a total of 28 nationalities.

Out of the total number of employees at the head office, 86 are women (2015: 81), which represents about 20% of all BWSC employees (2015: 22%). The industry has an overrepresentation of men, which makes it difficult to ensure a more balanced distribution between men and women in BWSC. The BWSC organisation at the head office includes 48 employees (2015: 51), who are working at managerial level. 5 managers are women (2015: 6), which corresponds to 10% (2015: 12%) of the total number of employees working on managerial level. The number is considered reasonable when comparing to the gender composition in the contracting industry in general. Women in management will continue to be in focus over the coming years, and the future share of women in management should be above the current level.

A target has been set stating that one member of the Board of Directors of Burmeister & Wain Scandinavian Contractor A/S elected by the General Assembly must be a woman by 2017. Today, the Board of Directors consists of two employee elected women but no general assembly elected women. In order to ensure compliance with the policy, BWSC will actively be searching for women with competencies within the contracting industry when considering changes to the Board of Directors going forward. However, it is a challenge because few women have top level management experience within this field.

Business integrity

For BWSC, business integrity includes compliance with law and regulations for fair trading, anti-corruption and money laundering. Based on an assessment of the key risks in BWSC's business, focus is on corruption and bribery due to the markets and industry in which BWSC operates.

BWSC has established a comprehensive business Code of Conduct, which reflects BWSC's zero tolerance towards corruption and bribery. Continuous efforts are made to ensure that all employees, suppliers, customers, consortium partners, local advisors etc. adhere to the Code of Conduct. All new employees must attend an introduction seminar where they are introduced to the Code of Conduct and the whistleblower system. 100% of all new employees have attended the seminar in 2016. In 2017, the target is again that all new employees must attend the introduction seminar. In 2017, an online anti-corruption training course and test will furthermore be introduced to ensure that all employees keep business integrity a top priority.

The principles of UN Global Compact statements of business integrity is included in BWSC's general terms and conditions of purchase.

CSR impact on BWSC business: business integrity

While Denmark is number one on the corruption perceptions index, BWSC is operating in parts of the world with a lower level of business integrity, including corruption and bribery. BWSC does not tolerate unlawful behaviour, and business integrity is a key focus point for BWSC.

All EPC and O&M contract customers, key suppliers, consortium partners and local advisors have been reviewed using a Know Your Customer (KYC) tool. In 2016, the KYC review tool, which for instance includes a Global Watch list for financial crime and sanctioned companies and goods, has been used to review key customers, suppliers, consortium partners, local advisors etc. The supplier evaluation procedure also ensures that suppliers sign up to comply with UN Global Compact Statement principles. At the end of 2015, just below 50% had signed up, and the target of 80% by end-2016 was met. The target for 2017 is that 90% of suppliers sign up to the UN Global Compact Statement principles in BWSC's general terms and conditions of purchase.

In 2013, BWSC implemented a whistleblower system via an external provider, which allows all BWSC's employees to make anonymous reporting of misconduct, fraud and other criminal activities. No disciplinary actions have been taken in 2016 based on reporting via the whistleblower system. BWSC observes business integrity in all aspects of its activities and will not tolerate any violations.

Environmental

For BWSC, environmentally responsible behaviour includes compliance with environmental laws, minimising impacts on the environment and climate as well as responsible consumption of resources and safe handling of waste. The sustainability and competitiveness of BWSC's business will – together with partners – be based on innovation of environmentally friendly products.

For BWSC, it is essential to keep constant focus on developing energy efficient power plants together with partners to enhance the quality of life for people. The quality of life should be enhanced through a balance between low environmental impacts and low cost of ownership for the power plant owners to ensure power at reasonable prices to the customers. BWSC observes the environment in any aspect of its business activities and will not tolerate any violation of environmental laws and standards.

Carbon footprint

In addition to delivering environmentally friendly technology, together with partners, BWSC started collecting data on its own carbon footprint in 2016.

The first phase of the environmental reporting has been focused on collecting scope 1 and 2 CO₂ data emanating from use of office buildings and on construction sites. Only CO₂ is considered and not any other gas with greenhouse warming potential. This 2016 CO₂ footprint will be subject to

adjustments in connection with the development of the data foundation.

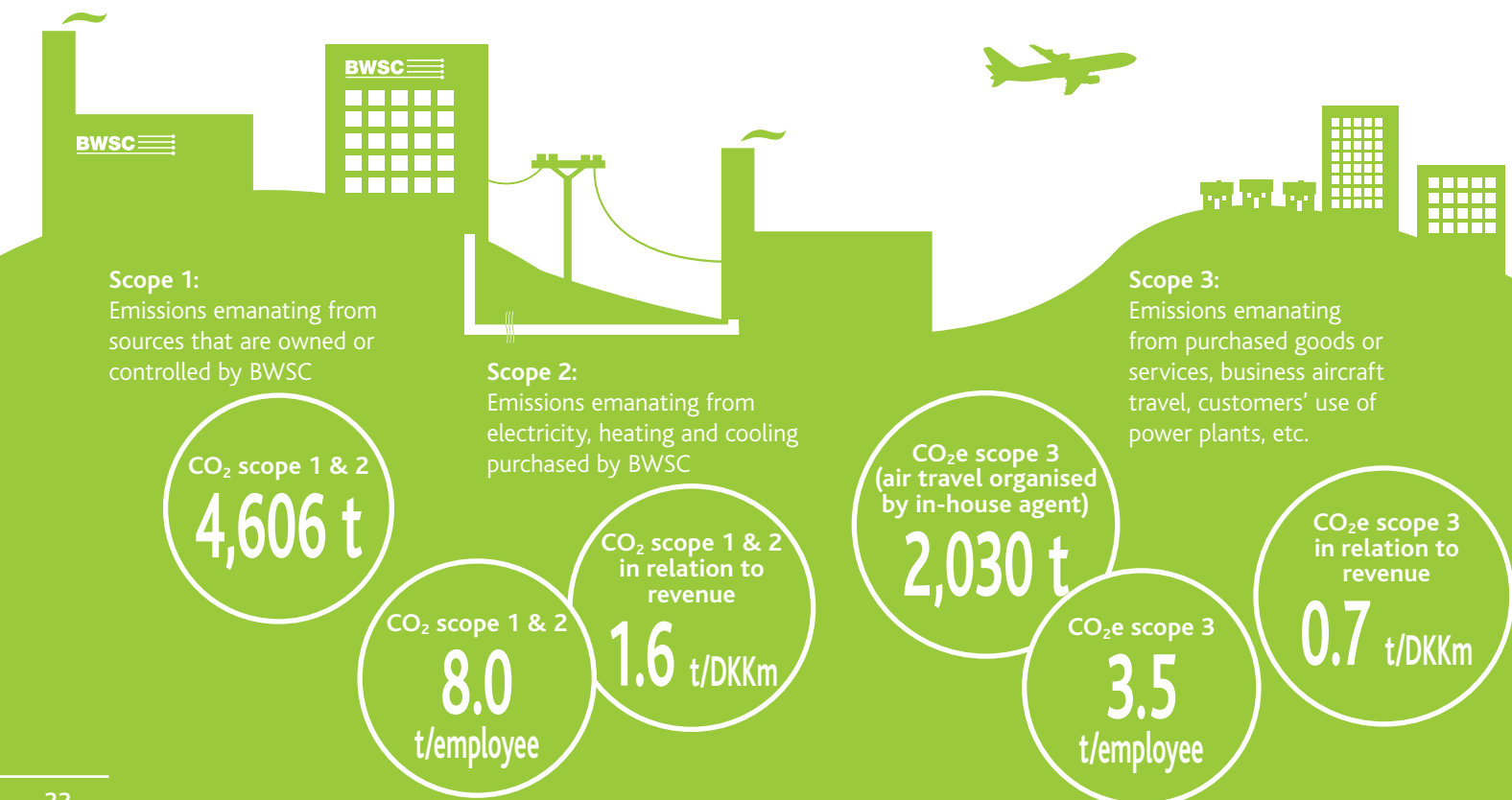
Looking at figures for the BWSC Group, the total footprint in 2016 was 4,606 tonnes CO₂ reported in scope 1 (direct) and 2 (indirect) or 1.6 t/DKKm revenue. 2,800 tonnes CO₂ out of the total amount is derived from the Widnes and Snetterton sites in relation to fuel consumption for steam blow downs of boilers, which were carried out in 2016.

For scope 3, emissions emanating from business related air travel is assessed as the major source of environmental impact. Consequently, BWSC has in 2016 gathered emissions data from aircraft travel undertaken by BWSC employees and booked through the in-house travel agent. This footprint amounts to 2,030 tonnes measurable greenhouse gases converted to the CO₂ equivalent (CO₂e) or 0.7 t/DKKm revenue. This figure in part reflects the physical location of BWSC projects, and as these change from year to year, large deviations may occur.

Looking ahead – 2017

2016 emission figures demonstrate the beginning of BWSC's mission to minimise its own impact on the environment and climate. The commitment of collecting and reporting on BWSC's carbon footprint has prompted a more detailed review of the procedures for collecting data and setting targets and action plans with consideration of what is of relevance to BWSC. Detailed action plans and other means for lowering the internal energy consumption are yet to be developed and will be work in progress for 2017.

BWSC CO₂ footprint 2016



CSR impact on BWSC business: environmental

BWSC operates in two markets: the boiler-based market and the engine-based market. The engine-based power plant applications have an impact on the climate via CO₂ emissions. Together with partners, BWSC focuses on reducing the impact on the climate. Further, in 2015, BWSC set the goal to increase visibility into and reporting on environmental impacts of its local operations, and 2016 emission figures demonstrate the beginning of BWSC's mission to minimise impact on the environment and climate.

Environmental performance of applications

BWSC has two applications fuelled by either diesel/gas (engine-based) or biomass (boiler-based). While biomass applications are generally considered CO₂ neutral, the diesel and gas applications impact on the climate via CO₂ emissions.

Environmentally friendly technology is key to BWSC competitiveness

The sustainability and competitiveness of BWSC is based on innovation of environmentally friendly products, and together with partners and customers, BWSC is focusing on improving products to minimise impact on the environment.

Engine-based applications

BWSC engine based applications are fuelled by diesel or gas. Diesel engines are among the most efficient prime movers for power plants between 10-300 MW ensuring low resource consumption. Depending on the project specification from the customer, BWSC offers gas or dual-fuel power plants with reduced CO₂ emissions compared to diesel applications and/or to include abatement for further emission reductions. BWSC also seeks opportunities to increase efficiency by utilisation of waste heat to augment the electricity generation efficiency or for combined heat and power (CHP) or other co-generation purposes. The main environmental impact from the diesel and gas application, is the emission of CO₂, and associated environmental impacts include primarily NO_x (nitrogen oxides) and SO_x (sulphur oxides) from the burning of fossil fuels (scope 3 emissions). Increased NO_x and SO_x standards are being applied which are driving down the NO_x and SO_x environmental impact from power plants designed and built

by BWSC. BWSC's key focus is on a CO₂ emission reduction over the life cycle of the plant, which goes hand in hand with our customers' focus on improvement of plant efficiency.

The CO₂ impact and efficiency of diesel and gas fuelled power plants built by BWSC have over the years improved, and today, BWSC, together with partners, is among the leading providers of diesel fuelled power plants with low CO₂ emissions and high efficiency. The CO₂ impact differs from project to project based on the specification set by the customer, and accordingly, no scope 3 CO₂ emission target has been set, but BWSC will always strive to ensure low CO₂ emissions in order to protect the environment and ensure high efficiency for its customers.

CSR impact on BWSC business: environmental

The project specification which sets the key parameters for the design of the project has a material impact on the CO₂ emissions over the life cycle of the plant. The project specification is set by the customer, and for BWSC to be awarded a contract, the proposal needs to be within the project specifications. Even though BWSC recommends the customer to make changes to the project specifications to reduce CO₂ emissions and improve the efficiency of the plant, this needs to be conducted in a transparent way, and it is often difficult to impact the project specifications set by the customer. Thus, BWSC will from time to time be building power plants where the life cycle CO₂ emissions could be lower, but the power plants will still be more efficient and with lower CO₂ emissions than old power plants in operation. The power plants will always be in accordance with environmental legislation which is setting increasing standards for the environmental impact.

Boiler-based applications

BWSC biomass fuelled applications are in general accepted as CO₂ neutral due to the fact that biomass, if not combusted, would release the same amount of CO₂ through natural decomposition. Furthermore, as consumed biomass may be replaced by planting new trees or crops, biomass fuelled power generation is considered a renewable energy source. The biomass power plants delivered by BWSC are based on straw or wood, and BWSC focuses on maximising the use of the biomass resources which in turn improves the financial performance of the biomass plant for the owners. No further scope 3 CO₂ emission targets for biomass power plants have been set.

2017 OUTLOOK

Increase in profit before tax for 2017

In February 2017, BWSC has acquired the assets of Burmeister & Wain Energy (BWE), key employees and the three projects in the UK, which BWE and BWSC have jointly been working on. The activities related to BWE will increase the revenue in BWSC for 2017 but is not expected to have any profit before tax impact on 2017.

Revenue for 2017 is expected to increase compared to the DKKbn 2.9 revenue for 2016. The increase is mainly expected to come from the BWE activities taken over. Projects which are expected to materialise in 2017 will ensure that the revenue for 2017, without the BWE activities, should be in line with 2016.

BWSC will only to a limited extent be working on projects where part of the profit will have to be eliminated (as specified in the Financial review section of the Management's review), which will have a positive impact on the profit before tax ratio for 2017 compared to 2016. The BWE activities will on the other hand have a negative impact on the profit before tax ratio, with an increase in revenue and expected zero income for 2017. In total, the profit before tax ratio is expected to be in line with the profit before tax ratio for 2016.

The high order backlog of DKKbn 6.7 at end 2016 gives BWSC visibility into 2017, but orders have to be obtained in 2017 for the expectations to be reached. BWSC is working on a number of leads to ensure that the expectations will be met.

As stated in the Financial review section, BWSC has claimed a customer for costs in connection with suspension. Currently, the claim negotiations have not been finalised, and a material part of the claim income cannot be recognised as income. The settlement, which is not included in the above mentioned outlook for 2017, could have a material positive impact on profit before tax for 2017.

Forward-looking statements

Statements in the Annual Report 2016 concerning the future reflect BWSC's current expectations with regard to future events and financial results. Statements regarding the future are naturally subject to uncertainty, and actual results may differ from expected. Differences may be caused by, but limited to, economic and financial markets developments, developments in product demand, project execution, competitive conditions etc. See also the Risk management section of the Management's review.

BWSC disclaims any liability to update or adjust statements in the Annual Report 2016 about future or possible reasons for differences between actual and anticipated results except where required by legislation.

CORPORATE GOVERNANCE

The Board of Directors consists of nine members and comprises two representatives from the ultimate Parent Company, four external members and three employee-elected members

Ownership

BWSC is 100%-owned by Mesco Denmark A/S, which is owned by our ultimate Parent Company Mitsui Engineering & Shipbuilding Co., Ltd., Tokyo, Japan (MES). MES is listed on the Tokyo Stock Exchange. The financial statements of BWSC is consolidated into the Financial Statements of MES. Further information is available on www.mes.co.jp or on page 12.

Financial reporting

BWSC's consolidated financial statements are prepared according to the Danish Financial Statements Act. They are published in English. The financial year covers the period 1 January to 31 December, and 2016 is the company's 37th financial year. BWSC is not obliged to publish interim reports and does not do so at present.

Board of Directors

BWSC's Board of Directors is elected every year at the Annual General Meeting. The Board of Directors consists of nine members and comprises two representatives from the ultimate parent company MES, four external members and three employee-elected members serving a four year term. The current term for the employee-elected members runs until 2020. The chairman of the Board of Directors is an external member, and the deputy chairman is a representative from the ultimate parent company. The nationalities of the members are two Japanese, one Brit and six Danes.

At the upcoming Annual General Assembly on 27 February 2017, Shinsuke Nippo will be suggested as new member of the Board of Directors and Hiroyuki Komine is expected to resign.

All members contribute with valuable knowledge and experience in areas such as EPC and generation services business, general management and finance.

Material directorships held by the Board of Directors in other companies can be found on page 28 of this report.

The Board of Directors meets at least four times a year. The procedures followed by the Board of Directors were last updated in January 2013. BWSC's Management is represented at the board meetings by the CEO and the CFO. Besides the four annual meetings, the Board of Directors and the BWSC Management Group also have an annual strategy seminar to review the plans for the year to come. In 2016, four ordinary and two extra ordinary board meetings were held.

A monthly report delivered by the BWSC management keeps the Board of Directors informed of the Company's key development and performance. Furthermore, the quarterly report included in the board material informs the Board of Directors in more detail about material developments.

Remuneration

The members of the Board of Directors receive a fixed fee. The chairman receives double the base amount of the ordinary Board members. If a Board of Directors committee is set up, the members may receive a fee for the assignment. All BWSC Executive Management and Management Group members receive a fixed salary and a cash bonus. The bonus scheme is based on individual goals and the Company's overall result. Any changes to the remuneration for the Executive Management and Management Group must be approved by the chairman of the Board of Directors. Total remuneration for the Board of Directors and the Executive Management is presented in note 2.2 to the financial statements.

Audit

KPMG was re-elected as BWSC's auditors for 2016 and will be proposed as auditors for 2017 at the Annual General Assembly. The auditor has been elected based on the recommendation from the ultimate parent company. The auditor participates in the board meeting in which the Annual Report is presented and approved. At least twice a year, the auditor prepares an auditors' long-form report for the Board of Directors which gives an overview of for instance the Group audit plan and findings.

Organisation

The BWSC Group Management is based at our head office in Allerød, Denmark. Executive Management consists of Anders Heine Jensen, CEO, Karsten Riis Andersen, CFO, Claus Berner, Director HR & Corporate Administration, Christian Grundtvig, Director Generation Services & Production and Director Project Development & Investments, Anders Benfeldt, Director Contracting and Martin Kok Jensen, Director Sales & Marketing.

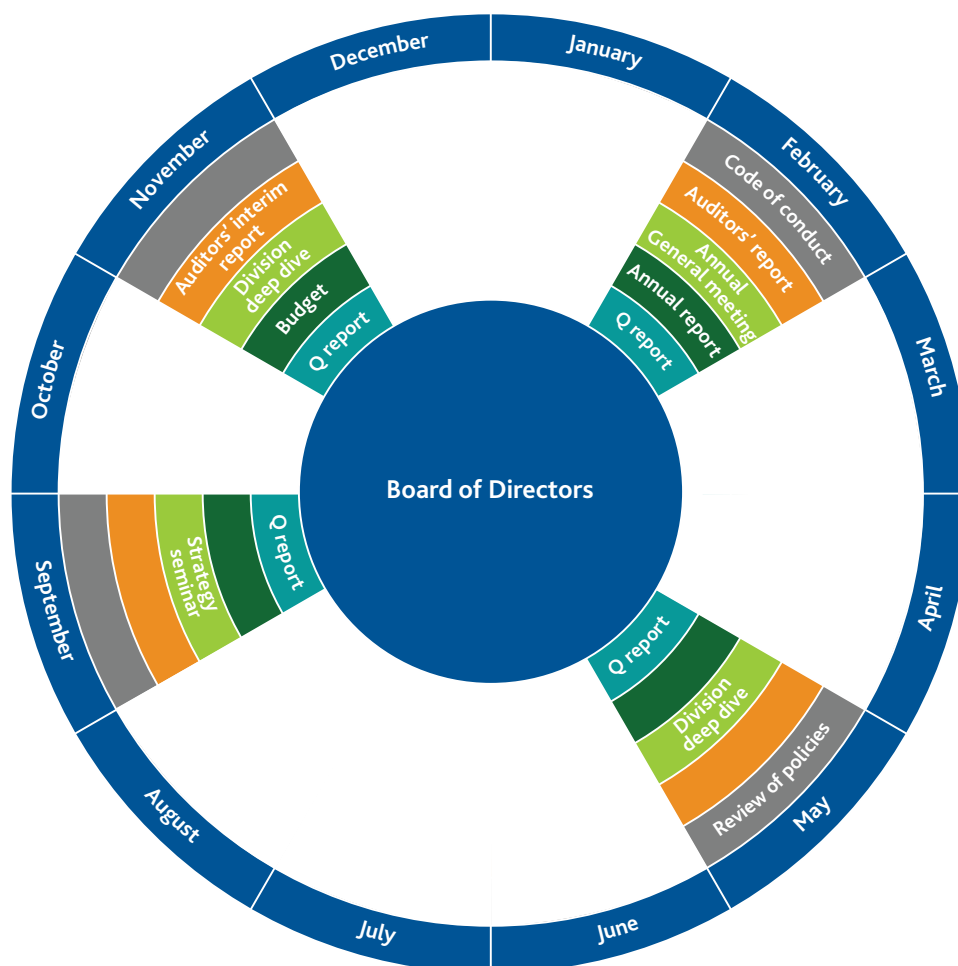
Group structure

A subsidiary or a branch is established to enable BWSC to perform the activities in the country where the power plant is being built or the service activities are carried out. In note 6.6 to the financial statements, BWSC Group companies and branches are listed.

Code of Conduct

BWSC is committed to conducting its business with a high degree of integrity and ethics, and BWSC's customers and stakeholders must view BWSC as a reliable and honest company that always lives up to its commitments. BWSC does not tolerate any form of corruption, bribery or anti-competitive activities, and it is BWSC's policy to comply with the relevant laws in Denmark and in each of the markets where BWSC operates or is established. These principles are stated in BWSC's Code of Conduct which applies to BWSC's directors, managers and employees as well as all external third parties who provide services to, for or on behalf of BWSC. Further insight into business integrity is provided on page 21.

Key elements of the work of the Board of Directors





Cayman Phase 5, Cayman Island

Phase 5 was inaugurated in June 2016

BOARD OF DIRECTORS



Torkil Bentzen

Chairman

Directorships:

- FLSmidth & Co. A/S, Vice chairman
- MES Germany Beteiligungs GmbH, Chairman
- State of Green Consortium, Chairman
- Mesco Denmark A/S
- Siemens Aktieselskab
- Senior Advisor to the Board of Directors of MES



Hiroyuki Komine

Deputy Chairman

Advisor, MES

Directorships:

- No other Board memberships



Yuji Kozai

Executive Officer, MES

Deputy General Manager of Corporate Planning Hq. and General Manager of Corporate Planning Dept., Corporate Planning Hq., MES

Directorships:

- Various companies in MES



Michael Hedegaard Lyng

Group Executive Director, NKT Holding A/S

CEO, NKT Cables

Directorships:

- Various companies in the NKT Group
- Investeringselskabet Luxor A/S



Iain Miller

Directorships:

- No other board memberships



Bjarne Moltke Hansen

Group Executive Vice President, FLSmidth & Co. A/S

Directorships:

- RMIG A/S
- LKAB



Martin Wittrup Hansen

Directorships:

- No other board memberships



Michelle Runge Christensen

Directorships:

- Gilleleje Fjernvarme A.m.b.a.
- Gilleleje Brugsforening A.m.b.a.



Tanja Hedager

Directorships:

- No other board memberships

MANAGEMENT GROUP



In the front from left: Karsten Riis Andersen, CFO, Anders Heine Jensen, CEO, Claus Berner, Director, HR & Corporate Administration, Christian Grundtvig, Director, Generation Services and Production and Director, Project Development & Investments.

In the back from left: Anders Benfeldt, Director, Contracting, Martin Kok Jensen, Director, Sales & Marketing.

Anders Heine Jensen was appointed CEO in 2011 and joined BWSC in 2008. He is Board Member of Haldor Topsøe A/S and DI Energy and member of the International Market Committee under the Confederation of Danish Industry. Former work experience includes DONG Energy and A.P. Møller-Mærsk. Anders Heine Jensen holds a Master's Degree in Mechanical Engineering and a Graduate Diploma in Business Administration.



2 January 2017

Q1 Saint Louis Redevelopment EPC project obtained

- The power plant will be an engine based application designed to provide cost efficient and environmentally responsible power supply.
- The new plant will replace worn out diesel generating sets, increasing efficiency by up to 25% and result in a similar reduction of CO₂ emissions.



21 May 2016

Q2

To celebrate outstanding staff performance, BWSC hosted a festive party for employees and spouses at the old B&W shipyard welding hall.



10 February 2016

Q2 Brigg inauguration

- The power plant was handed over 3 months ahead of schedule in January 2016.
- It is the first power plant to be completed by the joint venture between BWSC and Copenhagen Infrastructure Partners.
- The renewable energy plant is the largest dedicated straw-fired biomass plant in the U.K. and generates enough electricity to supply 75,000 homes and saves over 250,000 tons of CO₂ every year.

Q4 SUND 3 project obtained

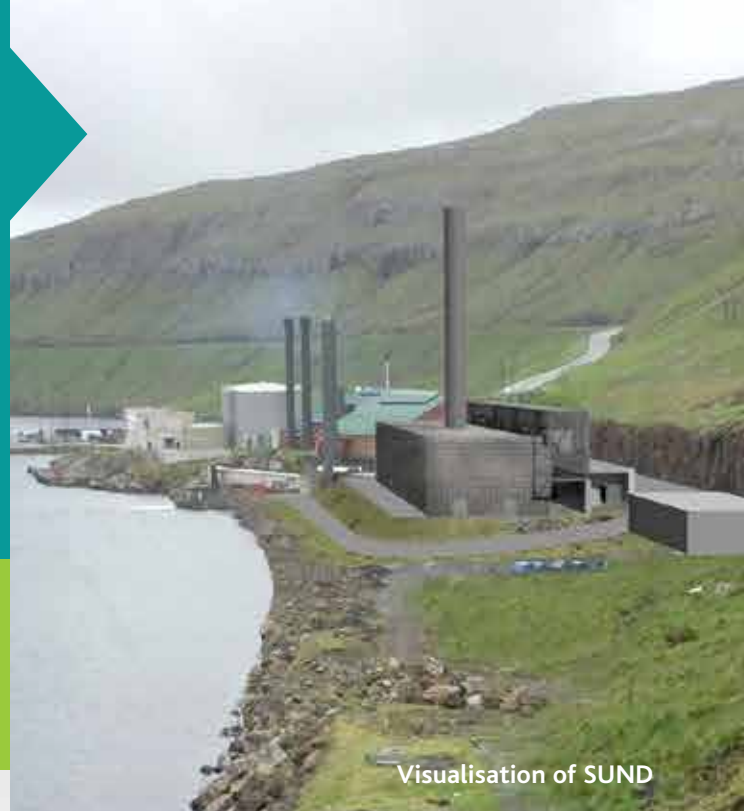
- The power plant SUND 3 is the first EPC contract for BWSC in the Faroe Islands in almost 30 years.
- The power plant will be an engine-based application designed to provide efficient and environmentally responsible power supply to the Faroe Islands.
- The project has emphasis on restricting the impact on the environment by significantly reducing the level of NOx using the best available Selective Catalytic Reduction (SCR) system.

Q4

The Tilbury site achieved 750,000 hours without any lost time injuries



10 November 2016



Visualisation of SUND

Q3 Kent EPC and O&M contract obtained

- The plant will deliver CO₂ savings of approximately 100,000 tonnes every year.
- The plant will be fueled with locally sourced virgin wood and will be in operation by the summer of 2018.
- The Kent project is BWSC's tenth turnkey biomass power plant project in the UK within the last 5 years.
- Only 4 months after project award, the site is developing exceptionally well



1 December 2016

MANAGEMENT'S STATEMENT & AUDITORS' REPORT

Visualisation of BWSC's power barge

BWSC will utilise core engine competences by re-entering the floating barge market.



MANAGEMENT'S STATEMENT

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2016 of Burmeister & Wain Scandinavian Contractor A/S.

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

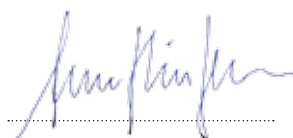
In our opinion, the financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2016, as well as of the results of the Group's and the Company's operations and the Group's consolidated cash flows for the financial year ended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

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

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

Allerød, 27 February 2017

Executive Management



Anders Heine Jensen
Chief Executive Officer



Karsten Riis Andersen
Chief Financial Officer

Board of Directors



Torkil Bentzen
(Chairman)



Hiroyuki Komine
(Deputy Chairman)



Yuji Kozai



Michael Hedegaard Lyng



Iain Miller



Bjarne Moltke Hansen



Martin Wittrup Hansen^{*)}



Michelle Runge
Christensen^{*)}



Tanja Hedager^{*)}

The Annual Report 2016 is adopted at the Annual General Meeting on 27 February 2017.

^{*)} Elected by employees

INDEPENDENT AUDITORS' REPORT

To the shareholders of Burmeister & Wain Scandinavian Contractor A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated Financial Statements and the Parent Company Financial Statements, Management

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

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

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

- identify and assess the risks of material misstatement of the consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated Financial Statements and

the Parent Company Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Financial Statements and the Parent Company Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated Financial Statements and the Parent Company Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated Financial Statements or the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 February 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR No. 25578198



Per Ejning Olsen
State Authorised Public Accountant



Niels Vendelbo
State Authorised Public Accountant

FINANCIAL STATEMENTS

Brigg, UK

The Brigg Renewable Energy Plant was officially inaugurated on 26 May 2016



INCOME STATEMENT

DKKt

Parent Company			The Group	
2015	2016	Notes	2016	2015
1,892,995	2,696,865	2.1 Revenue	2,946,019	2,105,699
-1,658,900	-2,418,149	Costs of production	-2,648,997	-1,861,767
234,095	278,716	Gross profit	297,022	243,932
-46,473	-59,817	Sales costs	-59,776	-46,434
-108,549	-120,604	Administrative costs	-119,505	-111,614
79,073	98,295	Operating profit/loss	117,741	85,884
1,233	15,119	3.3 Profit on investments in subsidiaries	0	0
7,803	3,144	3.3 Profit on investments in associated companies	3,144	7,803
88,109	116,558	Profit/loss before non-operating items	120,885	93,687
9,247	9,814	Financial income	11,230	11,835
-2,671	-21,450	Financial costs	-22,246	-4,750
94,685	104,922	Profit before tax	109,869	100,772
-18,257	-19,910	2.4 Tax on profit for the year	-24,857	-24,344
76,428	85,012	Profit for the year	85,012	76,428

Distribution of profit for the year is specified in Note 5.3.

BALANCE SHEET, ASSETS

DKKt

Parent Company			The Group	
2015	2016	Notes	2016	2015
20,617	19,304	Software and goodwill	20,348	22,318
0	7,357	Development costs	7,357	0
20,617	26,661	3.1 Intangible fixed assets	27,705	22,318
69,339	69,926	Land and buildings	69,926	69,339
4,528	5,838	Fixture and fittings, tools and equipment	13,291	8,350
73,867	75,764	3.2 Tangible fixed assets	83,217	77,689
36,564	38,223	Investments in subsidiaries	0	0
448,442	419,067	Investment in associated companies	419,067	448,442
1,499	249,187	Other securities	249,187	1,499
486,505	706,477	3.3 Financial fixed assets	668,254	449,941
580,989	808,902	Total fixed assets	779,176	549,948
0	0	Raw materials and consumables	1,792	1,885
0	0	Inventories	1,792	1,885
45,438	71,187	Trade debtors	78,633	63,378
363,634	557,426	4.1 Contract work in progress	621,814	363,634
9,806	97,433	Amounts owed by related companies	46	0
4,288	2,861	Amounts owed by associated companies	2,861	7,316
93	0	Receivable corporate taxes	301	352
61,408	101,946	4.2 Other debtors	126,036	69,631
6,039	6,608	Prepayments	6,673	6,119
490,706	837,461	Debtors	836,364	510,430
750,541	149,740	Cash	214,304	773,671
1,241,247	987,201	Total current assets	1,052,460	1,285,986
1,822,236	1,796,103	TOTAL ASSETS	1,831,636	1,835,934

BALANCE SHEET, EQUITY AND LIABILITIES

DKKt

Parent Company				The Group	
2015	2016	Notes		2016	2015
150,000	150,000		Share capital	150,000	150,000
50,997	99,674		Revaluation reserve acc. to the equity method	70,853	23,769
-25,122	32,017		Reserves for financial instruments	32,017	-25,122
0	7,357		Reserve for development costs	7,357	0
512,733	431,274		Retained earnings	460,095	539,961
38,000	42,500		Proposed dividend	42,500	38,000
726,608	762,822	5.3	Equity	762,822	726,608
32,730	31,342	2.4	Deferred tax	32,027	33,399
25,034	49,843		Warranty provisions	49,843	25,029
39,178	21,650	6.1	Other provisions	21,650	39,523
96,942	102,835		Provisions	103,520	97,951
21,986	18,889	5.4	Mortgage debt	18,889	21,986
0	5,276		Other long-term liabilities	5,276	6,067
21,986	24,165	5.2	Long-term liabilities	24,165	28,053
3,113	3,158	5.4	Mortgage debt, short-term	3,158	3,113
0	150,000	5.4	Bank loan	150,000	0
661,245	303,906	4.1	Prepayments received from customers	321,126	661,245
185,381	342,668		Trade creditors	369,746	214,684
49,223	24,593		Payables to related companies	4,338	4,804
512	918		Payables to associated companies	918	3,485
0	33,569		Corporate tax	37,638	3,357
77,226	47,469	4.3	Other creditors	54,205	92,634
976,700	906,281		Current liabilities	941,129	983,322
998,686	930,446		Total long-term and current liabilities	965,294	1,011,375
1,822,236	1,796,103		TOTAL EQUITY AND LIABILITIES	1,831,636	1,835,934

CASH FLOW STATEMENTS

DKKt

		The Group	
Notes		2016	2015
	Operating profit	117,741	85,884
6.4	Adjustments	49,121	39,970
4.4	Changes in working capital	-477,463	144,646
	Cash flows from operating activities before net financials	-310,601	270,500
	Financial income	11,306	11,680
	Financial costs	-22,246	-4,750
	Cash flows from ordinary activities	-321,541	277,430
	Taxes paid	-9,126	-4,271
	Cash flows from operating activities	-330,667	273,159
	Additions of tangible assets	-11,587	-5,810
	Additions of intangible assets	-18,504	-11,610
	Dividends received from associated companies	6,842	7,867
	Investments in associated companies and other securities	-316,107	-197,889
	Disposals of investments in associated companies	2,499	12,485
	Cash flows from investing activities	-336,857	-194,957
5.4	Bank loan	150,000	0
	Other long-term liabilities	0	6,067
	Repayment of mortgage debt	-3,843	-3,135
	Dividends distributed	-38,000	-15,000
	Cash flows from financing activities	108,157	-12,068
	Cash at beginning of year	773,671	707,537
	Changes in cash	-559,367	66,134
	Cash at year-end	214,304	773,671

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

STATEMENT OF CHANGES IN EQUITY

DKKt

Parent Company

	Share capital	Reserve for revaluation	Financial instruments	Reserve for development costs	Retained earnings	Dividend proposed	Total
Balance at 1 January 2016	150,000	50,997	-25,122	0	512,733	38,000	726,608
Dividends paid	0	0	0	0	0	-38,000	-38,000
Profit for the year	0	116,614	0	7,357	-38,959	0	85,012
Proposed dividend for 2016	0	0	0	0	-42,500	42,500	0
Changes in financial instruments	0	0	74,368	0	0	0	74,368
Tax on changes in equity	0	0	-17,229	0	0	0	-17,229
Exchange rate differences related to subsidiaries and associated companies	0	-67,937	0	0	0	0	-67,937
Equity at 31 December 2016	150,000	99,674	32,017	7,357	431,274	42,500	762,822

Changes in Net Revaluation Reserve for 2016 is specified in note 3.3.

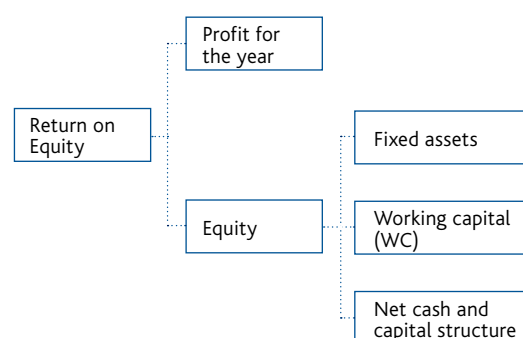
There have been no changes in the share capital during the last 5 years. The share capital is divided into 150 shares of DKKm 1 each.

The Group

	Share capital	Reserve for revaluation	Financial instruments	Reserve for development costs	Retained earnings	Dividend proposed	Total
Balance at 1 January 2016	150,000	23,769	-25,122	0	539,961	38,000	726,608
Dividends paid	0	0	0	0	0	-38,000	-38,000
Profit for the year	0	114,834	0	7,357	-37,179	0	85,012
Proposed dividend for 2016	0	0	0	0	-42,500	42,500	0
Changes in financial instruments	0	0	74,368	0	0	0	74,368
Tax on changes in equity	0	0	-17,229	0	0	0	-17,229
Exchange rate differences related to subsidiaries and associated companies	0	-67,750	0	0	-187	0	-67,937
Equity at 31 December 2016	150,000	70,853	32,017	7,357	460,095	42,500	762,822

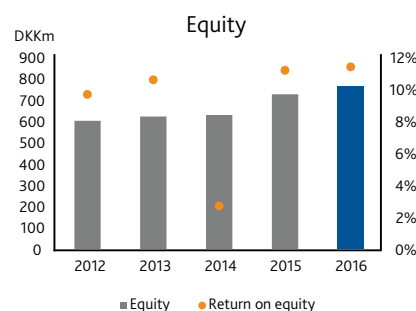
Notes	Page	Reading instructions
1 Basis of reporting		
1.1 Basis of reporting	43	The financial statements have been presented in accordance with the Danish Financial Statements Act and in a manner that attempts to make them less complex and more relevant to readers.
2 Profit for the year		
2.1 Revenue	44	
2.2 Staff costs, etc.	45	
2.3 Audit fees	45	
2.4 Tax	46	The notes have been divided into 7 sections: Basis of reporting, Profit for the year, Fixed assets, Working capital (WC), Net cash and capital structure, Other notes and Accounting policies. The purpose is to provide a clearer understanding of what drives performance.
3 Fixed assets		
3.1 Intangible fixed assets	48	
3.2 Tangible fixed assets	50	
3.3 Financial fixed assets	52	
4 Working capital (WC)		
4.1 Contract work in progress	54	
4.2 Other debtors	55	
4.3 Other creditors	55	
4.4 Changes in working capital for the cash flow statement	55	
5 Net cash and capital structure		
5.1 Capital structure	56	
5.2 Long-term liabilities	56	
5.3 Distribution of profit	57	
5.4 Financial risks	57	
6 Other notes		
6.1 Other provisions	60	
6.2 Transactions between related parties	60	
6.3 Contingency liabilities, security for loans, etc.	61	
6.4 Cash flow adjustments for the cash flow statement	61	
6.5 Events after the balance sheet date	61	
6.6 Subsidiaries and associated companies	62	
7 Accounting policies		
7.1 Accounting policies	63	

Notes section 2-5 have been divided into the key components, which adds up to Return on Equity.



Notes related to provisions; 2.4 Taxes and 6.1 Other provisions.

Return on equity for 2012 - 2016:



Note section 1

Basis of reporting

This section describes the applied reporting framework. Furthermore, an overview is included of the significant judgements and estimates made by BWSC in preparing the Annual Report

Note 1.1 Basis of reporting

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

The accounting policies are unchanged from last year.

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

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

Estimation uncertainty

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

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

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

- Construction contracts are measured at contract work performed, less prepayments received from the customers and anticipated losses. The percentage of completion is determined from an assessment as stated in note 7.1 Accounting policies. The contract value is measured based on the total expected income of the individual contracts – claim income is further mentioned below. The total expected expenses are partly based on estimates and contingency are included for unforeseen cost deviations to plan cost due to project risks, disputes etc.

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

- Provisions are based on BWSC's best estimate of the amount at which the obligation is expected to be discharged. Provisions consists mainly of warranty provisions and other provisions. Other provisions are specified in note 6.1.

Accounting judgements

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

Defining materiality

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

Going concern

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

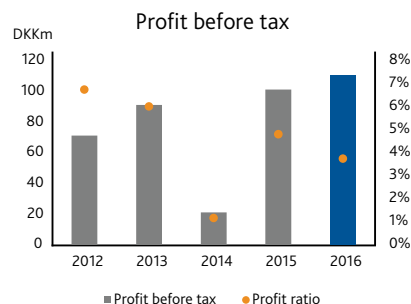
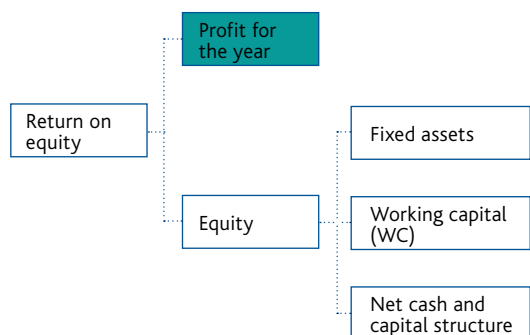
New accounting standards for 2017

No amendments to The Danish Financial Statements Act for 2017.

Note section 2.

Profit for the year

Revenue all time high. Profit before tax of DKKm 110 (2015: DKKm 101)



Revenue for 2016 amounts to DKKm 2,946 which is an increase of 40% compared to 2015 and the highest in BWSC's history. Revenue for the segment Europe, which mainly consists of biomass projects in the UK, has been the key contributor to the revenue increase in 2016.

To support the increased activity level, the average number of employees has increased by 4% in 2016 to 577. Furthermore, the cooperation with DASH in the Philippines, mainly within engineering, has supported the growth. Both DASH and BWSC are subsidiaries in the MES group.

Profit before tax is in line with last year and amounts to DKKm 110 for 2016 compared to DKKm 101 for 2015. The profit ratio

(profit before tax in relation to revenue) for 2016 amounts to 4% but is, like 2015, impacted negatively by eliminations of profit on projects where BWSC is building power plants but also has an ownership stake. The eliminated profit will be taken to income over the life-time of the power plants when in operation. In 2016, the eliminated profit amounts to DKKm 24 compared to DKKm 45 for 2015 (see note 3.3 for further information about the eliminated profit in total). Adjusted for the elimination, the profit ratio for 2016 amounts to 5% compared to 7% for 2015.

For further comments to the 2016 financial performance see the Financial Review section of The Management's review.

Note 2.1 Revenue

DKKt

Parent Company			The Group	
2015	2016		2016	2015
887,692	1,323,506	Final invoicing	1,360,729	924,725
1,005,303	1,373,359	Changes in contract work in progress	1,585,290	1,180,974
1,892,995	2,696,865		2,946,019	2,105,699

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

2015	2016		2016	2015
1,345,021	1,950,439	Europe	1,950,439	1,350,803
113,641	526,184	Africa and Middle East	714,285	308,008
404,544	194,741	South and Central America	206,017	411,256
29,789	25,501	Southeast Asia	75,279	35,632
1,892,995	2,696,865		2,946,019	2,105,699

Note 2.2 Staff costs, etc.

DKKt

Parent Company			The Group	
2015	2016		2016	2015
249,735	290,937	Wages and salaries	395,099	325,767
2,068	2,268	Social security costs	4,218	5,014
251,803	293,205		399,317	330,781
355	383	Average number of employees	577	557

Including remuneration for:

2015	2016		2016	2015
5,068	5,722	Executive management of Parent Company	5,722	5,068
1,400	1,400	Board of Directors of Parent Company	1,400	1,400
6,468	7,122		7,122	6,468

A bonus scheme for the Executive Management and Management Team is established. The bonus scheme is based on individual goals and the Company's overall result.

Note 2.3 Audit fees

DKKt

Parent Company			The Group	
2015	2016		2016	2015
499	540	Audit fee	1,190	807
60	0	Other declaration assignments	11	63
0	124	Tax advisory fee	262	222
201	50	Other fees	832	345
760	714		2,295	1,437

Note 2.4 Tax

DKKt

Given the nature of BWSC's business and the extent of intercompany transactions that BWSC has across geographical borders, transfer pricing, payroll related taxes, withholding taxes and VAT are particularly important areas when it comes to conducting tax practice responsibly which ensures that we pay taxes in the countries in which we operate.

Parent Company			The Group	
2015	2016		2016	2015
2,683	37,777	Income tax payable	41,773	6,140
14,211	-1,388	Change in deferred tax	-1,388	15,776
-2,232	0	Change in tax rate	0	-1,756
2,024	-16,361	Tax on changes in equity	-16,361	2,024
1,024	-811	Adjustment of tax concerning previous years	140	1,613
547	693	Paid dividend tax abroad	693	547
18,257	19,910		24,857	24,344

Effective tax rate:

2015	2016		2016	2015
23.5%	22.0%	Company tax rate in Denmark	22.0%	23.5%
19.3%	19.0%	Effective tax rate	22.6%	24.2%

Specification of effective tax rate:

2015	2016		2016	2015
23.5%	22.0%	Company tax rate in Denmark	22.0%	23.5%
-3.0%	-2.9%	Tax on profit in subsidiaries and associated companies	0.2%	-2.6%
-2.4%	0.0%	Change in tax rate in Denmark (22.0% / 23.5%)	0.0%	-1.7%
0.0%	0.0%	Adjustment of calculated tax in foreign companies compared to 22% (23.5%)	-0.1%	1.6%
0.1%	0.1%	Non-deductible costs	0.6%	2.2%
1.1%	-0.2%	Other adjustments	-0.1%	1.2%
19.3%	19.0%	Effective tax rate	22.6%	24.2%

Note 2.4 Tax (continued)

DKKt

Deferred tax:

Parent Company			The Group	
2015	2016		2016	2015
20,751	32,730	Deferred tax at 1 January 2016	33,399	19,401
0	0	Adjustment concerning previous years	16	454
-2,232	0	Change in tax rate	0	-2,232
14,211	-1,388	Changes in deferred tax	-1,388	15,776
32,730	31,342		32,027	33,399

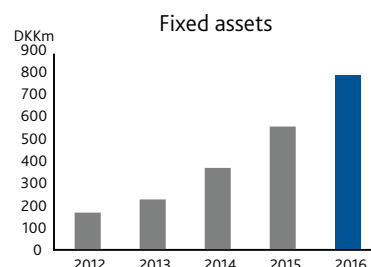
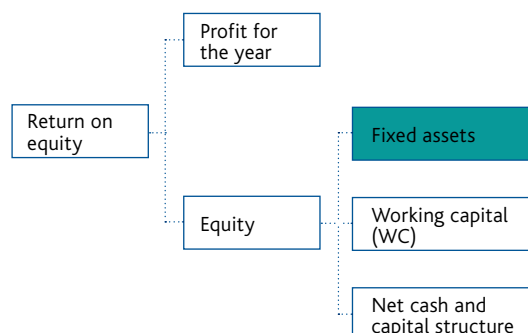
Deferred tax can be specified as follows:

2015	2016		2016	2015
11,680	11,589	Tangible fixed assets	11,583	11,680
-19,434	-24,680	Financial fixed assets	-24,680	-19,434
54,866	44,898	Contract work in progress	45,589	55,535
-1,056	-192	Other current assets	-192	-1,056
0	-273	Provisions	-273	0
-13,326	0	Tax loss carried forward	0	-13,326
32,730	31,342		32,027	33,399

Note section 3

Fixed assets

Investments in biomass power plants in 2016 amount to DKKm 316



In 2016, Fixed Assets have increased by DKKm 229 to DKKm 779.

In 2016, BWSC has net invested DKKm 343 in intangible, tangible and financial fixed assets, which is an increase of 76% compared to 2015. The main part of the investment DKKm 316 is in biomass power plants, with the investment in Kent Power Corporation in the UK as the main investment. Shares in investments have been redeemed by DKKm 2, which takes net investment in financial fixed assets to DKKm 314 for 2016. The committed not paid in investments amount to DKKm 28 at end-2016, which will be paid in during 2017-2018.

BWSC has invested DKKm 248 in the Kent power plant in 2016. The plant will be built by BWSC and the project has furthermore ensured BWSC an O&M contract. The investment

will be exited when the ROC accreditation has been achieved in 2018/2019 (ROC is the current UK support scheme for renewable energy). BWSC has only limited management control over the Kent SPV and the investment has accordingly been accounted at cost price and presented as other securities.

BWSC has in total invested in nine power plants accounted for as associated companies and other securities. At the beginning of 2016, four were in operation and one reached TOC (Taking Over Certificate) in January 2016 and went into operation which takes the number of investments in operation to five.

Besides the investments in biomass power plants, BWSC has in 2016 invested DKKm 30 in software, tangible fixes assets and development of a power barge concept.

Note 3.1. Intangible fixed assets

DKKt

Parent Company

	Software	Development costs	Total
Cost at 1 January 2016	54,694	0	54,694
Additions in the year	11,073	7,357	18,430
Cost at 31 December 2016	65,767	7,357	73,124
Amortisation at 1 January 2016	34,077	0	34,077
Amortisation for the year	12,386	0	12,386
Amortisation at 31 December 2016	46,463	0	46,463
Booked value at 31 December 2016	19,304	7,357	26,661
Booked value at 31 December 2015	20,617	0	20,617

Amortisation period

3-7 years

3 years

Note 3.1 Intangible fixed assets (continued)

DKKt

The Group

	Software	Goodwill	Development costs	Total
Cost at 1 January 2016	54,694	2,187	0	56,881
Currency adjustments of 1 January 2016	0	72	0	72
Additions in the year	11,125	0	7,357	18,482
Cost at 31 December 2016	65,819	2,259	7,357	75,435
Amortisation at 1 January 2016	34,077	486	0	34,563
Currency adjustments of 1 January 2016	0	50	0	50
Amortisation for the year	12,398	719	0	13,117
Amortisation at 31 December 2016	46,475	1,255	0	47,730
Booked value at 31 December 2016	19,344	1,004	7,357	27,705
Booked value at 31 December 2015	20,617	1,701	0	22,318
Amortisation period	3-7 years	3 years	3 years	

Parent Company			The Group	
2015	2016		2016	2015
9,829	12,386	Administrative costs	13,117	10,315
9,829	12,386		13,117	10,315



*Jiyeh Power Plant, Lebanon
November 2016*

Note 3.2 Tangible fixed assets

DKKt

Parent Company

	Fixtures and fittings, tools and equipment	Land and buildings	Total
Cost at 1 January 2016	21,540	116,887	138,427
Additions in the year	4,575	1,958	6,533
Disposals in the year	-389	0	-389
Cost at 31 December 2016	25,726	118,845	144,571
Depreciation at 1 January 2016	17,012	47,548	64,560
Depreciation for the year	2,960	1,371	4,331
Depreciation of disposals	-84	0	-84
Depreciation at 31 December 2016	19,888	48,919	68,807
Booked value at 31 December 2016	5,838	69,926	75,764
Booked value at 31 December 2015	4,528	69,339	73,867
Depreciation period	3-10 years	10-100 years	

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

Note 3.2 Tangible fixed assets (continued)

DKKt

The Group

	Fixtures and fittings, tools and equipment	Land and buildings	Total
Cost at 1 January 2016	28,108	116,887	144,995
Currency adjustments af 1 January 2016	-1,712	0	-1,712
Additions in the year	10,008	1,958	11,966
Disposals in the year	-655	0	-655
Cost at 31 December 2016	35,749	118,845	154,594
Depreciation at 1 January 2016	19,758	47,548	67,306
Currency adjustments af 1 January 2016	-1,636	0	-1,636
Depreciation for the year	4,612	1,371	5,983
Depreciation of disposals	-276	0	-276
Depreciation at 31 December 2016	22,458	48,919	71,377
Booked value at 31 December 2016	13,291	69,926	83,217
Booked value at 31 December 2015	8,350	69,339	77,689
Depreciation period	3-10 years	10-100 years	

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

Parent Company**The Group**

2015	2016		2016	2015
425	246	Costs of production	2,516	968
70	70	Sales costs	70	70
3,909	4,015	Administrative costs	3,397	3,978
4,404	4,331		5,983	5,016

Note 3.3 Financial fixed assets

DKKt

Parent Company

	Subsidiaries	Associated companies	Other securities	Total
Cost at 1 January 2016	9,336	424,673	1,514	435,523
Additions in the year	67	68,419	247,688	316,174
Disposals in the year	0	-2,499	0	-2,499
Cost at 31 December 2016	9,403	490,593	249,202	749,198
Revaluations/write-downs at 1 January 2016	27,228	23,769	-15	50,982
Profit share in the year	15,119	3,144	0	18,263
Exchange rate differences	-187	-67,750	0	-67,937
Distribution of dividend to Parent Company	-13,340	-6,842	0	-20,182
Elimination intercompany profit	0	-23,847	0	-23,847
Revaluations/write-downs at 31 December 2016	28,820	-71,526	-15	-42,721
Booked value at 31 December 2016	38,223	419,067	249,187	706,477
Booked value at 31 December 2015	36,564	448,442	1,499	486,505

In the distribution of profit for the year (Note 5.3) for 2016, DKKt 116,614 has been transferred to Revaluation Reserves according to the equity method from Retained Earnings. The transfer consists of profit share in the year, Distribution of dividend to Parent Company and Elimination of intercompany profit for entities with a positive Revaluation Reserve. For entities with a negative Revaluation Reserve the reserve is included in Retained Earnings. Revaluation reserves can accordingly not be directly reconciled to the above schedule.

The addition for other securities of DKKm 247.7 is an investment in the Kent power plant, in the UK, which is mentioned in further details on page 48.

The Group

	Associated companies	Other securities	Total
Cost at 1 January 2016	424,673	1,514	426,187
Additions in the year	68,419	247,688	316,107
Disposals in the year	-2,499	0	-2,499
Cost at 31 December 2016	490,593	249,202	739,795
Revaluations/write-downs at 1 January 2016	23,769	-15	23,754
Profit share in the year	3,144	0	3,144
Exchange rate differences	-67,750	0	-67,750
Distribution of dividend to Parent Company	-6,842	0	-6,842
Elimination intercompany profit	-23,847	0	-23,847
Revaluations/write-downs at 31 December 2016	-71,526	-15	-71,541
Booked value at 31 December 2016	419,067	249,187	668,254
Booked value at 31 December 2015	448,442	1,499	449,941

Note 3.3 Financial fixed assets (continued)

DKKt

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

The disposals in the year relate to redemption of shares in investments which does not affect the ownership structure.

The Group

Below the key figures for Associated Companies

	Ownership above 25%	Ownership equal to or below 25%	Total	Total
	2016	2016	2016	2015
Revenue	760,909	574,624	1,335,533	1,091,091
Profit before tax	26,587	115,492	142,079	97,116
Total fixed assets	3,440,037	2,757,577	6,197,614	5,090,990
Current assets	501,869	526,127	1,027,996	1,353,565
Equity	1,283,467	319,768	1,603,235	1,668,397

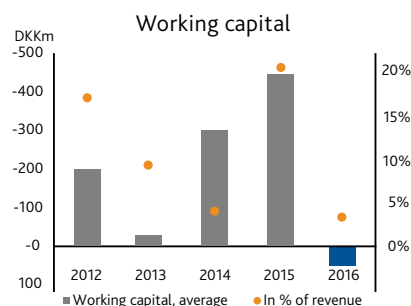
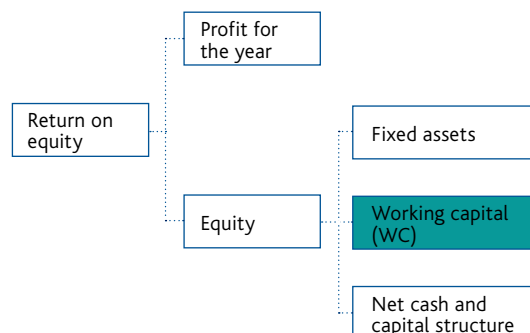
The amounts stated are the accounting figures for the individual Associated Company, applying the BWSC Group's accounting policies. For further information about Associated Companies, please see note 6.6.

BWSC has invested in nine power plants via Associated Companies and Other Securities, whereof one was added in 2016. Of these four are in operation at the beginning of 2016, one reached TOC (Taking over Certificate) in January and went into operation and four are under construction.

Note section 4

Working capital (WC)

Working capital funding has decreased to a low level.



Working capital amounts to DKKm 50 at end-December 2016 (2015: DKKm -468), which equals 4% of revenue (based on average WC for the year). A negative working capital represents that BWSC is funded by the assets and liabilities necessary to support the day-to-day running of the business.

Working capital has decreased by DKKm 518 from DKKm -468 at end-December 2015. The decrease is mainly related to a negative development in prepayments received from customers by DKKm 340 and contract work in progress by DKKm 258 and other debtors and other creditors DKKm 95 and a positive development for trade creditors by DKKm 155.

Work in progress end 2016 is among other impacted by the two diesel projects in the Middle East mentioned in the financial review section in the management review.

As an EPC contractor, working capital fluctuates mainly due to the timing of large prepayments from customers and large payments to suppliers. To reduce the counterpart risk and ensure a strong cash flow, BWSC is focusing on a positive cash flow from each project.

Working capital equals total current assets excluding cash minus current liabilities excluding mortgage debt, short term, and bank loan.

Note 4.1 Contract work in progress

DKKt

Parent Company			The Group	
2015	2016		2016	2015
2,883,939	4,257,298	Sales value of production in progress	4,933,994	3,348,704
-3,181,550	-4,003,778	Invoiced on account	-4,633,305	-3,646,315
-297,611	253,520	Contract work in progress, net	300,689	-297,611

Classified as follows:

2015	2016		2016	2015
363,634	557,426	Contract work in progress (receivables)	621,814	363,634
-661,245	-303,906	Prepayments received from customers	-321,126	-661,245
-297,611	253,520		300,688	-297,611

Note 4.2 Other debtors

DKKt

Parent Company			The Group	
2015	2016		2016	2015
48,228	39,613	VAT receivable etc.	62,467	54,185
0	0	Deposits	291	308
8,103	54,174	Financial instruments	54,174	8,103
5,077	8,159	Other accrued income	9,104	7,035
61,408	101,946		126,036	69,631

Note 4.3 Other creditors

DKKt

Parent Company			The Group	
2015	2016		2016	2015
34,038	33,792	Payable payroll related costs	39,485	41,760
42,284	13,594	Financial instruments	13,594	42,284
0	0	VAT payable	92	3,403
904	83	Other accrued costs	1,034	5,187
77,226	47,469		54,205	92,634

Note 4.4 Changes in working capital for the cash flow statement

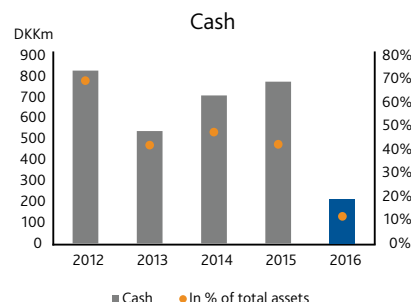
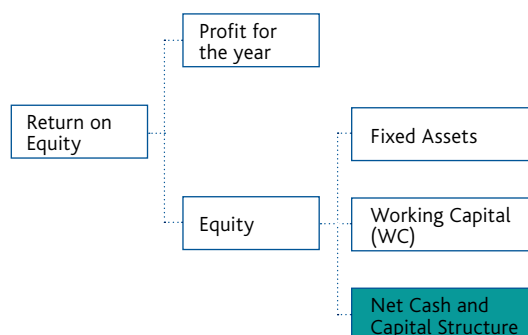
DKKt

	The Group	
	2016	2015
Changes in inventories	93	2,438
Changes in contract work in progress and prepayments received by customers, net	-598,299	159,579
Changes in trade receivables	-15,255	-18,029
Changes in receivables from group companies and associates companies	4,409	25,305
Changes in other debtors	-10,334	476
Changes in prepayments	-554	-2,964
Changes in trade creditors	155,062	-33,998
Changes in payables to group companies and associated companies	-3,033	1,198
Changes in other creditors	-9,552	10,641
	-477,463	144,646

Note section 5

Net cash and capital structure

Cash of DKKm 214, which equals 12% of total assets (2015: 42%).



BWSC's capital structure at end-2016 consists of equity of DKKm 763, interest bearing debt of DKKm 172, and cash of DKKm 214.

Equity has increased by DKKm 36 to DKKm 763 at end-2016 and the solidity ratio (equity in relation to equity and total liabilities) equals to 42% at end-2016, which is an increase of 2 percentage-points compared to end-2015. Cash has decreased by DKKm 560 to DKKm 214 at year-end 2016 whereas interest bearing debt has increased by DKKm 147 to DKKm 172. Accordingly, net cash amounts to DKKm 42

at year-end 2016 which is a decline of DKKm 707 compared to year-end 2015. The decline of DKKm 707 is mainly related to investments in financial fixed assets DKKm 314, increase of contract work in progress DKKm 258, lower prepayments received from customers DKKm 340 and improvement in trade creditors DKKm 155.

A treasury policy to manage the main financial risks is in place. The key financial risk is the currency exposure on long-term operation and maintenance contracts with duration of up to 20 years.

Note 5.1 Capital structure

A company's capital structure shows how it funds its investments and operation using equity and debt. BWSC has decided to use solidity (equity / equity and total liabilities) as the key measure of capital structure and a minimum solidity of 40% has been set. Solidity end 2016 equals 42% (2015: 40%).

The overall objective is to ensure a continued development and strengthening of BWSC's capital structure which supports long-term profitable growth and a solid increase in key earnings and statement of financial position ratios.

Note 5.2 Long-term liabilities

Debt maturing within one year is recognised as current liabilities and debt maturing above one year is recognised as long-term liabilities.

Long-term debt maturing after five years from the end of 2016 amounts to DKKm 11.7 (2015: DKKm 15.6).

The mortgage debt in total amounts to DKKm 22.0 (2015: DKKm 25.1) at 31 December 2016 with a maturity of seven years.

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

Note 5.3 Distribution of profit

It is recommended that the profit of the year, DKKt 85,012 is appropriated as follows:

Parent company

2015	2016	
38,000	42,500	Proposed dividend
-44,470	116,614	Transferred from revaluation reserves
0	7,357	Transferred from development costs reserves
82,898	-81,459	Retained earnings
76,428	85,012	

The statement of change in equity is included on page 41.

Note 5.4 Financial risks

BWSC is exposed to a number of financial risks due to its international operations and investments. The overall objectives and policies for BWSC's financial risk management are outlined in the treasury policy. The main financial risks are managed centrally within the BWSC Group.

The financial risks are specified below into the following sections:

1. Liquidity risks
2. Counterpart risks
3. Interest rate risks
4. Currency risks

The counterpart and interest rate risks are assessed as low whereas the liquidity and currency risks are higher.

At the end of this note the financial instruments (Currency and Interest) and the accounting for the instruments have been summarised in the Total financial instruments section.

Liquidity risks

It is important for BWSC to make sure that adequate cash is available at all times to be able to operate effectively even in the event of unforeseen fluctuations in liquidity. On an ongoing basis, BWSC monitors the liquidity resources which consist of cash, and committed credit facilities deducted by gross interest bearing debt and the main part of net prepayments received from customers. Net prepayments received from customers are taken into account in the connection with monitoring and the liquidity resource as repayments has a material impact on the cash level. In the treasury policy an internal limit in the shape of a minimum liquidity resource target has been set to ensure that adequate liquidity resources are available.

BWSC's cash position end 2016 amounts to DKKm 214.3 (2015: DKKm 773.7). The fluctuation is specified at the top of note section 5. Prepayments from customers 31 December 2016 amounts to DKKm 321.1 (2015: DKKm 661.2) and are taken into consideration in the measurement of the minimum liquidity resource as stated above.

During 2016 a committed credit facility was established of DKKm 250.0 expiring in 2019, with two one year extension options. The committed credit facility is subject to covenants and no breaches have been encountered throughout the year.

The table below show the overview of interest bearing debt for end 2016 and end 2015.

	2016				2015			
DKKm	Amount	Drawn	Available	Expiry	Amount	Drawn	Available	Expiry
Credit facility	250.0	150.0	100.0	2019	-	-	-	-
Mortgage debt	22.2	22.2	-	2023	25.1	25.1	-	2023
Total	272.2	172.2	100.0		25.1	25.1	-	

Counterpart risks

BWSC's counterpart risks mainly relates to trade debtors, contract work in progress, cash deposits and derivative financial instruments with a positive market value (mainly currency hedging).

For material customers a credit risk evaluation is performed to ensure an acceptable level of credit risk. Insurance cover or similar measures to hedge trade debtors and contract work in progress is applied from time to time, but historically BWSC has only had few material losses on trade debtors and contract work in progress.

For financial institutions BWSC's policy is to have at least two partner banks with a solid credit rating and only to enter into derivative financial transactions with partner banks. Other banks are regarded as relationship banks and must also have a solid credit rating. All banks for the group are managed centrally. A maximum counterpart risk level has been set with a higher exposure towards partner banks than towards relationship banks.

Interest rate risks

BWSC is exposed to interest rate risk arising from and interest bearing debt. Exposure to interest rate on cash is limited.

BWSC's cash deposits are subject to floating interest.

Interest bearing debt at 31 December 2016 consists of mortgage debt and drawn committed credit facility. The mortgage debt amounts to DKKm 22.2 (2015: DKKm 25.1) and is subject to a fixed interest rate via an interest rate swap. The market value of the interest rate swap is DKKm -3.9 (2015: DKKm -4.6) and the market value is recognised in Equity. The maturity of the loan is seven years.

The drawn committed credit facility amount is DKKm 150.0 and is subject to floating interest rate.

Currency risks

The main part of BWSC's income, purchase of goods and services and investments are in DKK, EUR, GBP and USD, and accordingly, BWSC is exposed to material currency risks. The EUR currency risk is regarded as low due to Denmark's fixed-rate policy towards EUR and is as such not hedged.

The table below shows the market value of financial instruments per currency hedged and the contract amount in DKK based on the year-end exchange rates.

	2016			2015		
	Market value	Contract amount sold	Contract amount bought	Market value	Contract amount sold	Contract amount bought
DKKt						
USD	2,221	0	38,790	-2,748	27,631	0
GBP	44,756	1,223,853	53,280	-25,793	679,353	9,050
EUR	0	0	0	-858	111,938	0
CHF	-186	0	2,873	-211	0	14,092
HKD	-2,328	27,555	0	0	0	0
Total	44,463	1,251,408	94,943	-29,610	818,922	23,142

A financial instrument is assessed as an effective hedge when the financial instrument is based on a recognised asset, liability or an expected future cash flow. Effective hedges are recognised in equity and are transferred to either the income statement or the balance sheet item depending on which the hedging is related to when the hedged transaction is recognised. Any financial instruments which are estimated as ineffective are recognised in the income statement as a financial income or cost.

The engineering, procurement and construction (EPC) projects of diesel, gas or biomass power plants have a life time of up to 30 months whereas some of the service projects (Operation and Maintenance projects) have a lifetime of up to twenty years.

A hedging strategy has been established to hedge the currency exposure. Only cash flows above a threshold, which is based on the historic volatility of the currencies, are hedged, and only simple financial instruments must be used. Investments in subsidiaries and associated companies (in operation for investments in power plants) are not hedged. The main part of the investment in other securities (Note 3.3 to the financial statement) has been hedged. The investment relates to the Kent power plant in the UK which will be exited when the ROC accreditation has been achieved in 2018/2019.

The hedging strategy is based on a latter, which hedges between 90-100% of the currency exposure up to three years, and a lower share of the exposure between four and five years and a low share of the exposure between six and eight years. The hedging is performed initially upon contract signing and updated during project execution. Currently no currency exposure above five years is hedged.

For the operation and maintenance projects with a life time of up to twenty years, the net currency exposure above five years amount is above DKKbn 1. The currency risk above five years is mainly related to GBP. Material future changes in GBP could have a material impact on BWSC's cash flow beyond 2021.

Total financial instruments

Below table shows the market value for the Currency and Interest rate financial instruments and the effect on income statement and equity.

	2016			2015		
DKKt	Market value	Recognised in income statement	Recognised in equity	Market value	Recognised in income statement	Recognised in equity
Currency financial instruments	44,463	-464	44,927	-29,610	-858	-28,752
Interest rate financial instruments	-3,883	0	-3,883	-4,571	0	-4,571
Total	40,580	-464	41,044	-34,181	-858	-33,323

The below table shows the maturity of the financial instruments recognised in equity.

	2016			2015		
DKKt	Currency financial instruments	Interest rate financial instruments	Total	Currency financial instruments	Interest rate financial instruments	Total
Within 1 year	14,161	0	14,161	-28,340	0	-28,340
Between 1 and 5 years	30,766	0	30,766	-412	0	-412
Over 5 years	0	-3,883	-3,883	0	-4,571	-4,571
Total	44,927	-3,883	41,044	-28,752	-4,571	-33,323

Note section 6.

Other notes

This section contains other statutory disclosures not related to the previous sections

Note 6.1 Other provisions

Other provisions DKKm 21.7 (2015: DKKm 39.5) cover estimated remaining liabilities in connection with finalised projects other than warranty provisions.

Approximately 90% of other provisions are expected to be settled within the next 12 months from the Balance Sheet date.

Note 6.2 Transactions between related parties

Purchase of goods and services from Mitsui Engineering & Shipbuilding Co., Ltd., Japan and sale of goods to subsidiaries and associated companies have taken place at market conditions and accordingly the amounts are not stated.

Apart from intercompany transactions which have been eliminated in the Group accounts, plus guarantee frame fee and purchase of services at DASH engineering and remuneration for the Board of Directors and Group Management, no transactions have been made with the Board of Directors, Group Management, subsidiaries, and associated companies or other related parties during the year.

Group relationships

Burmeister & Wain Scandinavian Contractor A/S is 100% owned by Mesco Denmark A/S, which prepares its own consolidated Financial Statements. The Mesco Denmark Financial Statements can be obtained via BWSC. The ultimate Parent Company is Mitsui Engineering & Shipbuilding Co., Ltd., which prepares the Financial Statements for the group in which BWSC is included.

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

Note 6.3 Contingency liabilities, security for loans, etc.

BWSC has not entered into any material leasing obligations.

BWSC is party to disputes and litigation from time to time which is normal for BWSC's business. The outcome of such disputes or litigation will not have a material impact on BWSC's financial position.

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

Land and buildings with a book value of DKKm 69.9 (2015: DKKm 69.3) has been provided as security for mortgage debt. The total mortgage debt amounts to DKKm 22.2 (2015: DKKm 25.1).

Burmeister & Wain Scandinavian Contractor A/S has invested in power plants via associated companies and the not paid in committed capital in associated companies amounts to DKKm 28 at 31 December 2016. The not paid in capital will be paid in during 2017-2018.

Note 6.4 Cash flow adjustments for the cash flow statement

DKKt

	The Group	
	2016	2015
Amortisation/depreciation	19,100	15,331
Changes in provisions	6,941	-14,025
Derivative financial instruments	-767	-6,211
Elimination of Intercompany profit (note 3.3)	23,847	44,875
	49,121	39,970

Note 6.5 Events after the balance sheet date

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

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

Note 6.6 Subsidiaries and Associated Companies

Companies	Incorporated in country	Ownership in %
Parent company		
Burmeister & Wain Scandinavian Contractor A/S*	Denmark	
Subsidiaries		
BWSC Generation ApS	Denmark	100%
BWSC Foreign Investments ApS	Denmark	100%
BWSC Generation Services UK Ltd.	United Kingdom	100%
BWSC Generation Services Northern Ireland Ltd.	United Kingdom	100%
BWSC (Mauritius) Ltd.	Mauritius	100%
BWSC Lebanon Construction SARL	Lebanon	100%
BWSC Panama S.A.	Panama	100%
BWSC Regional Services S.A.	Panama	100%
BWSC Lanka (Private) Ltd.	Sri Lanka	100%
BWCC Ltd.	The Bahamas	100%
BWSC Cayman Ltd.	Cayman	100%
BWSC Macau Ltd.	Macau	100%
Associated companies		
Western Biomass Operating Company Ltd.	United Kingdom	50%
APOM Ltd.	United Kingdom	50%
BWSC Power Corporation Ltd.	United Kingdom	37.5%
Rabai Power Holding Ltd.	United Kingdom	25.5%
ERE LPS Holdings Ltd.	United Kingdom	17.2%
Mersey Bioenergy Holdings Ltd.	United Kingdom	10.6%
Tilbury Green Power Holding Ltd.	United Kingdom	3.4%
Rabai Operation and Maintenance Ltd.	Kenya	51%
Pedregal Power Company S.D.E.R.L	Panama	7.6%
Asia Power (Private) Ltd.	Sri Lanka	6.8%

* The Company has branches in the United Kingdom, Greece and Suriname.

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

BWSC has furthermore invested in Kent Power Corporation which has been accounted for as Other Securities (Note 3.3)

Note section 7

Accounting policies

The basis of reporting is described in note 1.1 whereas below the detailed accounting policies are described

Note 7.1 Accounting policies

General

The Annual Report of Burmeister & Wain Scandinavian Contractor A/S has been presented in accordance with the provisions of the Danish Financial Statements Act for large reporting Class C companies.

Change in accounting policies

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

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

Recognition and measurement in general

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

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

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

Consolidation

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

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

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

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

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

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

Foreign currency translation

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

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

Financial instruments

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

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

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

Financial instruments which are not held for hedging purposes regarding specific projects or interest payments are recognised in the Balance Sheet at fair value on the Balance Sheet date. Value adjustments are recognised in the Income Statement under financial income or costs.

INCOME STATEMENT

Revenue

The Group's revenue is derived from contract activities, service contracts, etc. as stated on page 8.

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

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

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

Income from spare part contracts is recognised when delivered.

Costs of production

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

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

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

Sales costs

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

Administrative costs

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

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

Net financials

Financial income and costs include interest income and costs, realised and unrealised capital gains and losses, changes of financial instruments not designated as hedging arrangement, amortisation of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme, etc. Financial income and costs are recognised at the amounts relating to the reporting period.

Tax

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

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

Deferred tax resulting from timing differences between income and expenses in the Financial Statements and the statement of taxable income and from tax loss carry-forwards is provided for in the Balance Sheet. Changes in the deferred tax charge for the year are taken to the Income Statement. Actual and deferred tax related to equity movements is recognised directly in equity.

BALANCE SHEET

Intangible and tangible fixed assets

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

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

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

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

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

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

Financial fixed assets

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

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

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

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

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

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

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

Inventories

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

Debtors

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

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

Contract work in progress

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

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

The individual work in progress is recognised in the Balance Sheet under debtors or liabilities other than provisions, dependent on the net value of the selling price less payments on account and prepayments. Costs related to sales work and contracts are recognised in the Income Statement as incurred.

Prepayments

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

Warranty provisions

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

Other provisions

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

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

Proposed dividend

Proposed dividend for the year is included in the equity.

Financial liabilities

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

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

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

CASH FLOW STATEMENT

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

FINANCIAL RATIO

Analysis of the financial ratios included in the financial highlights on page 6 and 67:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit ratio	$\frac{\text{Profit before tax} \times 100}{\text{Revenue}}$
Solidity	$\frac{\text{Equity at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$
Return on equity	$\frac{\text{Profit for the year (after tax)} \times 100}{\text{Average equity}}$

GROUP FINANCIAL HIGHLIGHTS, EUR

	2016 EURm	2015 EURm	2014 EURm	2013 EURm	2012 EURm
Income statement					
Revenue	395	283	244	204	142
Gross profit	40	33	18	30	24
Net financials	-1	1	1	-1	-0
Profit before tax	15	14	3	12	10
Profit for the year	11	10	2	9	8
Balance sheet					
Total assets	246	246	201	173	160
Cash	29	104	95	72	111
Equity	102	98	85	84	81
Interest-bearing debt	23	3	4	4	5
Investments in tangible fixed assets	-2	-1	-1	-1	-0
Cash flows					
From operating activities	-44	37	43	-26	18
From investment activities	-45	-26	-16	-8	2
From financing activities	15	-2	-4	-4	-4
Financial ratio (%)					
Gross margin	10	12	7	15	17
Profit ratio	4	5	1	6	7
Solidity	42	40	42	48	50
Return on equity	11	11	3	11	10
Other information					
Order intake	408	356	497	510	83
Order backlog	898	886	808	552	191
Average number of full-time employees	577	557	484	450	415
Of which employed by the Parent Company	383	355	287	296	251

The profit ratio has been calculated as profit before tax proportional to revenue. The calculation of the remaining financial ratios are described in note 7.1 in the Financial statements.

The key figures are translated at the year-end EUR exchange rate of 7.45

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