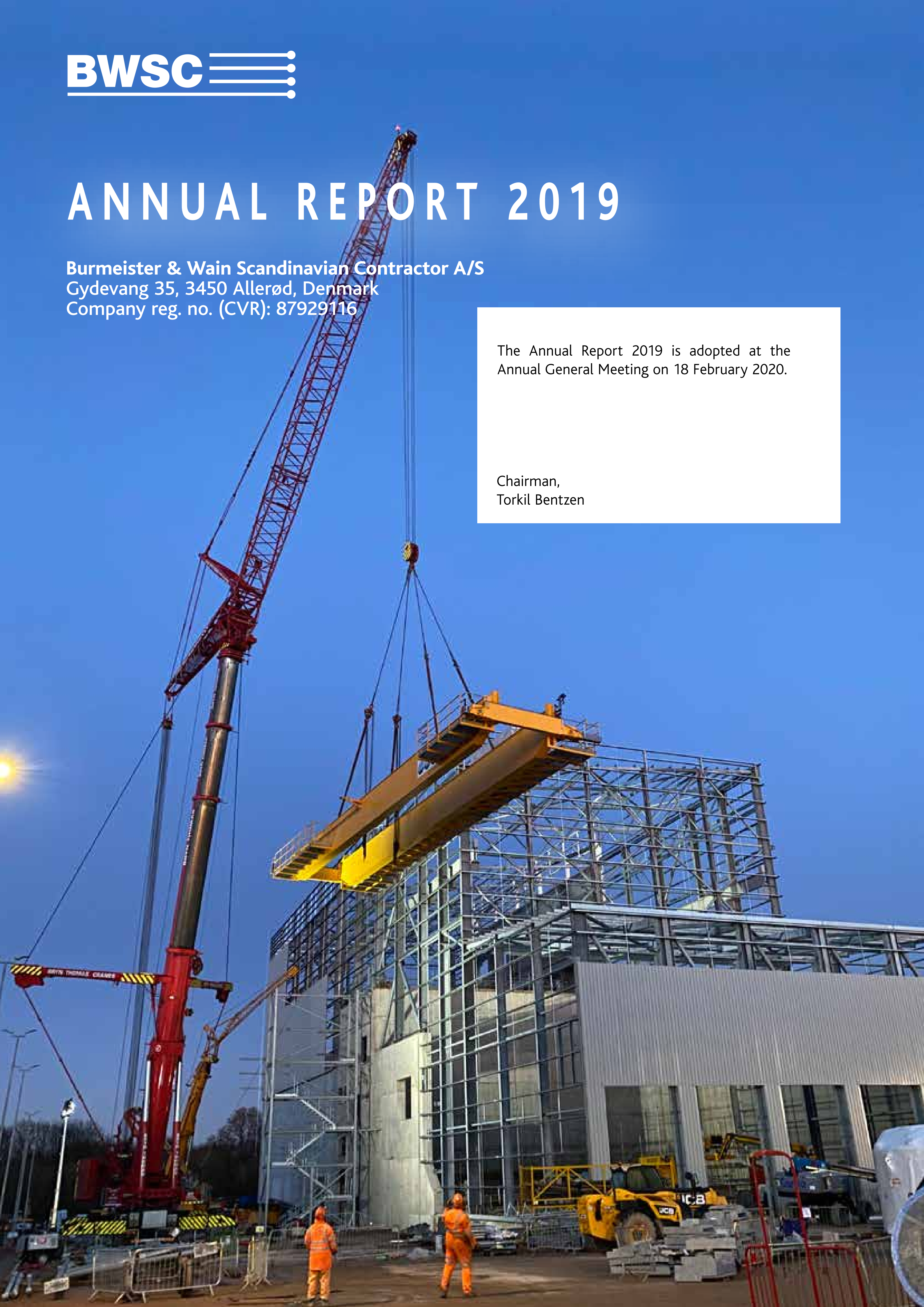


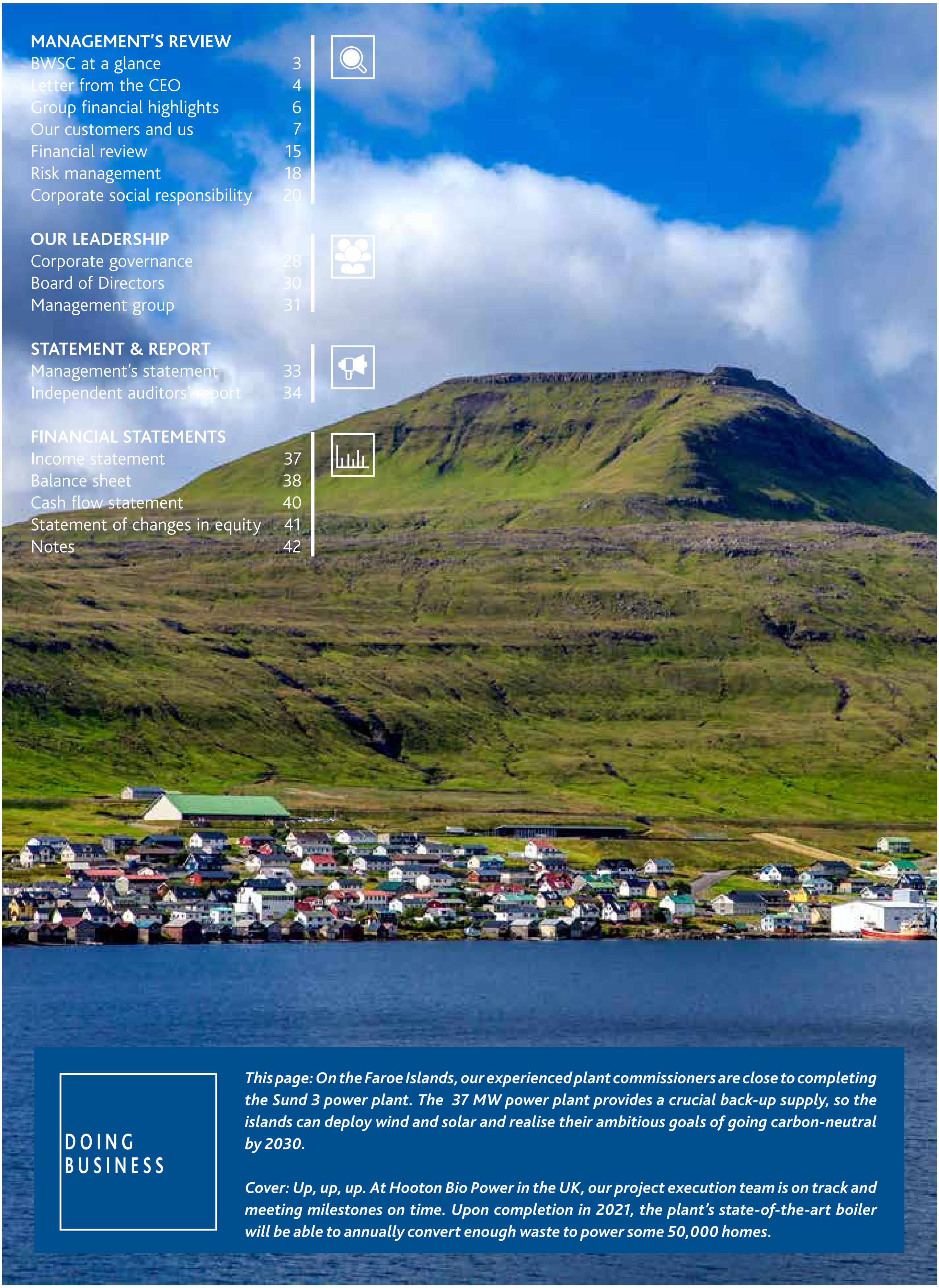
ANNUAL REPORT 2019

Burmeister & Wain Scandinavian Contractor A/S
Gydevang 35, 3450 Allerød, Denmark
Company reg. no. (CVR): 87929116

The Annual Report 2019 is adopted at the Annual General Meeting on 18 February 2020.

Chairman,
Torkil Bentzen

CONTENTS



DOING BUSINESS

This page: On the Faroe Islands, our experienced plant commissioners are close to completing the Sund 3 power plant. The 37 MW power plant provides a crucial back-up supply, so the islands can deploy wind and solar and realise their ambitious goals of going carbon-neutral by 2030.

Cover: Up, up, up. At Hooton Bio Power in the UK, our project execution team is on track and meeting milestones on time. Upon completion in 2021, the plant's state-of-the-art boiler will be able to annually convert enough waste to power some 50,000 homes.

BWSC AT A GLANCE

BWSC is a leading, global provider of low emission medium-sized power plants and offers support to its customers in all phases of the power plant life cycle – from project development through engineering, procurement and construction to operation, maintenance and service.

2018: 2.2
Revenue
DKKbn 1.6

2018: 7.9
Order backlog
DKKbn 6.8

2018: 24
Equity ratio
38%

74 COUNTRIES

TURNKEY POWER PLANTS
BOILERS AND CONVERSIONS
OPERATION, MAINTENANCE AND SERVICE

2018: 2.4
Lost time injury frequency
2.4

2018: 763
No. of employees
766

Nationalities
23

Boilers and conversions
107

14% 86%
2018: 15/85

EPC turnkey installed
MW 4,100

O&M references
25

IPP investment references
10

LETTER FROM THE CEO

WELL POSITIONED IN A CHANGING ENERGY MARKET

The dynamics of the energy market continue to move power generation towards cleaner energy all over the world. The global trend of renewable power generation continues and will play an important role in ensuring a sustainable future. We believe BWSC is well positioned to play an important role in the future power market.

In this context, we have in 2019 launched a new strategy for our role in the energy market; "A new BWSC - Fit for the Future". The key elements of the strategy are to focus on selected attractive markets within biomass-to-energy, waste-to-energy and hybrid energy and to develop and optimise competitive solutions for these. By investing in maturing our solutions through modularisation, we will improve quality and reduce risks during project execution. Furthermore, by acting as one integrated company, we will exploit the synergies of being a Develop, Design, Build & Operate company and thereby reach our full potential.

To ensure a successful implementation of our new strategy we have implemented a new organisation, being fully operational since 1 July 2019. The revised strategy and the new organisation are all elements in our efforts to turnaround the performance of the company, which for the past years has not been satisfactory. As support for our turnaround plans, our shareholder has shown strong commitment and have injected a significant amount of capital into BWSC in 2019.

Through successful execution of our new strategy, we strongly believe we will succeed in enhancing our position in the market for renewable and hybrid energy, creating value for our partners and fulfilling our vision of being the preferred partner for energy solutions.

ACHIEVEMENTS AND CHALLENGES IN 2019

During 2019, we achieved a great deal. We handed over three turnkey projects to our customers and we are on track with our remaining EPC and boiler project portfolio, including the Hooton Bio Power waste facility in the UK. Our O&M and Service businesses are delivering solid results and we have across the business improved our margins and carried out cost savings. Furthermore, we are continuing our good performance with regards to health and safety. In 2019, we obtained two biomass boiler orders to be delivered to and in cooperation with our partner in India – important milestones in our pursuit of sustainable energy solutions.

However, 2019 was also marked by lower than expected order intake and negative financial developments on ongoing projects. This has resulted in a loss before tax for 2019, which is unsatisfactory. We have not obtained the orders we expected for 2019, which to a high degree is due to a significant project not materialising, despite being near to financial close, and postponement of a few other expected orders to 2020. While the order intake for 2019 is disappointing, we are confident that our turnaround efforts will lead the way to sound profitability and we are therefore happy that 2020 has already brought two new projects. Firstly, we received an order for the biomass feeding system, the biomass fired boiler and the flue gas treatment system for the Gentse Warmte Centrale project in Belgium. After construction is completed, BWSC will operate and maintain the power plant for 15 years. Secondly, BWSC has been awarded a contract for the extension of an engine-based power plant in Suriname.

COMMITTED TO INTEGRITY AND COMPLIANCE

At BWSC we are committed to live by our code of conduct, policies and procedures. Therefore, it was very unfortunate that in early 2019, we had to summarily dismiss five employees for breach of our code of conduct. To further strengthen our compliance programme we have introduced numerous initiatives that will renew all-staff commitment to our code of conduct and re-ensure that our values and actions are aligned. In 2020 and beyond we will continue to develop our policies and procedures and further boost confidence in BWSC as a company with a high level of integrity.

Our overall work to improve our procedures and to further reduce any accident and injury risks continue. Our success is to a high degree based on our ability to deliver and operate projects without compromise on safety, quality and customer satisfaction.

THANK YOU

I am confident that 2020 and the years to come will provide great opportunities for BWSC, leading the way towards a prosperous future.

I would like to take this opportunity to thank our employees for their commitment to meeting our partners' expectations and furthering our common goals. Thank you to our customers for your support and trust, and other partners for the collaboration necessary to deliver our solutions and services.

Nikolaj Holmer Nissen, CEO

> Through successful execution of our new strategy, we strongly believe we will succeed in enhancing our position in the market for renewable and hybrid energy, creating value for our partners and fulfilling our vision of being the preferred partner for energy solutions.
>
> **NIKOLAJ HOLMER NISSEN, CEO**

GROUP FINANCIAL HIGHLIGHTS - 5 YEAR SUMMARY

	2019 EURm*	2019 DKKm	2018 DKKm	2017 DKKm	2016 DKKm	2015 DKKm
Income statement						
Revenue	216	1,609	2,158	2,882	2,946	2,106
Gross profit	13	99	105	179	292	244
Financial items, net	0	2	-18	3	-11	7
Result before tax	-14	-101	-201	-45	105	101
Net result	-11	-85	-172	-42	81	76
Balance sheet						
Total assets	235	1,761	1,918	1,935	1,827	1,836
Cash	66	495	521	358	214	774
Net working capital	36	269	-278	-31	87	-465
Equity	90	671	454	656	759	727
Net interest-bearing debt	29	213	216	169	172	25
Cash flow						
From operating activities	-73	-545	114	221	-331	273
From investment activities	29	215	3	-31	-337	-195
From financing activities	40	297	47	-46	108	-12
Financial ratio (%)						
Gross margin	6	6	5	6	10	12
Profit ratio	-6	-6	-9	-2	4	5
Equity ratio	38	38	24	34	42	40
Return on equity	-15	-15	-31	-6	11	11
Other information						
Order intake	64	474	2,955	3,769	3,036	2,655
Order backlog	912	6,797	7,917	7,120	6,687	6,597
Number of full-time employees	766	766	763	715	577	557
Of which employed by the Parent Company	442	442	509	473	383	355

The calculation of the financial ratios are described in note 7.2 in the financial statements. The comparative figures for 2018, 2017 and 2016 have been adjusted as a result of the correction of the fundamental error mentioned on page 43.

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

17 PARTNERSHIPS FOR THE GOALS

TRUSTED PARTNER

The UN Sustainable Development Goals (SDGs) offer direction for our planet as we tackle a myriad of development problems. Thanks to our decades of experience delivering energy solutions, we can play a unique role as a partner for public authorities as they find ways to meet the SDGs. In addition, our solid track record building and operating power plants means that investors and developers are confident and ready to join projects where they see the BWSC logo.

OUR CUSTOMERS AND US

Driven by our mission to deliver world-class, sustainable energy solutions, our goal is to create value for all our customers within the energy sector, our stakeholders and surrounding communities. Together with our customers we contribute to much of what we all expect from a well-functioning society.

In providing energy solutions we aim to achieve a balance between:

Reliable and affordable energy: We are committed to helping our partners achieve the most efficient energy technology available on the market today, resulting in reliable power at reasonable costs to consumers.

Cleaner air: We aim at ensuring an optimal balance between low environmental impact and low cost of ownership for power plant owners. To strengthen our climate efforts, we strive to continuously develop innovative products and processes that improve the sustainability of our power plants. We always offer our customers assistance to choose project specifications that lower CO_2 emissions and improve efficiency of the power plant.

Sustainable development: In executing our energy solutions we are committed to contributing to the UN Sustainable Development Goals (SDGs): We deliver affordable, reliable and modern energy, and we facilitate close partnerships between governments, civil society and private companies. We contribute to economic development by providing industry with access to electricity and by providing employees with job opportunities and good working conditions during the construction and operation of power plants.

We always work within parameters of national legislation and follow internationally recognised standards. Where possible, we strive to exceed the requirements in order to be innovative and demonstrate leadership on the issues that are important to us and our stakeholders.

Our commitment to comply with local rules and regulations, as well as all relevant international conventions, is in line with our endeavour to be a responsible company.

CUSTOMER BASE

BWSC's customers are worldwide utility companies, private owners and investment funds. We see our customers as our partners and will always seek to work together to understand their challenges and help them succeed in their business and turn productivity to prosperity. To better understand our customers, we analyse the business environment they operate in to find the best solutions, to meet their needs and to be flexible if the market changes.

Create value for our customers

From interviews, discussions and satisfaction surveys, we know that increasing productivity, ensuring power plants run optimally and improving fuel efficiency are key to creating value for our customers. By delivering value to our customers and doing so safely, efficiently and timely, we deliver value for ourselves and our owners.

At BWSC we care about energy. Access to energy is essential to achieve sustainable economic growth and develop business and society. We assist customers worldwide throughout the entire life cycle of their power plants.

WHAT WE OFFER

Our core business is to develop, design, engineer, build, maintain, operate and service world-class, sustainable energy solutions within three business areas:

Biomass-to-energy

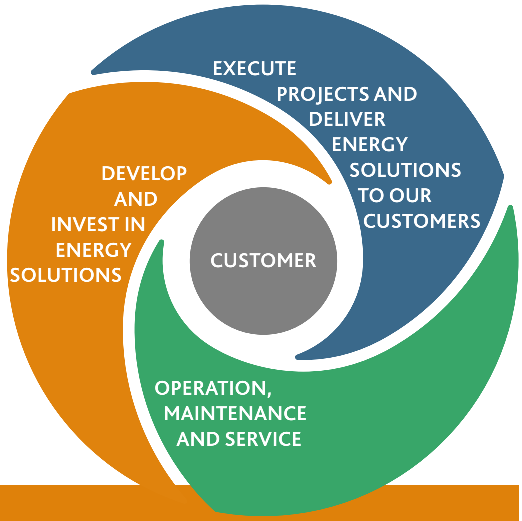
We offer a wide range of biomass boilers for a variety of sustainable bio fuels, either as part of a turnkey EPC contract or as a boiler or boiler island.

Our boiler plants range from 15-70 MWe and are optimised for power and heat production. Elevated steam parameters combined with state-of-the art combustion systems guarantee reliable solutions and high plant effciency.

BWSC is experienced in optimising the use of sustainable biomass resources, which in turn improves the financial performance of the plant for the owners.

continues pages 10

WORKING WITH BWSC



DEVELOP AND INVEST IN ENERGY SOLUTIONS

BWSC is an experienced developer and investor in power plant projects. We support our partners in all aspects of the power plant project from idea to design and engineering to establishing the commercial, financial and legal arrangements needed to develop, construct and operate an independent power producer (IPP) entity. In close cooperation with our partners the design of solutions are continually optimised to fit the customer and market-needs, and learnings are captured to continually improve cost and quality.

IPPs can provide access to reliable and low-cost energy, essential to achieve sustainable economic growth and the opportunity to develop business and society.

EXECUTE PROJECTS AND DELIVER ENERGY SOLUTIONS TO OUR CUSTOMERS

BWSC is a global and leading EPC contractor of customised turnkey power plants. We deliver complete plants to our customers, at an agreed price, date and at a specified performance level. The project execution teams deliver the following solutions in cooperation with strategic partners, suppliers and customers:

- boiler-based EPC projects within advanced conversion technology, waste-to-energy and standardised biomass solutions
- supply and conversion of boilers within biomass
- engine-based EPC projects
- hybrid solutions for conventional renewables either on or off-grid

We always aim to meet our customer's expectations through trusted partnerships with high attention to the customer's needs and project specific requirements.

OPERATION, MAINTENANCE AND SERVICE

BWSC provides a comprehensive set of post-construction services ranging from sale of spare parts, training, maintenance, upgrades and rehabilitation of power plants to technical service agreements and long-term operation and maintenance (O&M) contracts both on BWSC built and non-BWSC built power plants. Under long-term O&M agreements, BWSC guarantees availability and cost levels by taking full responsibility for the operation and maintenance of the power plant, whilst striving for continual optimisation and enhancement.

A well-defined and managed maintenance regime is essential to smooth and reliable operation of a power plant.

OUR CUSTOMERS AND US

BWSC biomass fuelled applications are in general accepted as CO_2-neutral since biomass, if not combusted, would release the same amount of CO_2 through natural decomposition. Furthermore, since consumed biomass can be replaced by planting new trees or crops, biomass fuelled power generation is considered a renewable energy source.

Our boilers offer high fuel flexibility and solutions are available for all virgin fuels. Traditional wood chips or agricultural waste products, including rice and corn straw, with high chlorine/ high alkali content can be used. Using agricultural waste as fuel has the added benefit of a short growth cycle and re-planting will occur naturally as part of agricultural production.

Waste-to-energy

We offer a range of 5-50 MWe waste-to-energy (WtE) plants based on mass burn or advanced conversion technology (ACT) solutions. Our plants are fuelled by solid waste (municipal, household or industrial) or refuse derived/solid recovered (RDF/SRF) waste and can be configured for combined heat and power (CHP).

WtE plants turn waste into valuable energy and minimises the need for landfilling. In addition landfilling is environmentally problematic, because de-composing municipal solid waste generates the greenhouse gas, methane. In addition, water leaching is a threat to surface and groundwater reservoirs.

Hybrid Energy Systems

BWSC is an experienced provider of engine-based power plants to developing countries and to island communities worldwide. We also deliver hybrid energy solutions for conventional renewables either on or off-grid for projects of 50-200 MWe. With an interrelated hybrid solution, it is possible to increase renewable penetration maintaining high reliability and keeping costs low.

When combining renewable energy technologies with conventional generators, economy and environment go together. You can maximise renewable penetration, and hereby minimise carbon footprint, while lowering your operation cost.

In off-grid hybrid solutions, typical for remote locations such as mines, power generation from solar PV and/or wind turbines serves as a cost-efficient fuel saver for the reciprocating engines. Reciprocating engines generate power to balance the supply and demand of power in the system and they ensure grid stability. In cases where short-term demand peaks are frequent, energy storage systems can provide sufficient energy to meet the demand.

Maximising renewable penetration, gives a lower carbon footprint and fuel savings year after year resulting in a lower levelised cost of energy.

OUR STRATEGY

During the past year, we have thoroughly examined the internal and external aspects of our business. We have analysed where we create the most value for our customers, where we are most challenged, and the global trends that will shape our industry in the long-term. For BWSC to continue to remain competitive, we must answer new challenges with new thinking.

Unsatisfactory 2018 financial result as well as the outlook for 2019, called for action to ensure a sustainable BWSC fit for the future. Hence, a strategy review process was initiated in November 2018 and was concluded in early 2019.

In the revised strategy "A new BWSC - Fit for the Future" we focus on fewer attractive markets in which BWSC already has or can achieve a competitive position. Within these focus markets we will build a sufficient and qualified sales pipeline within our three business areas: Biomass-to-energy, Waste-to-energy and Hybrid Energy Systems.

The focus on fewer attractive markets allows for dedicated efforts to develop and optimise competitive solutions. We will sell and deliver customised power plants based on a set of predefined modules, which ultimately will reduce risk and cost.

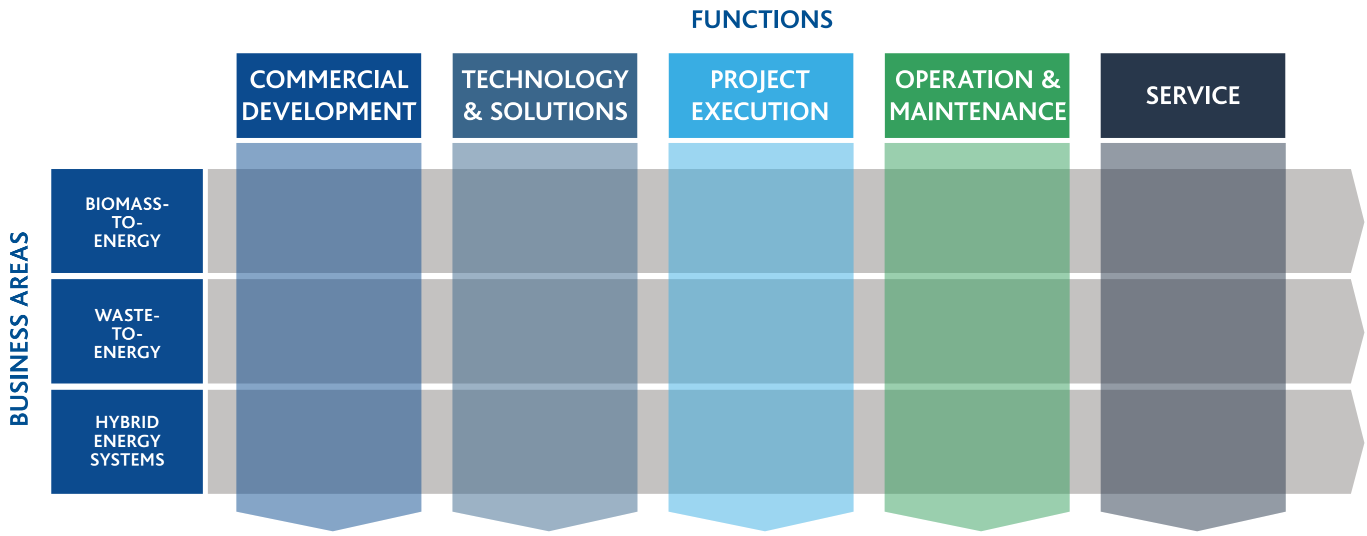
Our new corporate strategy will guide our actions for the years to come. Through it, we will respond to the challenges facing our industry and our surroundings, bringing our mission "to deliver world-class, sustainable energy solutions" to life.

The strategy is founded on our core values: to be credible and act with integrity in all aspects of our work; to be diligent and proactive in our business approach and to meet quality, time and budget commitments.

The strategy has been recognised and embraced in the entire organisation and entails a clear commitment to our mission, goals and values through everything we do.

NEW ORGANISATION TO EXECUTE THE STRATEGY

To deliver on our new strategy and become fit for the future, we introduced a new operating model and organisational matrix structure in 2019. The new organisational structure became effective on 1 July 2019 and is serving two purposes: to achieve functional excellence and to ensure a holistic business perspective through the entire value chain. The operational model below illustrates the transverse areas of responsibility between Functions and Business Areas:



COMMERCIAL DEVELOPMENT

We have transferred commercial activities into three business areas:

- Biomass-to-energy
- Waste-to-energy
- Hybrid Energy Systems

These units are responsible for the sales and market presence within their respective areas, supported by a project development and investment team.

TECHNOLOGY & SOLUTIONS

Development of energy solutions is now anchored in the new function Technology & Solutions with the main objective to form a place dedicated to the design of solutions, where solutions can be optimised together with strategic suppliers, fact-based decisions can be made for the full solution life-cycle and learnings can be captured and thereby lower cost and improve quality.

PROJECT EXECUTION

Project Execution is the function responsible for delivering EPC and boiler projects on time and within specification and budget and always on a "safety first" principle. The function includes project management, technical delivery and supply chain, construction as well as test and commissioning.

OPERATION & MAINTENANCE

As a result of our growing O&M business, we have separated the function from our other service activities. The objective is excellence within the operation and maintenance of power plants.

SERVICE

Our Service function is responsible for delivering spare parts, training, maintenance, upgrades, rehabilitation of power plants and technical service agreements.

COMPLIANCE IN EVERYTING WE DO

Compliance comprises quality, health, safety (QHSE), business integrity, legal and enterprise risk management. Compliance is important for everything we do, and we have in 2019 established a new compliance department.

OUR CUSTOMERS AND US

MARKET DEVELOPMENT

The way electricity is being generated is changing rapidly, prompted by global efforts to mitigate climate change along with significant reductions in the cost of renewable power generation. Impacts of global development on the environment and the COP24 "rulebook" to govern the Paris agreement on greenhouse gas accountability, along with the 17 UN Sustainable Development Goals (SDGs), have affected the power generation industry with increased focus on emissions and the need for "affordable and clean energy for all".

BWSC embraces and supports this development by maximising the environmental and economic performance of all our power plants and emphasising the importance of sustainable innovation and total plant efficiency to our customers. We refer to the corporate social responsibility section of this report for further information on BWSC's role in society and how our activities support the SDGs.

Biomass-to-energy

Opportunities in the biomass-to-energy market are growing worldwide, and growth in installed capacity of solid biomass power plants in excess of 30% is expected over the next decade. Building on a strong portfolio of reference projects, BWSC is particularly active in targeting markets for 15-70 MWe size biomass plants as well as biomass conversion projects.

A primary driver behind biomass-to-energy development is overall policy targets such as those defined in EU's Renewable Energy Directive, and regulatory incentives and price supports. Markets in Belgium, Germany, France, Poland, Switzerland and the UK are considered among the most attractive, driven by regulatory incentives and escalating demand for renewable energy sources.

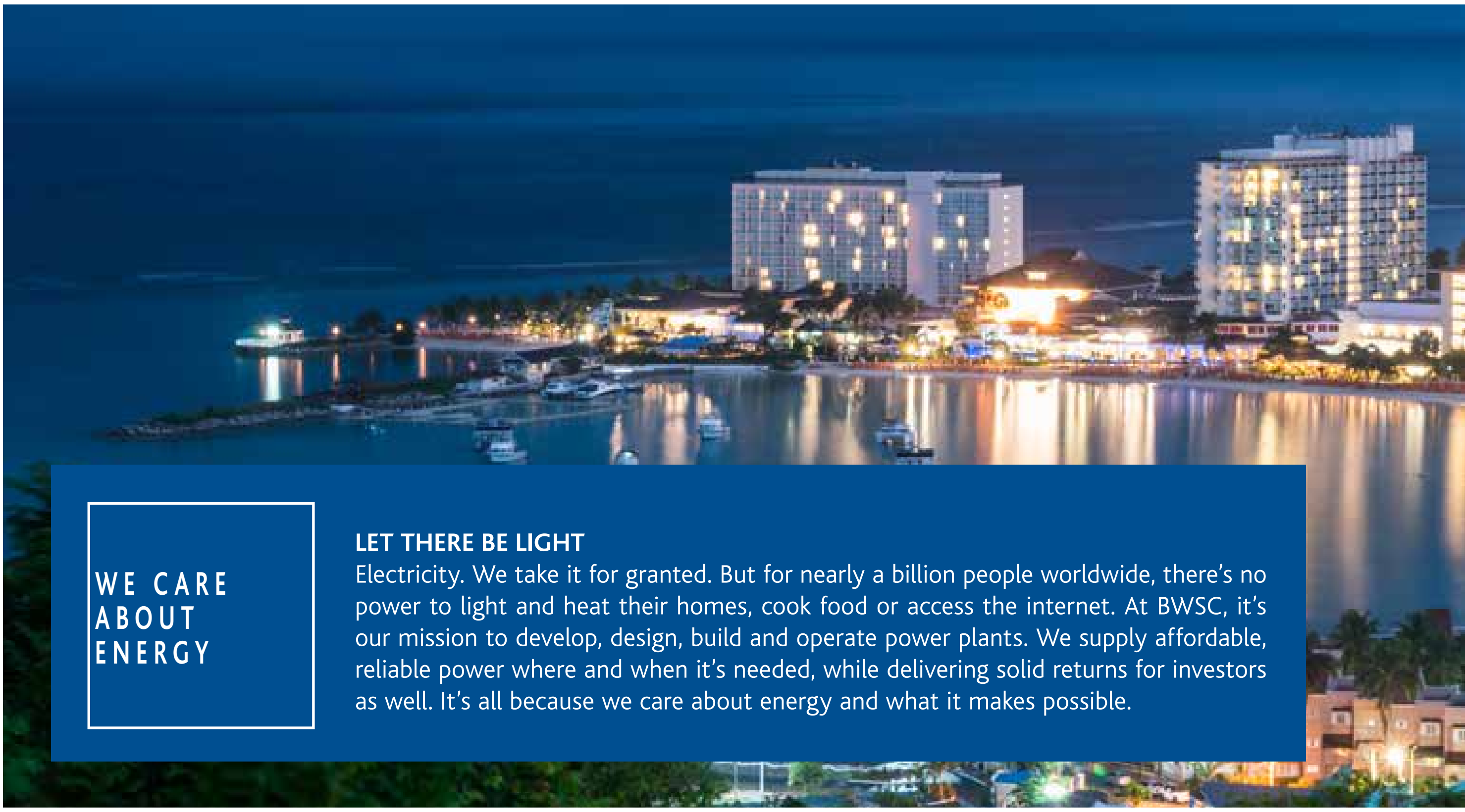
Also driving demand for biomass power plants is the need in many markets to remove large volumes of agricultural residues in an environmentally friendly way, as can be seen, for example, in India, Indonesia and Malaysia.

The move away from coal is leading to another emerging trend: the conversion of coal-to-biomass. In the European and North American markets where this conversion has mostly occurred, wood pellets are being more extensively used. Coal-to-biomass conversion in the coming years is also expected to be more pronounced in countries such as Australia, Canada, Japan and South Korea.

Waste-to-energy

The global market for thermal waste treatment has experienced significant growth within the past decade, with further growth expected in the decade to come. Factors driving the development include diminishing landfilling space, especially in urban areas; environmental policies aimed at diversion of residual waste towards non-landfill treatment and disposal; and for those countries where there exist mature portfolios of thermal treatment infrastructure, a need for ongoing asset upgrades and replacements.

BWSC is active in markets for both ACT and mass burn waste-to-energy solutions.



WE CARE ABOUT ENERGY

LET THERE BE LIGHT

Electricity. We take it for granted. But for nearly a billion people worldwide, there's no power to light and heat their homes, cook food or access the internet. At BWSC, it's our mission to develop, design, build and operate power plants. We supply affordable, reliable power where and when it's needed, while delivering solid returns for investors as well. It's all because we care about energy and what it makes possible.

In the UK, ACT projects are now economically viable and the UK Contract for Difference (CfD) scheme provides favourable supports to the technology. BWSC is in the process of constructing the Hooton ACT plant, while a number of other plants are in the development/planning stages.

Globally, there is greater demand for mass burn solutions and BWSC is targeting this market with focus primarily on:

- UK, where the national landfill tax has stimulated what is now the market in Europe with the largest number of WtE projects in planning/development phases;
- EU, both for countries lagging behind their obligations to develop thermal treatment infrastructure in response to EU's Landfill Directive, and for those countries with mature portfolios where upgrades/expansions are needed;
- Islands with sufficient population density, and where environmental concerns, economic growth and limited land availability are driving demand for thermal waste treatment solutions.

Hybrid Energy Systems

Climate change concerns have impacted on the market for traditional stand-alone engine-based power plants providing base load. There is instead growing focus on hybrid systems combining peaking applications in support of intermittent renewables like solar and wind. Engine-based technology, using either liquid or gaseous fuels, enables a highly efficient, low CO_2 emitting power supply with very quick response time. It is currently the most feasible and environmentally friendly solution for balancing wind and solar power to ensure a stable power supply.

Attractive markets for hybrid systems include developing countries in e.g. Africa and island communities with conditions that do not always support reliable energy supply solely through renewable technologies and where BWSC has a strong foothold.

Demand for hybrid systems is growing in the mining sector as well, driven by major players' concern about their carbon footprint as well as the levelised cost of energy considerations. Declining costs within solar, wind and battery technologies are allowing mines to both increase renewable penetration and achieve overall reductions in marginal costs of power production.

BWSC is actively targeting the mining sector. BWSC's strong track record of delivering solutions to remote locations, our ability to wrap major risk across an entire hybrid system, and ability to guarantee high plant availability – represents a good fit with the sector's demand. Focus markets consist of countries where there is overall forecast growth in mining production, and where mines are predominately located remotely where the grid connection is unstable or nonexisting (for example, Africa, Australia, Chile and Peru).

OUR CUSTOMERS AND US

COMPETENCE POOL

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

Delivering high quality products in a safe and healthy environment is at the core of our business. All our power plants are built to recognised international standards and norms, and we continuously strive to improve and streamline processes and products together with our partners.

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

To maintain and develop the skills and competences of our employees and to stay at the forefront of technological developments, BWSC places great emphasis on our employees' education and training. We refer to the corporate social responsibility section of this report for further information on initiatives taken to develop employees.

HISTORY

Burmeister & Wain contractor, which later became BWSC, was established in 1977 as part of Burmeister & Wain Group (B&W) which was a large Danish shipyard and a leading producer of engines and steam boilers with its earliest roots dating back to 1843.

In 1980, the division became an independent company, and in 1990, it was acquired by Mitsui E&S in Japan, with Mesco Denmark A/S as the direct owner. Mitsui E&S was established in 1917. Today it is one of Japan's leading heavy industry companies employing approximately 13,000 people.

In 2017, BWSC acquired Burmeister & Wain Energy's (BWE) biomass activities and other activities, including more than 80 former BWE employees. BWE is also historically rooted in B&W. The acquisition secured BWSC's position as a leading provider of technologically advanced boiler systems.

Image: Ichihara construction site, December 2019. Mitsui E&S as EPC contractor and co-investor, BWSC as advisor and O&M contractor.

13 CLIMATE ACTION

FROM POLLUTION TO ENERGY

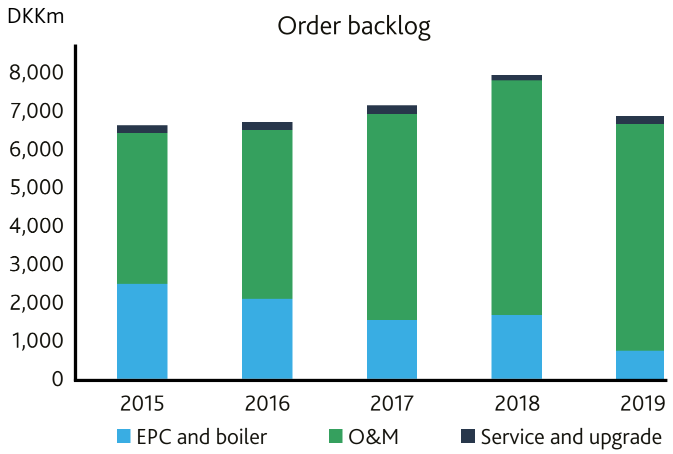
Increasing greenhouse gas emissions are a global problem. At BWSC, we are part of the solution. Our biomass-to-energy power plants supply carbon-neutral electricity to hundreds of thousands of households and businesses. And we're just getting started. In many countries, biomass waste continues to be burned on open fields, causing massive air pollution. By collecting that biomass and using it as a fuel in our advanced boiler systems, we transform a waste product into valuable energy.

FINANCIAL REVIEW

The net result for the year is a loss of DKKm 85 compared to a loss of DKKm 172 in 2018. Despite the significant improvement the result is not considered satisfactory. The loss is primarily caused by projects that have not materialised, delayed orders, cost overruns on some of our projects, and lower than expected results from investments. The result is also impacted by one-time costs related to the revised strategy and organisational restructuring.

ORDER INTAKE AND BACKLOG

The order intake for 2019 amounted to DKKm 474 compared to DKKm 2,955 in 2018. The order intake primarily relates to service projects with DKKm 402. The EPC projects order intake has been unsatisfactory low with DKKm 72 (2018: DKKm 1,578). The order backlog amounts to DKKm 6,797 (2018: DKKm 7,917). The order backlog is specified as follows.



EPC projects, that ensures revenue over the construction period – typically around 2-3 years per project, have been below expectations in 2019, whereas service order intake have met expectations. O&M projects which ensure revenue over the lifetime of the contract (up to 20 years), will to some extend follow the EPC projects and have consequently also been below expectations.

REVENUE

Revenue in 2019 amounted to DKKm 1,609 compared to DKKm 2,158 in 2018. The decrease is due to delayed and lacking orders, especially EPC orders. 59% of revenue relates to the EPC activities (2018: 67%).

EBIT

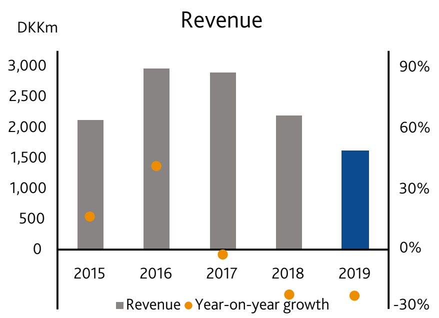
The financial performance has been below expectations, which has resulted in a loss before interest and tax (operating result or EBIT) of DKKm 75 for 2019 compared to a loss of DKKm 101 in 2018. The unsatisfactory EBIT is mainly the result of lacking orders and technical and commercial matters related to a few challenging projects. Despite cost savings carried out, the impact herefrom has not been sufficient to cover the impact of the decline in revenue by DKKm 549 from 2018 to 2019.

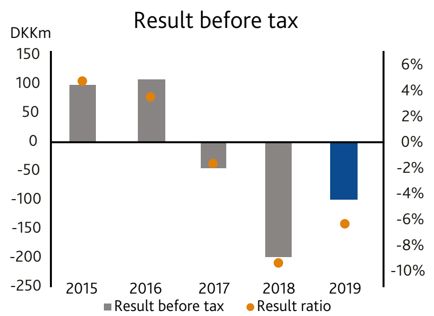
UNCERTAINTIES

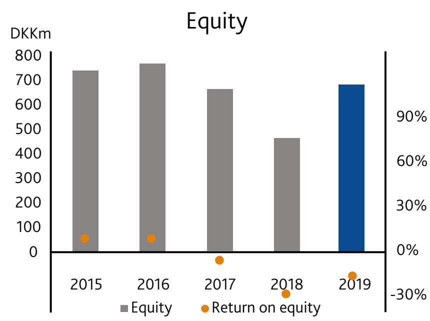
In 2014, two engine-based projects in the Middle East were suspended due to the client not paying the milestone payments on time. The outstanding milestone payments were paid at the end of 2014, and the suspension was lifted at the beginning of 2015. BWSC has claimed the customer for direct costs, overhead and profit. A part of the costs related to the claims have been included in the project accounts/work in progress over the years. At the end of 2016, the taking-over-certificates (TOC) were signed by the customer. Since 2017, focus has been on reaching an agreement on the claims with the client's representatives. Since it has not been possible to reach an agreement, we decided in 2018 to file for arbitration through ICC, France. The arbitration is currently on stay due to ongoing settlement discussions with the client. The arbitration case may be restarted dependent on the outcome of the settlement discussions. A material part of the amount we are claiming has not been recognised as income due to the claim negotiations not being finalised. The outcome of the claim settlement is uncertain, and it is considered likely that it could have a material positive impact on result before tax when the claims have been settled.

FINANCIAL INCOME AND EXPENSES

BWSC has made a number of investments in power plants together with partners. The main investments are the Brigg, Snetterton and Kent biomass power plants in the UK. All







the power plant BWSC has invested in are in operation. Key elements for the financial performance of the plants are the sales price for the power produced and fuel prices. For all of the power plants BWSC has invested in, BWSC earns revenue from operating and maintaining the plants. The power prices in the UK are below the expectations, which has a negative impact on the operating profit from the investments in associated companies. Result from investments in associated companies amounts to DKKm -27 (2018: DKKm -83). In 2018, the result from investments in associated companies, included impairment losses of DKKm 87.

RESULT BEFORE TAX

Result before tax for 2019 amounts to DKKm -101, which is an improvement of DKKm 100 compared to 2018. The vast majority of the improvement stem from result of investments and financial items.

TAX

Tax for the year is an income of DKKm 16 compared to an income in 2018 of DKKm 29. The tax income is a net amount of payable and deferred taxes, etc. The tax payable for the year is an expense of DKKm 6 (2018: DKKm 18).

NET RESULT

The net result for the year is a loss of DKKm 85 compared to a loss of DKKm 172 in 2018. The loss is proposed carried forward to next year and consequently offset in the retained earnings under equity.

INVESTMENTS

In 2016 and 2017, BWSC invested significant amounts in the Kent power plant that was also being built by BWSC and the project has furthermore secured BWSC an O&M contract. In connection with the Kent plant achieving ROC accreditation in 2019, BWSC sold a major shareholding in the project for an amount of DKKm 226, which is the primary reason for the decrease in financial assets from DKKm 463 at the end of 2018 to DKKm 225 at the end of 2019. 25 September 2019, BWSC has furthermore acquired an additional shareholding in Asia Power (Private) Ltd, Sri Lanka, thereby obtaining control over the company. Asia Power (Private) Ltd is from the time of obtaining control a subsidiary of BWSC and included in the Group financial statements. In connection with the acquisition negative goodwill of DKKm 8.9 was recognised as other operating income. The company has an ownership share of 55% in Asia Power (Private) Ltd and has thus recognised a non-controlling interest of 45%.

WORKING CAPITAL

At year end 2019 net working capital amounted to DKKm 269, an increase of 547 DKKm compared to 2018. The main reason for the increase is a decrease in prepayments from customers. Reducing working capital bindings will continue to be a focus area going forward.

CASH FLOW

Cash flows from operating activities amounts to DKKm -545, which is a decrease of DKKm 659 compared to last year. The decrease is mainly caused by large project down payment received late 2018, which has been used for projects in 2019, and the loss of the year. Cash flows from investing activities amounts to DKKm 215 versus DKKm 3 last year. Cash flows from investing activities mainly related to proceed from the disposal of a share in a power plant. Cash flow from financing activities amounts to DKKm 297 compared to DKKm 47 last year. In 2019 cash flow from financing activities is mainly due to capital increase and loan from the ultimate parent company less repayment of bank loan.

EQUITY

Equity amounts to DKKm 671 (2018: DKKm 454), and the equity ratio equals 38% (2018: 24%). The equity ratio has increased mainly due to a capital injection of DKKm 300 received from BWSC's parent company in November 2019. Equity is also impacted by the loss for the year, value changes of financial instruments and exchange rate adjustments.

The total eliminated profit on power plants built by BWSC due to BWSC's ownership share amounts to DKKm 145 (2018: DKKm 108). The total eliminated profit will be taken to income over the operational lifetime of the power plants.

In 2016-2018 internal profits on two EPC projects had erroneously not been eliminated. This has been corrected as a fundamental error, please see "Note section 1 Basis of reporting" page 43.

2020 OUTLOOK

BWSC carried through a strategy review in 2019 and made an organisational restructuring of the company. It is expected that the transition of BWSC will take another one to two years and 2020 is therefore expected to be a year of transition for BWSC. Certain initiatives will be implemented regarding market focus, competitiveness and optimisation. We expect to see an effect from these initiatives on our profitability on a medium to long-term basis. For 2020 we expect an improved operating result, and a positive result before tax.

Forward looking statements like the 2020 outlook are uncertain and depend on a number of factors. Furthermore, BWSC disclaims any liability to update or adjust statements in the Annual Report 2019 about future or possible reasons for differences between actual and anticipated results except where required by law.

RISK MANAGEMENT

BWSC has procedures in place to mitigate identified significant risks, where possible. Risks comprise risks related to our operational activities and financial risks.

OPERATIONAL RISKS

General

Our business includes large turnkey construction, operation, maintenance and service projects in a number of jurisdictions. As well as related contracts with sub-suppliers and consortium partners, which exposes BWSC to a number of risks.

Each project is carefully evaluated in the sales, planning and execution phases. BWSC continuously assesses risks, including possible consequences and mitigating actions. Below, some of the significant risks BWSC is exposed to along with the mitigating actions are mentioned.

BWSC's responsibility is related, to a large extent, to risks within our control, i.e. construction on time, within budget, guaranteeing efficiency and availability of the plant. The plant owner is usually responsible for fundamental supply issues relating to, e.g. fuel supply.

BWSC's activities consist of a portfolio of boiler and engine-based projects in different countries. The projects are based on different technologies, and furthermore, the main suppliers may vary from project to project.

The power plant industry is cyclical, by nature dependent on the development in the power sector, subsidy schemes, investment climate, etc. However, our service, operation and maintenance business is less cyclical. Power plants require ongoing service, operation and maintenance which are typically long-term.

At the end of 2019, BWSC has investments in ten power plants in five countries, hereof six biomass and waste-to-energy (boiler-based) plants and four hybrid (engine-based) plants. The primary location for the biomass and waste-to-energy plants is the UK. The other plant investments are in Kenya, Panama, Sri Lanka and Mali. Investments in different technologies and countries are key elements in managing the investment risk. BWSC has entered into long-term O&M contracts for the majority of these plants which mitigates a material part of BWSC's investment risks.

The main operational risk is currently related to one boiler-based plant under construction in the UK, with expected hand-over in 2021 and an engine-based power plant under construction in Bermuda, with expected hand-over in 2020. In Q1 2020 BWSC contracted two projects with commencement in 2020; a boiler design and supply project in Belgium and an engine-based project in Suriname. These will also constitute operational risks until 2022 and 2021 respectively.

Projects

Management conducts a thorough review of all EPC, O&M and other projects on ongoing basis, to manage operational as well as financial risks associated to the projects. A large part of BWSC's business is being responsible for EPC, O&M and other contracts for large and complex power plants. 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 the same can cause significant cost overruns. 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. All large EPC, O&M and other tenders must be reviewed and approved in line with internal guidelines. As part of a strengthened approach to project risk management, business associates are evaluated and screened as part of a due diligence exercise. This includes customers, advisors, suppliers and consortium partners.

Before signing contracts or investing in projects, BWSC has to go through a formalised risk checklist (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 and the Board of Directors. Large investments furthermore need to be approved by Mitsui E&S. Emphasis is for instance on the planning of project execution thereby ensuring that the road is paved for a smooth implementation. Strong project management and ongoing follow up on project milestones are prerequisites for a successful project implementation.

Bribery and corruption

BWSC operates in many parts of the world, including places where the view on business ethics and business practices may differ from our code of conduct. To mitigate the risks and ensure absolute compliance with our code of conduct, including zero tolerance toward bribery and corruption, we are committed to maintain a best practice compliance programme for a business of our size, nature and risk profile. Standard procedures include due diligence procedures, training, monitoring and reporting via a whistleblower line.

Safety

Personal safety is a basic expectation and 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 financial performance. Occupational health and safety systems, travel safety instructions and QHSE management guidelines are aimed at protecting employees, suppliers and contractors. Information about mitigation etc. is described in the corporate social responsibility section.

Procurement

Manufacturing for EPC projects is performed by either consortium partners or a global network of subcontractors and suppliers. This approach has proven to be a robust and sustainable business setup which is suitable for a cyclical industry. 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 agreements with important suppliers. Inspections at key suppliers' workshops etc. are performed on an ongoing basis to minimise risk.

Human resources

In a knowledge-based company like BWSC, the employees are our most important resource. It is an ongoing focus area to attract and retain employees with the competences needed to continue to develop BWSC's business. 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 related KPIs is in focus.

Brexit and market risks

Our core market in the UK is marked by political uncertainties about the final consequences of Brexit and this may also influence BWSC in relation to currency and other matters like duties, taxes and free movement of labour. This may have an impact on future projects in the UK. For ongoing EPC contracts, we are to a large extend protected by change of law clauses. For ongoing operation and maintenance projects most employees are from the UK and major portion of spare parts etc. is sourced locally. 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 has a partly flexible cost structure with a solid O&M order backlog, which means that BWSC partly is able to adjust the business to mitigate the effect of new market trends.

FINANCIAL RISKS

Currency risk

As BWSC operates internationally, the income statement, the balance sheet and cash flows are subject to the risk of currency fluctuations, mainly in relation to transactions and exposures in GBP and USD. Part of the risk is mitigated through natural hedges within activities where BWSC has both income and expenses in the same currency. However, the risk is not fully covered by natural hedges, and consequently BWSC hedges certain future cash flows against DKK or EUR.

Credit risk

Our credit risk is primarily related to trade receivables from state-owned as well as privately owned corporations. Where feasible, we seek to mitigate credit risk by structuring payment terms and in some instances applying instruments such as letters of credit or bank guarantees.

Counterparty risk

Counterparty risks relate to credit risk on financial institutions when dealing with them, either by placing deposits, entering into derivative financial instrument transactions, or otherwise. In order to reduce the risk, BWSC in all material aspects only deals with financial counterparties that management believes have a satisfactory credit rating from a recognised international credit rating agency.

Investment risk

Investments in different technologies and countries are key elements in managing investment risks. Among the risk factors are currency risks, risks associated with the sale of electricity and fuel costs. The most important currency risks relate to GBP due to our investments in biomass and waste plants in the UK. Electricity price risk is the risk that fluctuations in electricity sales prices could adversely impact on BWSC income generation from our 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.

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.

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.

Liquidity and financing risk

BWSC must maintain sufficient liquidity to fund daily operations, debt service, and initiate new projects. Our access to liquidity consists of cash and cash equivalents. Furthermore, BWSC must be able to provide guarantees to facilitate entering into new contracts and projects. Our access to guarantees is based on cooperation with a number of recognised financial institutions. Some of the financing arrangements are subject to requirements and financial covenants from the financial institutions and negotiation with these. If requirements and financial covenants are violated, this could limit the ability to finance our operations and capital needs for business activities.

Tax risk

BWSC's business is carried out through the Danish parent company as well as through a number of entities abroad. The structure implies that a number of different direct and indirect taxes apply on a global basis. The complexity of our business and the business structure requires dedicated focus on tax management, respecting international tax principles and local tax law while managing the tax cost and tax risk of BWSC. It is our goal at all times to comply with the tax legislation in the countries in which we operate – in accordance with OECD standards. We seek to mitigate tax risks by clarifying uncertainties by involving external advisors and by taking a justifiable position in accordance with international tax principles.

COMMUNITY ENGAGEMENT

IT TAKES A GLOBAL VILLAGE...

We strive to contribute to the communities where our power plants are located. Working closely with local authorities, we have secured clean water sources, expanded hospitals and schools, contributed scholarships and provided ambulance services. It's all part of our belief that by making a positive difference in the towns and villages where we are located, we play a role in making the world a better place.

BWSC corporate social responsibility (CSR) is about making the right choices through setting environmental, social and governance standards for the organisation and its surroundings.

OUR ROLE IN SOCIETY

Since our foundation, our aspiration has been to supply energy solutions that create value for all stakeholders. Today, our reference for determining the value we create is also defined within the UN Sustainable Development Goals (SDGs). We deliver affordable, reliable and modern energy, and we facilitate close partnerships between governments, civil society and private companies. We contribute to economic development by providing industry with access to electricity and by providing employees with job opportunities and good working conditions during the construction and operation of power plants.

BASIS OF REPORTING

The BWSC Business Code of Conduct, which can be found on bwsc.com, is, together with other policies, guidelines and 'tone from the top', the basis for our CSR work. All employees must comply with the code and the principles within are incorporated into BWSC business processes.

The BWSC Business Code of Conduct also takes into account the UK Modern Slavery Act on initiatives taken to combat offences related to slavery, servitude and forced compulsory labour. Our statement in this respect can be found on bwsc.com.

We are committed to adhering to the principles of the UN Global Compact and encourage our suppliers and other business partners to support the principles. BWSC's CSR and sustainability efforts are based on the principles of the UN Global Compact in the area of climate and environment, human and labor rights and business integrity (anti-corruption and bribery).

In our "Sustainability and CSR" publication, found on bwsc.com, we give a detailed account of our results, objectives and compliance procedures.

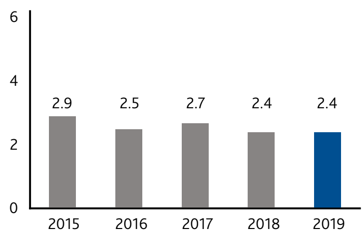
HUMAN AND LABOUR RIGHTS

With a revised and updated Business Code of Conduct, BWSC makes a clear commitment to respect and protect human rights as a fundamental and general requirement. This includes initiatives as reported in the UK Modern Slavery Act, and will also help ensure a commensurate remuneration of employees in BWSC and our business associates. Finally, BWSC commits to equal opportunity and non-discrimination in the workplace and expects business associates to share these values.

Health and safety

Delivering high quality products in a safe and healthy environment is at the core of our business. BWSC undertakes to comply with the relevant legal regulations for health and safety in the workplace and BWSC's specific policies on health and safety. All our power plants are built to recognised international standards and norms, and we continuously strive to improve and streamline our processes and products together with our partners. At BWSC we require a safe working environment for each of our employees and will implement precautionary measures to help protect employees from work-related hazards.

Lost time injury frequency (LTIF)



Calculated per million hours worked

While one accident is still one accident too many, 2019 has been a good year for BWSC in terms of safety with lost time injury frequency (LTIF) of 2.4, thus below the target of 2.5 for 2019.

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

HEALTH AND SAFETY OBJECTIVES	PERFORMANCE INDICATOR 2019	STATUS	PERFORMANCE INDICATOR 2020
To promote awareness of health and safety on construction sites	Collect 50 near-miss reports per million hours worked	Not achieved (result: 33)	TBD
To promote awareness of health and safety throughout the organisation	Relevant technical employees to attend 4 hours quality/safety related training every year	Achieved	TBD
To ensure a high standard of occupational health and safety at BWSC work places	LTIF target is 2.5 or below	Achieved	LTIF target is 2.2 or below

New targets are being defined and the methodology for collecting data is being developed and will be further defined throughout 2020.

Diversity and non-discrimination

Equal opportunity for all employees is important to BWSC, and accordingly, we do not differentiate on the basis of gender, nationality, age, sexuality, religion, culture, etc. when people are employed or promoted. BWSC has a diverse employee group consisting of 23 nationalities.

Out of the total number of employees, approximately 14% are women (2018:15%) and 6% of the managers are women (2018: 10%). While the number is considered reasonable, when comparing to the gender composition in the contracting industry in general, 2019 has unfortunately seen a decrease in female representation. The reason for this is primarily resignations. Women in management will continue to be in focus over the coming years. The future share of women in management should be above the current level and increased to 12-15% by 2024.

Today, the Board of Directors consists of one woman elected by the employees, but no women elected by the general assembly. A target has been set stating that one member of the Board of Directors of BWSC elected by the general assembly must be a woman by 2022.

Risks and risk management

Running large construction sites and operating power plants with heavy machinery, increases the risk of work accidents. Accordingly, health and safety are key focus points for BWSC, first and foremost due to the human consequences of accidents. In addition, accidents can affect BWSC's reputation and earnings.

Over the years, BWSC has improved our integrated QHSE management system. In 2019 the OHSAS 18001:2007 standard was replaced by the new ISO 45001:2018 standard. BWSC is now certified to ISO 9001:2015 standard for Quality Management Systems, ISO 14001:2015 standard for Environmental Management Systems and ISO 45001:2018 standard for Occupational Health and Safety Management Systems. Several of our UK O&M sites have also achieved certifications and our goal is to continue to expand.

In 2019, the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standard certifications were expanded to include the Rabai O&M site.

Further risks and mitigation measures are found in the risk management section.

Due to the nature of work at BWSC and in the contracting industry in general, BWSC does have an overrepresentation of men and it is difficult to set specific goals for a more balanced distribution. Gender distribution, however, is a key focus area for BWSC and a yearly review of the composition is made and recruiting practices take the results into account.

BUSINESS INTEGRITY (BRIBERY AND ANTI-CORRUPTION)

In 2019, BWSC has had particular focus on further strengthening our culture of integrity and strong business ethics. In October, BWSC launched an update to our code of conduct, which supports and promotes our core values of trustworthiness, credibility and integrity. This latest update includes several new elements of business integrity, including commitments regarding human rights, environmental protection, and fair market conduct, in addition to the long-standing policies on anti-corruption and zero tolerance towards bribery. Specific activities included company-wide presentations and site-visit by our CEO and Compliance Manager. Global presentations and targeted and risk-based trainings will continue throughout 2020.

GOVERNANCE OBJECTIVES	PERFORMANCE INDICATOR 2019	STATUS	PERFORMANCE INDICATOR 2020
To promote awareness of BWSC values	100% attendance at BWSC intro seminar for new employees	Achieved	100% attendance at BWSC intro seminar for new employees in Denmark
	100% staff completion of online anti-corruption training course	Partly achieved[1]	100% completion of online anti-corruption training course in 2020 by all relevant staff (Denmark and sites)
To follow up on any misconduct within the organisation	Full disciplinary actions based on e.g. reporting via the whistleblower line (grievance mechanism)	Achieved	Adequate follow-up to reports of misconduct (via whistleblower line or line management), according to policies and guidelines
	N/A	N/A	Implement revision of disciplinary procedures in relation to breaches of governance and compliance procedures
To ensure business associates'[2] compliance with BWSC Business Code of Conduct	Review all business associates using Know Your Customer tool	Achieved	All contracted business associates are monitored against Global Watch Lists (sanctions), adverse media appearance and enforcement databases
	Contractual commit 95% of all major suppliers to follow the UN Global Compact Statement principles 1-6	Achieved	All new business associates sign the BWSC Business Code of Conduct for Business Associates

[1] All new employees completed the online course in 2019. Relaunch to existing employees was postponed to 2020. In 2020 it will be mandatory for all employees to have completed the e-learning.
[2] Business associates as defined in the BWSC Business Code of Conduct.

For further information on BWSC's procedures implemented to ensure compliance with BWSC's anti-corruption and bribery procedures we refer to our publication "Sustainability and CSR".

Risks and risk management

BWSC operates in many parts of the world, including places where the view on business ethics and business practices may differ from our code of conduct. To mitigate the risks and ensure absolute compliance with our zero tolerance for bribery, breach of code of conduct, and other non-compliance, BWSC is committed to maintain a best practice compliance programme for a business of our size, nature and risk profile. Standard procedures include due diligence procedures, training, monitoring and reporting via a whistleblower line.

In 2019, BWSC concluded an investigation into a whistleblower report which was received in 2018. The investigation conducted by external lawyers, concluded that a small group of employees, in connection with sale of projects in Africa, had acted against our company's policies. Furthermore, the investigation gave reason to suspect that criminal actions have occurred, including bribery. As an immediate outcome, five employees were summarily dismissed and two persons were reported to the police for suspected illegal activities.

Subsequently the management and the board decided to review and further strengthen the compliance programme in BWSC.

ENVIRONMENT AND CLIMATE

BWSC is committed to and recognised for providing leading technology and highly efficient products, helping our customers to produce more while using less. All power plants built by BWSC, regardless of fuel type and technology, are designed to operate in accordance with national and international environmental legislation and standards, including the CO_2 emissions standards of the International Finance Corporation (IFC) environmental guidelines for thermal power plants.

Risks and risk management

While we acknowledge that we have limited influence on the project specifications set by the customer, we always advise our customers to select the best power generation technology for the fuel chosen to balance environmental and economic benefits. Where engine-based technology is the only option, we encourage our partners to consider gas-conversion if possible, and/or hybrid solutions involving a mix of conventional fuels and renewables, such as wind or solar, thus reducing the cost of operation while providing environmental benefits.

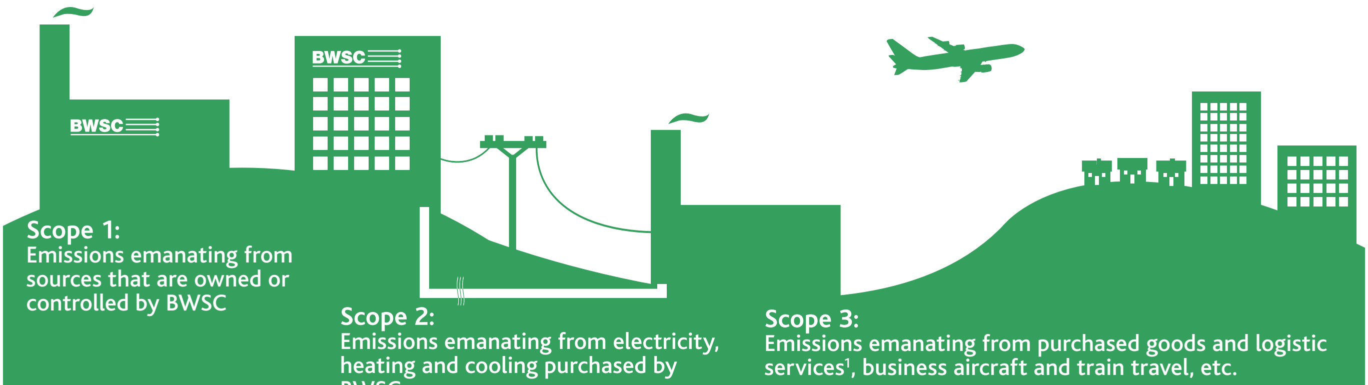
Reporting on our CO_2 footprint

In addition to delivering environmentally friendly solutions, BWSC has for the fourth year in a row collected data on our own carbon footprint. Since 2017 we have collected scope 3 CO_2 data emanating from business related aircraft travel as well as external transportation of BWSC goods. In 2016 scope 3 CO_2 was gathered only for business related aircraft travel. Only CO_2 is considered and not any other gas with greenhouse warming risk. We continue to develop our principles and models for calculating our CO_2 footprint.

Looking at figures for the BWSC Group, the total footprint in 2019 was 4,547 tonnes CO_2 or 2.8 t/DKKm revenue, against 4,814 tonnes in 2018 or 2.2 t/DKKm revenue.

The development in figures from 2018 to 2019 reflects maturity in BWSC methodology for data collection as well as increased availability of data from logistics suppliers. For this reason, the scope 3 emissions have increased. The deviation in scope 1 data reflects a reduction in activities related to the number of construction sites in their final stages of completion in 2019 compared to 2018. In 2019, we had one power plant in the final stage of construction, compared to two power plants in 2018. This is reflected in the CO_2 emissions data as projects in their final stages often account for larger fuel consumption than in the initial phases due to e.g. commissioning tests.

TOTAL CO_2 EMISSIONS EMANATING FROM SELECTED ACTIVITIES IN THE 2016-2019 REPORTING YEARS



2019	Scope 1+2	Scope 3	Total
CO_2 (ton)	2,432 t CO_2	2,115 t CO_2	4,547 t CO_2
CO_2 in relation to revenue	1.5 t/DKKm	1.3 t/DKKm	2.8 t/DKKm
2018			
CO_2 (ton)	3,150 t CO_2	1,664 t CO_2	4,814 t CO_2
CO_2 in relation to revenue	1.4 t/DKKm	0.8 t/DKKm	2.2 t/DKKm
2017			
CO_2 (ton)	6,142 t CO_2	3,584 t CO_2	9,726 t CO_2
CO_2 in relation to revenue	2.1 t/DKKm	1.2 t/DKKm	3.4 t/DKKm
2016			
CO_2 (ton)	4,606 t CO_2	2,030 t CO_2 [1]	6,636 t CO_2
CO_2 in relation to revenue	1.6 t/DKKm	0.7 t/DKKm	2.3 t/DKKm

The development in CO_2 from 2016 to 2019 is commented upon in the text above.

[1] Scope 3 data from 2016 include CO_2 emissions emanating from supplier transportation of goods.

SOCIAL AND STAFF MATTERS

To maintain and develop the skills and competences of our employees and to stay at the forefront of technological developments, BWSC places great emphasis on education and training of employees.

Training activity at the head office

BWSC Academy provides training within a wide range of subjects, including project management (PM). In 2019 we have had approximately 50 attendants at the academy's PM courses.

In total, approximately 250 employees, corresponding to approximately 65% of the head office staff, completed one or more classroom training sessions organised by BWSC Academy in 2019.

We firmly believe that creating one integrated BWSC requires relations across the business, and we emphasise creating a learning environment where our employees meet face-to-face. This is also one of the reasons why BWSC encourages and supports internal job rotations to promote knowledge sharing and a broad knowledge of BWSC's various business areas.

Building relations across the business is also a key element of BWSC's Two Year Training Program (2YTP) that was completed for the third time in 2019. The 2YTP is a programme designed to nurture the talent of a cross-functional group of employees.

Over the past year, we have intensified the training of our managers and introduced an internal leadership forum, as we consider this an effective way to invest in our employees and our business. Half of our managers have been through management training in the period from 2017 to 2019 and the initiative will continue during 2020.

New courses aimed at building the competences needed to achieve BWSC's strategic objectives are planned for 2020. Among these is a change management course supporting the introduction of a new project management system.

Training activity at the production facilities

BWSC currently has 15 power plants in operation. At these power plants a major part of the training is carried out as "on the job training" allowing our employees the specific skills needed for the part of the production facilities in question. Mandatory training within safety is carried out on an ongoing basis.

Interns and apprentices

As part of our strategy, BWSC places great emphasis on employing interns and apprentices. During 2019, five interns and five apprentices have been employed. This is a number that significantly surpasses the requirements set by the Danish authorities.

Risks and risk management

BWSC carried out a strategy review during 2019 with the purpose of focusing and optimising the business. Consequently, the company has undergone a number of changes, including organisational changes. To reduce uncertainty among employees caused by the changes and to create a basis for dialogue and promote commitment and engagement among employees, BWSC has focused and increased internal communication efforts regarding the changes.

In regard to employee satisfaction, the personnel forum and the many social activities arranged through the BWSC staff club play a major role. Further risks and mitigation measures are found in the risk management section.

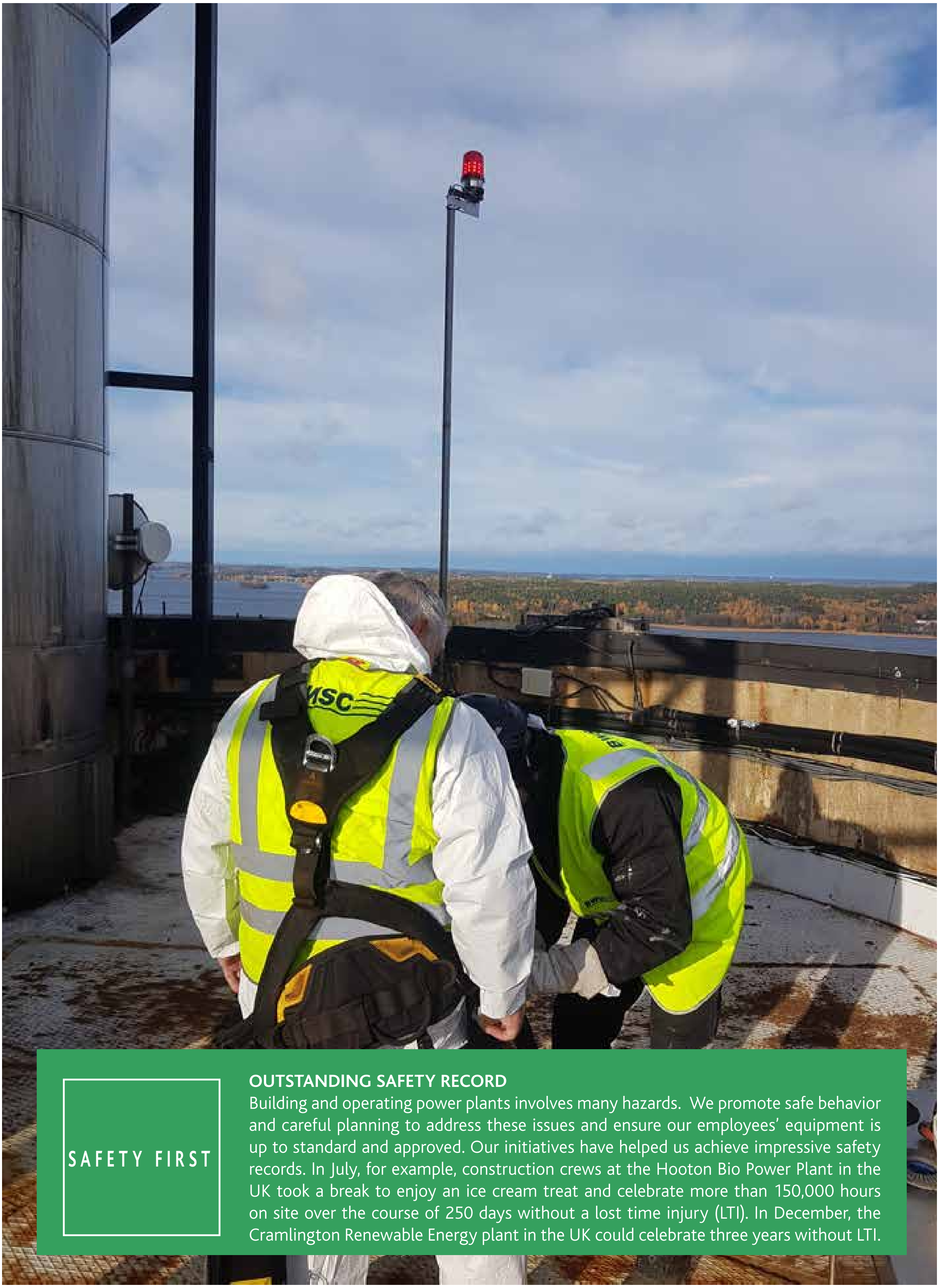
COMMUNITY ENGAGEMENT AND SOCIAL IMPACT

We believe that it is important to contribute to the wider community and to take responsibility for the impact we have on society, through our work practices, our business and our behaviour. Working together with our employees, customers, partners and stakeholders, we are able to make a positive, sustainable impact and help to engage the people around us when possible.

We are actively involved in local communities – from providing small funds for educational, health, environmental and wildlife projects to enhancing local water supply and access to deprived areas, supporting local and international charities and providing work experience for local students.

BE THE CHANGE

Medical resources are scarce in Hawa Dembaya in western Mali, where BWSC completed the Kayes power plant in October 2018. In 2019, together with our partners, we sponsored the purchase of a brand-new Land Cruiser ambulance that can transport patients to the nearest hospital, which is located 35 minutes away. The ambulance has already become a welcome sight in the village. Water is also a scarce resource in the country's arid regions. Together with Albatros Energy, we have drilled new water holes, improving water availability for several villages.



SAFETY FIRST

OUTSTANDING SAFETY RECORD

Building and operating power plants involves many hazards. We promote safe behavior and careful planning to address these issues and ensure our employees' equipment is up to standard and approved. Our initiatives have helped us achieve impressive safety records. In July, for example, construction crews at the Hooton Bio Power Plant in the UK took a break to enjoy an ice cream treat and celebrate more than 150,000 hours on site over the course of 250 days without a lost time injury (LTI). In December, the Cramlington Renewable Energy plant in the UK could celebrate three years without LTI.

CORPORATE GOVERNANCE

BWSC has a governance structure laying down how our business is led and controlled. Our CSR statement, code of conduct, policies and procedures are key elements together with our two-tier management structure with a Board of Directors and an Executive Management.

Ownership

BWSC is 100% owned by Mitsui E&S Holdings Co., Ltd., Tokyo, Japan (Mitsui E&S) through the company Mesco Denmark A/S. Mitsui E&S is listed on the Tokyo Stock Exchange. The financial statements of BWSC is consolidated into the financial statements of Mitsui E&S. Further information is available on www.mes.co.jp.

Board of Directors

BWSC's Board of Director members are elected every year at the Annual General Meeting. The Board of Directors consists of nine members and comprises one representative from the ultimate parent company Mitsui E&S, five 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 one Japanese, one Brit and seven Danes.

At a General Meeting held on 11 September 2019 Mr Yuzi Kozai and Mr. Shigeru Tokumaru announced their retirements from the Board of Directors and Mr. Thomas Knudsen and Mr. Taketsune Matsumura were elected new members of the BWSC Board of Directors. Mr. Taketsune Matsumura was subsequently elected Vice Chairman of the Board of Directors.

The members contribute with valuable knowledge and experience in areas such as EPC, operation, maintenance and service as well as general management and finance.

Material directorships in other companies, held by the Board of Directors can be found on page 30 of this report.

The Board of Directors meets at least four times a year. BWSC's Executive Management is represented at the board meetings. Other members of the Management Group attend board meetings based on topics being discussed. Besides the four annual meetings, the Board of Directors and the Management Group also have an annual strategy seminar to review the plans for the years to come. In 2019, four ordinary and two extra ordinary board meetings were held. Executive Management keeps the Board of Directors informed of the company's key development and performance, through monthly and quarterly reports.

Audit, Risk & Compliance committee

On 2 September 2019, the Board of Directors approved the establishment of an Audit, Risk & Compliance committee. The Audit, Risk & Compliance committee is overseeing the audit and financial reporting, the risk management and internal controls and the compliance activities of the Company. The appointed members of the committee are Michael Hedegaard Lyng as chairman and Bjarne Moltke Hansen as ordinary member. The first meeting of the committee was held on 31 October 2019. The committee holds at least three yearly meetings.

Management

The Executive Management of BWSC consists of Nikolaj Holmer Nissen, CEO and Benny Lynge Sørensen, CFO. The Management Group consists of the Executive Management as well as a director for each business area and each function. Following the reorganisation in 2019 the directors are: Martin Wittrup Hansen, Director, Commercial Development, Biomass-to-energy; Christian Grundtvig, Director, Commercial Development, Waste-to-energy and Director, Services; Flemming Juel Jensen, Director, Commercial Development, Hybrid Energy Systems; Andreas Karhula Lauridsen, Director, Techonology & Solutions; Jan Kristoffersen, Director, Project Execution; Karsten Valsted Larsen, Director, Operation & Maintenance and Claus Berner, Director, HR, Corporate Administration & Communication.

The wider management of BWSC consists of general managers, department managers, project directors and managers, site managers and other managers.

Remuneration

The members of the Board of Directors receive a fixed annual 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. The members of the Audit, Risk & Compliance committee receive

BUSINESS CODE OF CONDUCT

The BWSC Group is active worldwide and engages with numerous stakeholders representing a variety of interests, including employees, shareholders, customers, suppliers, business partners and the communities in which we do business. We believe that establishing and maintaining standards with respect to human and labour rights, environment and anti-corruption will provide for a more sustainable business environment to the benefit of both BWSC and our stakeholders. Read the full code of conduct on bwsc.com.

an additional fixed annual fee for their role in the committee; and the fee to the chairman of the committee is the double of the fee to the ordinary member.

The 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.

Compliance and behaviour

Understanding external expectations, working diligently to meet these requirements and living by the BWSC Business Code of Conduct is fundamental at BWSC.

BWSC is committed to conducting its business with a high degree of integrity and ethics, and BWSC's customers and stakeholders should 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.

BWSC has also established a whistleblower line and mandatory e-learning in anti-corruption.

During the year BWSC has further strengthened its compliance procedures and employed a full-time compliance manager.

Audit

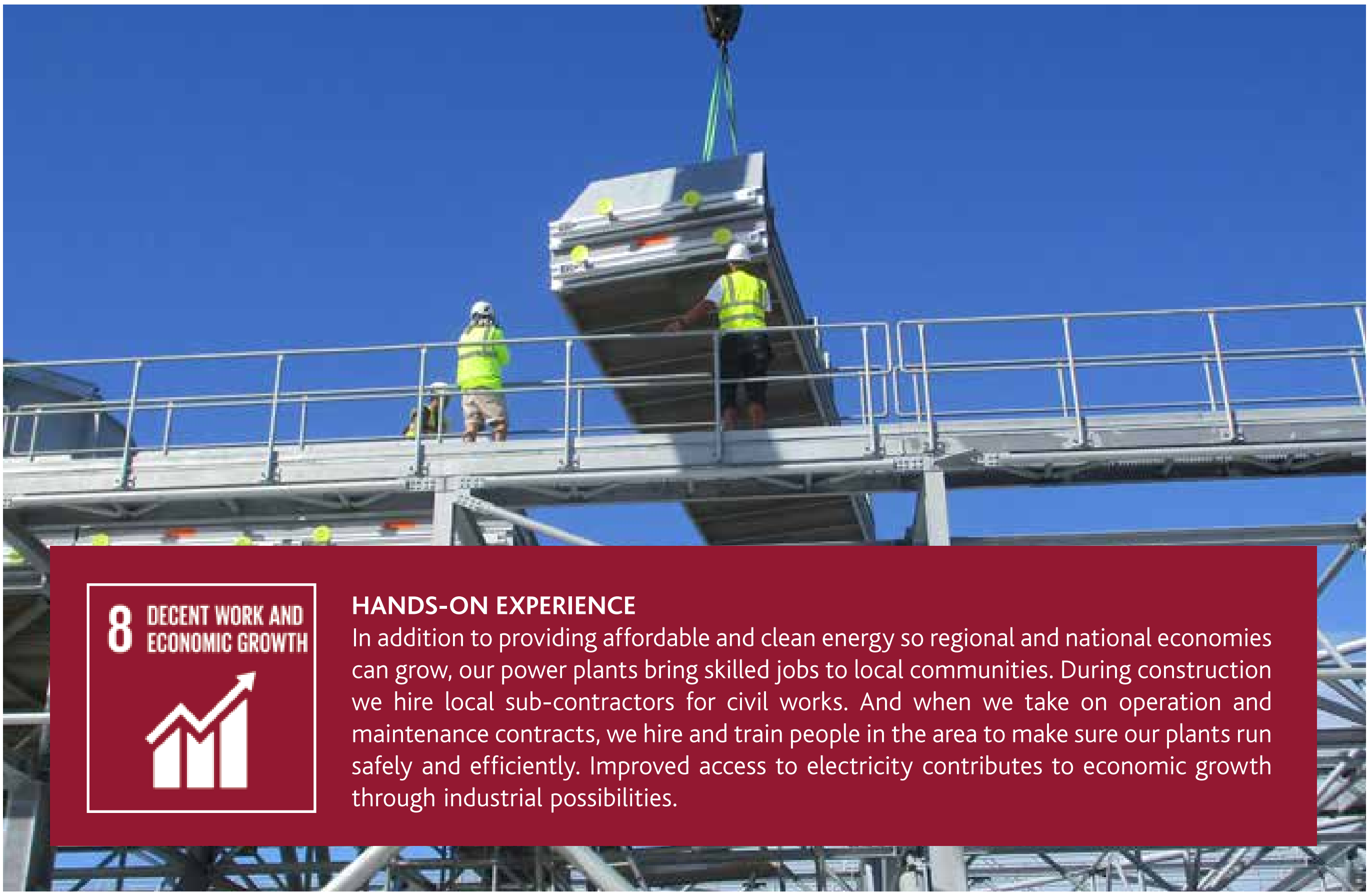
KPMG was re-elected as BWSC's auditors for 2019 and will be proposed as auditors for 2020 at the Annual General Meeting. The auditors have been elected based on the recommendation from the ultimate parent company. The auditors participate in the Audit, Risk & Compliance committee's meeting regarding the annual report and in other meetings of the committee when relevant. At least twice a year, the auditors prepare an auditors' long-form report for the Board of Directors which gives an overview of for instance the Group audit plan and findings.

Group structure

A subsidiary or a branch is established to enable BWSC to perform the activities in the country where power plants are built, operated, maintained or service is carried out. In note 6.7 to the financial statements, BWSC subsidiaries and associated companies are listed.

Financial year

2019 is the Company's 40th financial year.



8 DECENT WORK AND ECONOMIC GROWTH

HANDS-ON EXPERIENCE

In addition to providing affordable and clean energy so regional and national economies can grow, our power plants bring skilled jobs to local communities. During construction we hire local sub-contractors for civil works. And when we take on operation and maintenance contracts, we hire and train people in the area to make sure our plants run safely and efficiently. Improved access to electricity contributes to economic growth through industrial possibilities.

BOARD OF DIRECTORS

Directorships: MES Germany Beteiligungs GmbH, Chairman • State of Green Consortium, Chairman • Mesco Denmark A/S • Senior Advisor to the Board of Directors of Mitsui E&S

General Manager of the Corporate Planning Department, Mitsui E&S Holdings
Directorships: MES Germany Beteiligungs GmbH • MODEC

Directorships: Investeringsselskabet Luxor A/S

Directorships: No other board memberships

Directorships: Aalborg Portland Holding A/S, Chairman • Bladt Industries A/S, Chairman • Pindstrup Mosebrug A/S, Chairman • Per Aarsleff Holding A/S, Vice Chairman • RM Rich. Müller A/S, Vice Chairman • Rich. Müller-Fonden, Vice Chairman • LKAB • Danish SDG Investment Fund, Investment Committee

Managing Director of Orient's Fund • Managing Director of Ejendomsselskabet Amaliegade 49 A/S
Directorships: Eltronic Fueltech A/S, Chairman • Svanehøj Group A/S • Bawat A/S • Karl Pedersen and Wife's Industrial Fund

EMPLOYEE-ELECTED BOARD MEMBERS

Directorships: No other board memberships

Directorships: No other board memberships

Directorships: Gilleleje Brugsforening A.m.b.a. • Fonden Kulturhavn Gilleleje, Chairman

MANAGEMENT GROUP

From left to right: Martin Wittrup Hansen • Flemming Juel Jensen • Jan Kristoffersen • Andreas Karhula Lauridsen • Nikolaj Holmer Nissen • Claus Berner • Benny Lynge Sørensen • Christian Grundtvig • Karsten Valsted Larsen

Nikolaj Holmer Nissen*

Chief Executive Officer

Nikolaj Holmer Nissen was appointed CEO in November 2018 and joined BWSC in 2015. He has experience from industrial companies and consulting and holds a MSc in Engineering, Planning and Management/Industrial Production and a BSc in Marketing Management. He is a board member of DI Energy.

Benny Lynge Sørensen*

Chief Financial Officer

Benny Lynge Sørensen joined BWSC as CFO in October 2018. He has experience from corporate consulting and auditing and has been a partner and state authorised public accountant in two Big Four audit firms. He also holds a MSc in Business Economics and Auditing.

Claus Berner

Director, HR, Corporate Administration & Communication

Claus Berner joined BWSC in 2007. He holds a MSc in Technological and Socio-Economic Planning and a Graduate Diploma in Business Administration and Human Resources.

Martin Wittrup Hansen

Director, Commercial Development, Biomass-to-energy

Martin Wittrup Hansen joined BWSC in 2013 and was appointed Director of Boiler in 2018. In 2019 he was appointed his current position. He holds a MSc in Engineering (Energy and Machinery) and an Executive MBA.

Christian Grundtvig

Director, Commercial Development, Waste-to-energy and Director, Service

Christian Grundtvig joined BWSC in 1995. Since 2001 he has held various director positions in BWSC. In 2019 he was appointed his current position. He holds a BSc in Mechanical Engineering and a Diploma in Higher commerce.

Flemming Juel Jensen

Director, Commercial Development, Hybrid Energy Systems

Flemming Juel Jensen joined BWSC in 2019 for his current position. He holds a BSc in Mechanical Engineering and has more than 20 years of experience in international sales and marketing.

Andreas Karhula Lauridsen

Director, Technology & Solutions

Andreas Karhula Lauridsen joined BWSC in 2018 as Head of Engineering. In 2019 he was appointed his current position. He holds a BSc in Electrical Engineering and a Diploma of Engineering Business Administration.

Jan Kristoffersen

Director, Project Execution

Jan Kristoffersen was appointed Director of Contracting in 2018 after re-joining BWSC in 2017. In 2019 he was appointed his current position. He holds a MSc in Mechanical Engineering with diploma in Marine Engineering.

Karsten Valsted Larsen

Director, Operation & Maintenance

Karsten Valsted Larsen joined BWSC in 2001. In 2019 he was appointed his current position. He is a marine engineer by trade. During his employment at BWSC he has worked abroad for 6 years and as general manager for O&M for 12 years.

* Executive Management

7 AFFORDABLE AND CLEAN ENERGY

BUILDING THE GRID

In many parts of the world, off-grid generators provide the only source of reliable electricity. When BWSC delivers a brand-new power plant to the area, private businesses and customers gain access to reliable, affordable energy, so they end up spending less on fuel and electricity. Compared to the off-grid generators, our power plants reduce CO_2 emissions substantialy per kilowatt supplied.

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2019 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 2019, 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 2019.

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, 18 February 2020

Executive Management

Nikolaj Holmer Nissen
Chief Executive Officer

Benny Lynge Sørensen
Chief Financial Officer

Board of Directors

Torkil Bentzen
(Chairman)

Taketsune Matsumura
(Deputy Chairman)

Michael Hedegaard Lyng

Ian Miller

Bjarne Moltke Hansen

Thomas Knudsen

Martin F. Autzen*

Lars Ellegaard*

Michelle Runge Christensen*

The Annual Report 2019 is adopted at the Annual General Meeting on 18 February 2020.

* 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 2019 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 2019 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 2019 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 dinancial atatements. 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, 18 February 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR No. 25578198

Henrik O. Larsen
State Authorised Public Accountant
MNE-no. 15839

Niels Vendelbo
State Authorised Public Accountant
MNE-no. 34532

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

TURNING TRASH TO TREASURE

For too long, towns and cities have sent their refuse to landfills where it slowly decomposes, releasing harmful greenhouse gases. Our waste-to-energy power plants offer an alternative here and now. By making use of state-of-the-art boiler technology, the plants can turn plastic packaging and household waste into useful megawatts. Extensive flue gas treatment meanwhile ensures that stringent emissions controls are met.

INCOME STATEMENT

DKKt

Parent Company				The Group	
2018	**2019**	**Notes**		**2019**	**2018**
2,140,149	1,566,515	2.1	Revenue	1,609,152	2,158,059
-2,052,692	-1,489,334		Production costs	-1,509,822	-2,052,851
87,457	**77,181**		**Gross profit**	**99,330**	**105,208**
-56,019	-51,259		Sales costs	-51,568	-56,306
-147,305	-129,047		Administrative costs	-132,109	-149,469
0	8,897	3.4	Other operating income	8,897	0
-115,867	**-94,228**		**Operating result**	**-75,450**	**-100,567**
12,267	12,950	3.3	Result on investments in subsidiaries	0	0
-83,156	-27,059	3.3	Result on investments in associated companies	-27,059	-83,156
5,207	7,435		Financial income	7,549	5,269
-22,670	-5,359		Financial costs	-5,831	-22,827
-204,219	**-106,261**		**Result before tax**	**-100,791**	**-201,281**
31,859	21,156	2.4	Tax on result for the year	16,263	28,921
-172,360	**-85,105**		**Net result for the year**	**-84,528**	**-172,360**
			Attributable to:		
			Non-controlling interests	577	0
			Shareholders in BWSC A/S	-85,105	-172,360

Distrubtion of net result for the year is specified in note 5.3.

BALANCE SHEET, ASSETS

DKKt

Parent Company				The Group	
2018	**2019**	**Notes**		**2019**	**2018**
17,498	13,382		Software and goodwill	13,475	17,498
10,667	3,671		Development costs	3,671	10,667
0	0		Contract rights	15,901	0
28,165	**17,053**	3.1	**Intangible assets**	**33,047**	**28,165**
68,828	67,238		Land and buildings	67,238	68,828
4,022	2,694		Fixtures and fittings, tools and equipment	13,644	16,473
72,850	**69,932**	3.2	**Tangible assets**	**80,882**	**85,301**
63,722	64,624		Investments in subsidiaries	0	0
239,295	225,225		Investment in associated companies	225,225	239,295
224,105	0		Other securities	0	224,105
527,122	**289,849**	3.3	**Financial assets**	**225,225**	**463,400**
628,137	**376,834**		**Total non-current assets**	**339,154**	**576,866**
200	0		Raw materials and consumables	6,566	636
200	**0**		**Inventories**	**6,566**	**636**
133,703	94,127		Trade receivables	133,806	148,005
516,348	540,445	4.1	Work in progress	543,321	516,348
22,025	67,249		Amounts owed by related companies	64,416	16,607
0	49,796		Receivable corporate taxes	51,893	1,615
41,213	29,508	2.4	Deferred tax assets	35,166	41,213
88,778	85,067	4.2	Other receivables	87,025	89,656
5,160	4,561		Prepayments	4,561	6,845
807,227	**870,753**		**Receivables**	**920,188**	**820,289**
512,796	**474,182**		**Cash**	**495,243**	**520,602**
1,320,223	**1,344,935**		**Total current assets**	**1,421,997**	**1,341,527**
1,948,360	**1,721,769**		**TOTAL ASSETS**	**1,761,151**	**1,918,393**

BALANCE SHEET, EQUITY AND LIABILITIES

DKKt

Parent Company				The Group	
2018	**2019**	**Notes**		**2019**	**2018**
150,000	160,000		Share capital	160,000	150,000
110,011	122,249		Revaluation reserve acc. to the equity method	82,879	58,121
10,305	-13,053		Reserve for financial instruments	-13,053	10,305
8,320	2,863		Reserve for development costs	2,863	8,320
175,207	389,274		Retained earnings	428,644	227,097
453,843	**661,333**		**Equity owned by the shareholders of BWSC A/S**	**661,333**	**453,843**
0	0		Non-controlling interests	9,917	0
453,843	**661,333**		**Total equity**	**671,250**	**453,843**
0	0	2.4	Deferred tax	677	922
75,879	86,497		Warranty provisions	86,497	75,879
100,939	190,465	6.1	Other provisions	210,492	101,075
176,818	**276,962**		**Total provisions**	**297,666**	**177,876**
12,409	9,360	5.4	Mortgage debt	9,360	12,409
5,037	4,963		Other long-term liabilities	4,963	5,037
17,446	**14,323**	5.2	**Total long-term liabilities**	**14,323**	**17,446**
3,111	3,119	5.4	Mortgage debt, short-term	3,119	3,111
200,000	0		Bank loan	0	200,000
0	200,064	5.4	Loan from Parent Company	200,064	0
669,545	261,123	4.1	Prepayments received from customers	262,198	669,545
238,233	119,922		Trade payables	180,360	281,551
98,851	77,073		Payables to related companies	4,026	2,587
7,671	0		Corporate tax	3,741	10,473
82,842	107,850	4.3	Other payables	124,404	101,961
1,300,253	**769,151**		**Total current liabilities**	**777,912**	**1,269,228**
1,317,699	**783,474**		**Total long-term and current liabilities**	**792,235**	**1,286,674**
1,948,360	**1,721,769**		**TOTAL EQUITY AND LIABILITIES**	**1,761,151**	**1,918,393**

CASH FLOW STATEMENT

DKKt

Notes		The Group 2019	2018
	Operating result	-75,450	-85,240
6.5	Adjustments	85,423	-10,269
4.4	Changes in working capital	-526,865	246,754
	Cash flows from operating activities before net financials	-516,892	151,245
	Financial income	615	5,269
	Financial costs	-5,767	-22,827
	Cash flows from ordinary activities	-522,044	133,687
	Taxes paid	-23,117	-20,136
	Cash flows from operating activities	**-545,161**	**113,551**
	Additions of tangible assets	-3,502	-7,236
	Additions of intangible assets	-9,776	-6,455
	Dividends received from associated companies	7,773	34,937
	Investments in associated companies and other securities	-3,139	-18,619
	Disposals of investments in other securities	224,105	0
	Cash flows from investing activities	**215,461**	**2,627**
5.4	Bank loan	-200,000	50,000
	Loan from Parent company	200,000	0
	Capital increase	300,000	0
	Repayment of mortgage debt	-3,041	-3,249
	Cash flows from financing activities	**296,959**	**46,751**
	Cash at 1 January	520,602	357,673
3.4	Cash from acquired entities	7,382	0
	Changes in cash	-32,741	162,929
	Cash at 31 December	**495,243**	**520,602**

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 net revaluation according to the equity method	Reserve for financial instruments	Reserve for development costs	Retained earnings	Total
Balance at 1 January 2019	150,000	110,011	10,305	8,320	175,207	453,843
Capital injection	10,000				290,000	300,000
Result for the year		-3,715		-5,457	-75,933	-85,105
Changes in financial instruments			-29,533			-29,533
Tax on changes in equity			6,175			6,175
Exchange rate differences related to subsidiaries and associated companies		15,953				15,953
Equity at 31 December 2019	**160,000**	**122,249**	**-13,053**	**2,863**	**389,274**	**661,333**

Distribution of profit for the parent company is specified in note 5.3.

Besides the increase of nominal DKKm 10 in 2019 there have been no changes in the share capital during the last 5 years. The share capital is divided into 160 shares of DKKm 1 each.

The Group

	Share capital	Reserve for net revaluation according to the equity method	Reserve for financial instruments	Reserve for development costs	Retained earnings	Total
Balance at 1 January 2019	150,000	58,121	10,305	8,320	227,097	453,843
Capital injection	10,000				290,000	300,000
Result for the year		11,056		-5,457	-90,704	-85,105
Changes in financial instruments			-29,533			-29,533
Tax on changes in equity			6,175			6,175
Exchange rate differences related to subsidiaries and associated companies		13,702			2,251	15,953
Equity owned by shareholders of BWSC at 31 December 2019	**160,000**	**82,879**	**-13,053**	**2,863**	**428,644**	**661,333**
Non-controling interest	0	0	0	0	9,917	9,917
Equity at 31 December 2019	**160,000**	**82,879**	**-13,053**	**2,863**	**438,561**	**671,250**

NOTES

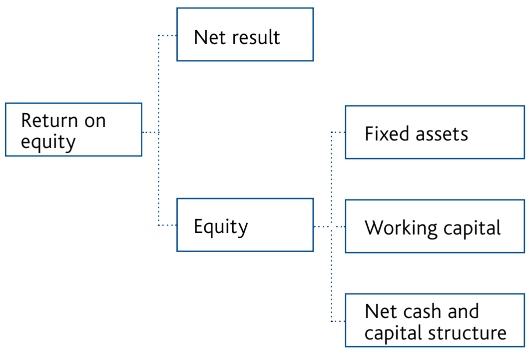
Notes		Page

Reading instructions

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.

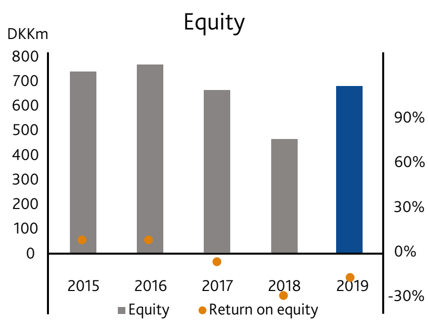
The notes have been divided into 7 sections: Basis of reporting, Net result, Non-current assets, Working capital, Net cash and capital structure, Other notes and Accounting policies. The purpose is to provide a clearer understanding of what drives performance.

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



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

Return on equity for 2015 - 2019:



Note section 1
Basis of reporting

This section describes the applied reporting framework and 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.

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.

Fundamental error

Internal profits on two EPC contracts were erroneously not eliminated in previous years, this has been adjusted as a fundamental error. The adjustment of the errors has decreased equity as at 1 January 2018 with DKKm 22, the net result for 2018 with DKKm 12 and equity as at 31 December 2018 with DKKm 34 net of tax effects.

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, 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 engine-based projects in the Middle East. Currently, the claim negotiations have not been finalised, and a material part of claim income cannot be recognised as income. The settlement is uncertain and could have a materially positive impact on the result when the claim has been final settled. It is considered less likely that the settlement would have a negative impact on the result.
- Provisions are based on BWSC's best estimate of the amount at which the obligation is expected to be discharged. Provisions consist mainly of warranty provisions and other provisions. Other provisions are specified in note 6.1.
- Investments in associated companies are recognised at BWSC's proportionate share of the net assets of the companies (the equity method) as stated in note 7.1 Accounting policies. An impairment test is performed when an indicator of impairment exists. The impairment test is based on cash flow estimates of future income and cost. Uncertainty about the future development in the power sales price and fuel cost are the key uncertainties in the impairment test. As shown in note 3.3 no impairment loss has been recognised in 2019 (2018: DKKm 87). The impairment loss in 2018 was related to investments in associated companies in the UK operating a number of power plants.

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 projects contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under the percentage of completion method. If this is not the case, the projects are recognised as revenue on sale of finished projects.

Defining materiality

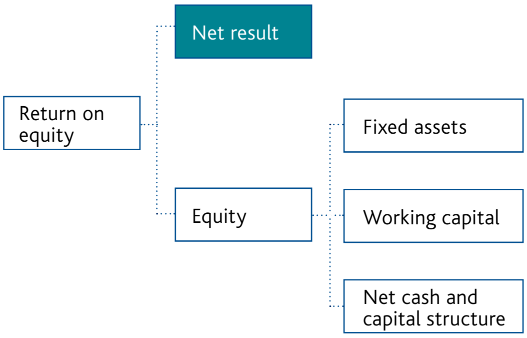
BWSC's Annual Report is based on the concept of materiality to ensure that the content is material and relevant to the reader. This objective is pursued, amongst other things, by providing relevant rather than generic descriptions. The consolidated financial statements consist of a large number of transactions. 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.

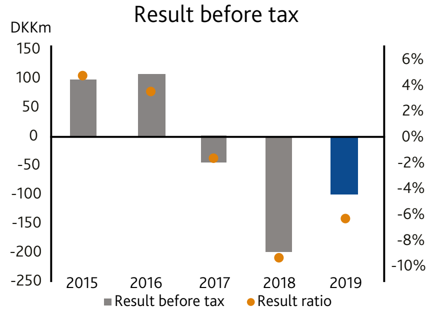
Going concern

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

Note section 2
Net result

Revenue of DKKm 1,609 (2018: DKKm 2,158) in a year with an operating result of DKKm -75 (2018: DKKm -101) and a net result of DKKm -85 (2018: DKKm -172).





The activity level measured in revenue has decreased by 25% compared to 2018. Revenue for 2019 amounts to DKKm 1,609 (2018: DKKm 2,158). 59% of the revenue is related to the EPC activities (2018: 67%). Revenue for the segment Europe, which mainly consists of biomass and waste projects in the UK accounts for 51% of the total revenue for 2019 (2018: 40%).

The average number of employees has increased from 763 in 2018 to 766 in 2019. Due to restructuring in the Parent Company the average number of employees have decreased from 509 to 442 which amounts to a decrease of 67 employees. This is offset by an increase of 70 employees in the Subsidiaries. The increase in the Subsidiaries is related to mobilisation on new O&M sites in Japan and Africa. Staff costs has decreased by DKKm 28 to DKKm 474, a decrease of 5.6%

The financial performance for some of the EPC projects has been significantly lower than expected in 2019, which has resulted in an operating result of DKKm -75 (2018: DKKm -101).

Note 2.1 Revenue

DKKt

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
2,128,636	2,025,671	Final invoicing	2,065,324	2,146,546
11,513	-459,156	Changes in contract work in progress	-456,172	11,513
2,140,149	**1,566,515**		**1,609,152**	**2,158,059**

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

2018	2019		2019	2018
870,568	815,928	Europe	815,928	870,568
988,081	246,576	Africa and Middle East	269,367	990,575
270,295	473,313	South and Central America	478,291	283,472
11,205	30,698	South East Asia	45,566	13,444
2,140,149	**1,566,515**		**1,609,152**	**2,158,059**

Note 2.2 Staff costs, etc.

DKKt

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
388,929	346,321	Wages and salaries	449,499	480,208
4,494	4,077	Pension contribution	8,659	8,395
2,709	2,574	Social security costs	15,365	13,261
396,132	**352,972**		**473,523**	**501,864**
509	442	Average number of employees	766	763

Including remuneration for:

2018	2019		2019	2018
5,798	6,774	Executive Management of Parent Company	6,774	5,798
1,390	1,512	Board of Directors of Parent Company	1,512	1,390
7,188	**8,286**		**8,286**	**7,188**

A bonus scheme for the Executive Management 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	
2018	**2019**		**2019**	**2018**
540	540	Audit fee	859	1,033
161	250	Other declaration assignments	250	161
0	0	Tax advisory fee	1,073	715
234	100	Other fees	138	521
935	**890**		**2,320**	**2,430**

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.

BWSC has a tax policy which is available on bwsc.com.

As BWSC operates across many different countries, the calculation of the total tax charge in the income statement necessarily involves a degree of estimation and judgement. Tax and transfer pricing disputes with authorities in various countries may occur, and management judgement is applied to assess the possible outcome of such disputes.

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
14,465	1,144	Income tax payable	6,287	17,631
-50,085	-41,371	Change in deferred tax	-41,621	-50,085
6,807	-144	Tax on changes in equity	-144	6,807
-3,438	6,012	Adjustment of tax concerning previous years	6,012	-3,666
0	12,482	Adjustment of deferred tax concerning previous years	12,482	0
392	721	Paid dividend tax abroad	721	392
-31,859	**-21,156**		**-16,263**	**-28,921**

Note 2.4 Tax (continued)

DKKt

Effective tax rate:

2018	2019		2019	2018
22%	22%	Company tax rate in Denmark	22%	22%
15%	20%	Effective tax rate	16%	14%

Specification of effective tax rate:

2018	2019		2019	2018
22%	22%	Company tax rate in Denmark	22%	22%
-8%	1%	Tax on profit in subsidiaries and associated companies	1%	-9%
0%	0%	Adjustment of calculated tax in foreign companies compared to 22%	0%	0%
0%	1%	Non-deductible costs	1%	0%
1%	-4%	Other adjustments	-8%	1%
15%	**20%**	**Effective tax rate**	**16%**	**14%**

Taxes paid for the BWSC Group in 2019 amounts to DKKm 23 (2018: DKKm 20)

Deferred tax:

Parent Company			The Group	
2018	2019		2019	2018
8,872	-41,213	Deferred tax at 1 January	-40,291	9,693
0	53,076	Adjustment concerning previous years	53,076	101
0	0	Acquisition of entities	-5,653	0
-50,085	-41,371	Changes in deferred tax	-41,621	-50,085
-41,213	**-29,508**		**-34,489**	**-40,291**

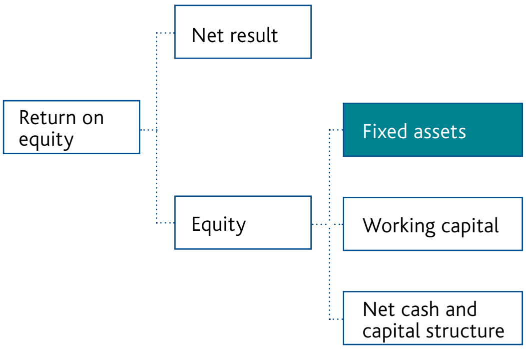
Deferred tax can be specified as follows:

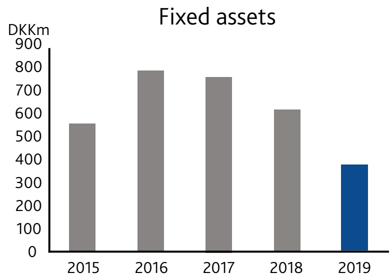
2018	2019		2019	2018
0	0	Acquisition of entities	-5,653	0
10,053	7,186	Tangible fixed assets	7,858	10,336
1,225	-944	Intangible fixed assets	-944	1,225
-33,371	-31,402	Financial fixed assets	-31,402	-33,371
-19,120	37,363	Contract work in progress	37,363	-18,481
0	-41,711	Tax loss carried forward	-41,711	0
-41,213	**-29,508**		**-34,489**	**-40,291**

2018	2019		2019	2018
-41,213	-29,508	Deferred tax asset	-35,166	-41,213
0	0	Deferred tax liability	677	922
-41,213	**-29,508**		**-34,489**	**-40,291**

Note section 3
Non-current assets

Investments of DKKm 16 in non-current assets (2018: DKKm 33) of which DKKm 3 (2018: DKKm 19) is in power plants via associated companies.





In 2019, non-current assets have decreased by DKKm 239 (2018: decrease of DKKm 133). The decrease is mainly driven by the disposal of a part of an investment in a power plant. Through the acquisition of entities intangible assets of DKKm 18 have been acquired. Depreciation of fixed assets, our share of results in associated companies, currency adjustments of investments in associated companies are other movements, in total smaller, to the non-current assets.

In addition to investments made in power plants, BWSC has committed not paid in investments amounts at the end of 2019 of DKKm 0 (2018: DKKm 3).

Note 3.1. Intangible fixed assets

DKKt

Parent Company

	Software	Goodwill	Development costs	Total
Cost at 1 January 2019	84,338	7,000	16,000	107,338
Additions in the year	6,064	0	3,671	9,735
Cost at 31 December 2019	**90,402**	**7,000**	**19,671**	**117,073**
Amortisation at 1 January 2019	71,157	2,683	5,333	79,173
Amortisation for the year	8,780	1,400	10,667	20,847
Amortisation at 31 December 2019	**79,937**	**4,083**	**16,000**	**100,020**
Booked value at 31 December 2019	**10,465**	**2,917**	**3,671**	**17,053**
Booked value at 31 December 2018	13,181	4,317	10,667	28,165
Amortisation period	3-7 years	3 years	3 years	

Note 3.1 Intangible fixed assets (continued)

DKKt

The Group

	Contracts rights	Software	Goodwill	Development costs	Total
Cost at 1 January 2019	0	84,390	9,087	16,000	109,477
Currency adjustments at 1 January 2019	0	58	0	0	58
Acquisition of entities	18,328	0	0	0	18,328
Additions in the year	0	6,105	0	3,671	9,776
Cost at 31 December 2019	**18,328**	**90,553**	**9,087**	**19,671**	**137,639**
Amortisation at 1 January 2019	0	71,209	4,770	5,333	81,312
Currency adjustments at 1 January 2019	0	3	0	0	3
Amortisation for the year	2,427	8,783	1,400	10,667	23,277
Amortisation at 31 December 2019	**2,427**	**79,995**	**6,170**	**16,000**	**104,592**
Booked value at 31 December 2019	**15,901**	**10,558**	**2,917**	**3,671**	**33,047**
Booked value at 31 December 2018	0	13,181	4,317	10,667	28,165
Amortisation period	2 years	3-7 years	3 years	3 years	

The amortisations are recognised as follows in the income statement:

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
18,076	20,847	Administrative costs	23,277	18,316
18,076	**20,847**		**23,277**	**18,316**

The intangible fixed assets residual value and useful life are reviewed on an annual basis, and adjusted if necessary at each reporting period.

Note 3.2 Tangible fixed assets
DKKt

Parent Company

	Fixtures and fittings, tools and equipment	Land and buildings	Total
Cost at 1 January 2019	28,888	120,821	149,709
Additions in the year	1,333	0	1,333
Cost at 31 December 2019	**30,221**	**120,821**	**151,042**
Depreciation at 1 January 2019	24,866	51,993	76,859
Depreciation for the year	2,661	1,590	4,251
Depreciation at 31 December 2019	**27,527**	**53,583**	**81,110**
Booked value at 31 December 2019	**2,694**	**67,238**	**69,932**
Booked value at 31 December 2018	4,022	68,828	72,850
Depreciation period	3-10 years	10-100 years	

The Group

	Fixtures and fittings, tools and equipment	Land and buildings	Total
Cost at 1 January 2019	48,971	120,821	169,792
Currency adjustments at 1 January 2019	790	0	790
Additions in the year	3,502	0	3,502
Disposals in the year	-447	0	-447
Cost at 31 December 2019	**52,816**	**120,821**	**173,637**
Depreciation at 1 January 2019	32,498	51,993	84,491
Currency adjustments at 1 January 2019	243	0	243
Depreciation for the year	6,616	1,590	8,206
Depreciation of disposals	-185	0	-185
Depreciation at 31 December 2019	**39,172**	**53,583**	**92,755**
Booked value at 31 December 2019	**13,644**	**67,238**	**80,882**
Booked value at 31 December 2018	16,473	68,828	85,301
Depreciation period	3-10 years	10-100 years	

The tangible fixed assets residual value and useful life are reviewed on an annual basis, and adjusted if necessary at each reporting date.

Note 3.2 Tangible fixed assets (continued)
DKKt

The depreciations are recognised as follows in the income statement:

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
355	0	Costs of production	3,955	3,612
0	0	Sales costs	0	0
4,422	4,251	Administrative costs	4,251	4,582
4,777	**4,251**		**8,206**	**8,194**

Note 3.3 Financial fixed assets
DKKt

Parent Company

	Subsidiaries	Associated companies	Other securities	Total
Cost at 1 January 2019	11,832	526,887	238,319	777,038
Additions in the year	11,275	3,139	0	14,414
Disposals in the year	0	0	-238,319	-238,319
Transfer	2,147	-2,147	0	0
Cost at 31 December 2019	**25,254**	**527,879**	**0**	**553,133**
Revaluations/write-downs at 1 January 2019	51,890	-287,592	-14,214	-249,916
Disposals in the year	0	0	14,214	14,214
Transfer	2,726	-2,726	0	0
Share of result for the year	12,950	-114,059	0	-101,109
Impairment loss/reversal	0	87,000	0	87,000
Exchange rate differences	2,251	13,702	0	15,953
Distribution of dividend	-30,447	-7,773	0	-38,220
Elimination intercompany profit	0	8,794	0	8,794
Revaluations/write-downs at 31 December 2019	**39,370**	**-302,654**	**0**	**-263,284**
Booked value at 31 December 2019	**64,624**	**225,225**	**0**	**289,849**
Booked value at 31 December 2018	63,722	239,295	224,105	527,122

In the distribution of result for the year (note 5.3) for 2019, DKKt -6,441 has been transferred to revaluation reserves according to the equity method from retained earnings. 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.

Note 3.3 Financial fixed assets (continued)
DKKt

The Group

	Associated companies	Other securities	Total
Cost at 1 January 2019	526,887	238,319	765,206
Additions in the year	3,139	0	3,139
Disposals in the year	0	-238,319	-238,319
Transfer	-2,147	0	-2,147
Cost at 31 December 2019	**527,879**	**0**	**527,879**
Revaluations/write-downs at 1 January 2019	-287,592	-14,214	-301,806
Disposals in the year	0	14,214	14,214
Transfer	-2,726	0	-2,726
Share of result for the year	-114,059	0	-114,059
Impairment loss/reversal	87,000	0	87,000
Exchange rate differences	13,702	0	13,702
Distribution of dividend	-7,773	0	-7,773
Elimination intercompany profit	8,794	0	8,794
Revaluations/write-downs at 31 December 2019	**-302,654**	**0**	**-302,654**
Booked value at 31 December 2019	**225,225**	**0**	**225,225**
Booked value at 31 December 2018	239,295	224,105	463,400

As per 31 December 2019, the accumulated elimination of the proportionate share of the intercompany profit of DKKm 145 (2018: DKKm 152) before tax has been deducted from the investments in associated companies.

BWSC has invested in ten power plants via associated companies. Of these eight were in operation at the beginning of 2019 and two reached TOC during 2019.

Note 3.4 Business combinations

DKKt

On the 25 September 2019 BWSC acquired an additional 48.5% of the company Asia Power (Private) Ltd. Before the acquisition BWSC owned 6.8% of this company and the acquisition brings the total ownership share to 55.3%

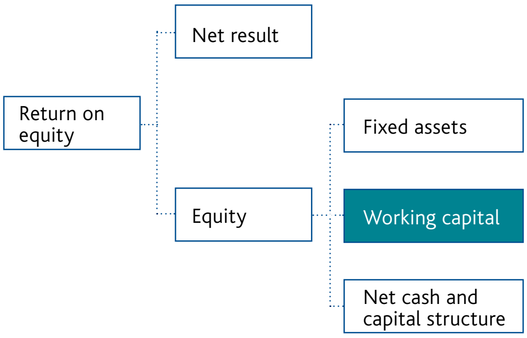
The purchase price is allocated as follows:

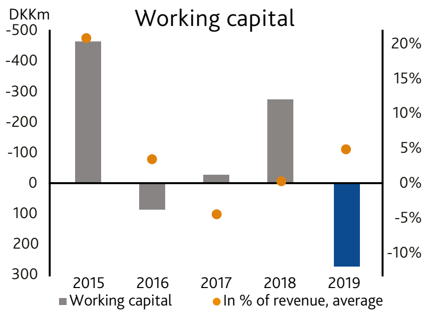
	2019	2018
Intangible assets	18,328	0
Deferred tax assets	5,641	0
Inventory	8,440	0
Receivables	29,772	0
Provisions	-20,028	0
Payables	-21,970	0
Net asset acquired	**20,183**	**0**
Gain on bargain purchase	8,897	0
Estimated fair value	**29,080**	**0**
Cash acquired	-7,382	0
Non-controlling interest	-12,999	0
Previously owned shares, revaluated	-7,097	0
Total consideration	**1,602**	**0**

Gain on bargain purchase is recognised as other operating income.

Note section 4
Working capital

Working capital has increased compared to 2018.





Working capital amounts to DKKm 269 at the end of 2019 (2018: DKKm -278). A positive working capital represents that BWSC capital tied into the assets and liabilities necessary to support the day-to-day running of the business. Working capital has decreased by DKKm 547 in 2019. The decrease is mainly related to extraordinary large pre-payments received just before year end 2018 which in 2019 has been used for projects as planned.

BWSC has funds tied up in working capital relating to two projects from 2016 that have not been settled. These relate to the two engine-based projects in the Middle East mentioned in the Financial review section of the Management review.

As an EPC contractor, working capital fluctuates during the year 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 positive cash on its projects.

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

Note 4.1 Contract work in progress

DKKt

Parent Company			The Group	
2018	**2019**		**2019**	**2018**
4,976,796	4,517,641	Sales value of production in progress	4,520,625	4,976,796
-5,129,993	-4,238,319	Invoiced on account	-4,239,502	-5,129,993
-153,197	**279,322**	**Contract work in progress, net**	**281,123**	**-153,197**

Classified as follows:

2018	**2019**		**2019**	**2018**
516,348	540,445	Contract work in progress (receivables)	543,321	516,348
-669,545	-261,123	Prepayments received from customers (liabilities)	-262,198	-669,545
-153,197	**279,322**		**281,123**	**-153,197**

Note 4.2 Other receivables

DKKt

Parent Company			The Group	
2018	2019		2019	2018
46,115	26,830	VAT receivable etc.	27,336	46,474
36,631	11,318	Financial instruments	11,318	36,631
6,032	46,919	Other	48,371	6,551
88,778	**85,067**		**87,025**	**89,656**

Note 4.3 Other payables

DKKt

Parent Company			The Group	
2018	2019		2019	2018
53,333	47,439	Payable payroll related costs	53,357	60,242
17,331	27,642	Financial instruments	27,642	17,331
0	0	VAT payable	4,624	7,748
12,178	32,769	Other accrued costs	38,781	16,640
82,842	**107,850**		**124,404**	**101,961**

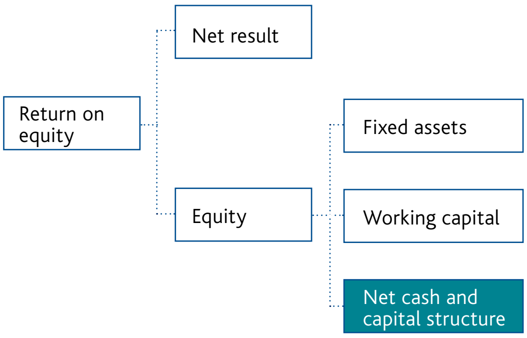
Note 4.4 Changes in working capital for the cash flow statement

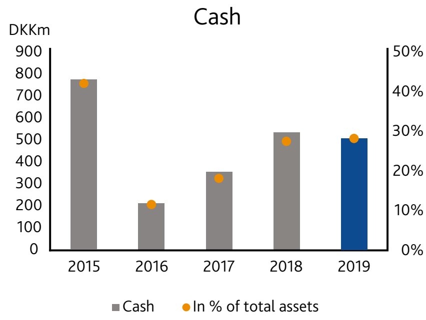
DKKt

	The Group	
	2019	2018
Changes in inventories	324	1,072
Changes in contract work in progress and prepayments received by customers, net	-434,320	298,567
Changes in trade receivables	43,971	862
Changes in receivables from group companies and associates companies	-47,809	-10,190
Changes in other receivables	9,565	46,192
Changes in prepayments	2,284	-670
Changes in trade payables	-123,160	-91,129
Changes in payables to group companies and associated companies	1,439	605
Changes in other creditors	20,841	1,445
	-526,865	**246,754**

Note section 5
Net cash and capital structure

Cash at the end of 2019 reduced by DKKm 26 compared to 2018 and amounting to DKKm 495, equaling 27% of total assets (2018: 27%).





BWSC's capital structure at the end of 2019 consists of equity of DKKm 671 (2018: DKKm 454), interest bearing debt of DKKm 213 (2018: DKKm 216) and cash of DKKm 495 (2018: DKKm 521).

The equity has increased by DKKm 217 to DKKm 671 at the end of 2019 and the equity ratio (equity in relation to equity and total liabilities) equals 38% (2018: 24%), which is an increase of 14 percentage-points compared to the end of 2018. The solidity is expected to remain at a similar level in 2020. Cash has decreased by DKKm 26 to DKKm 495 at the end of 2019 whereas interest bearing debt has decreased by DKKm 3 to DKKm 213. Accordingly, net cash (less interest bearing debt) amounts to DKKm 283 at the end of 2019 which is a decrease of DKKm 22 compared to the end of 2018. Despite a change of only DKKm 22 in net cash, cash during the year has been impacted by more large movements, like a capital increase of DKKm 300, the impact from increase in working capital, etc.

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 operations using equity and debt. BWSC has decided to use solidity (equity/total liabilities) as the key measure of capital structure.

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.

The equity ratio of 38% at the end of 2019 is impacted by the increase in equity related to the net amount of a capital injection of DKKm 300 received during 2019 and the loss for the year and currency adjustment.

The solidity is expected to remain at a comparable level to the above in 2020.

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 2019 amounts to DKKm 0 (2018: DKKm 0).

The mortgage debt amounts to DKKm 13 at the end of 2019 (2018: DKKm 16) with a maturity of four years.

The other long-term liabilities DKKm 5 (2018: DKKm 5) are non-interest bearing.

Note 5.3 Distribution of result

It is recommended that the result for the year, DKKt -85,105 is appropriated as follows:

Parent company		
2018	**2019**	
-10,511	-3,715	Transferred to reserve for net revaluation according to the equity method
-5,333	-5,457	Transferred from reserve for development costs
-156,516	-75,933	Retained earnings
-172,360	**-85,105**	

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 company's 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

Liquidity risk is the risk that BWSC will not be able to meets its financial obligations as they fall due. The liquidity is continually assessed, and the future liquidity needs are monitored closely to ensure that BWSC always will have enough liquidity to meets its liabilities when they fall due.

It is important for BWSC to make sure that adequate cash is available at all times to be able to operate effectively. On an ongoing basis, BWSC therefore monitors its liquidity resources which consist of cash deducted by interest bearing debt and the part of net prepayments received from customers. Net prepayments received from customers are taken into account in connection with monitoring the liquidity resource as prepayments may have a material impact on the cash level.

BWSC's cash position at the end of 2019 amounts to DKKm 495 (2018: DKKm 521). Prepayments from customers at the end of 2019 amounts to DKKm 262 (2018: DKKm 670).

A loan facility agreement with Mitsui E&S was established in November 2019 of DKKm 200 and with maturity in December 2020.

A committed 3-year bank credit facility was established in 2016 of DKKm 250, with two one-year extension options. Only one extension option was used, and the credit facility was set to expire in 2020. However, in July 2019 the credit facility was repaid and cancelled in connection with a sale of shares in a power plant company.

The table below shows the overview of interest-bearing debt at the end of 2019 and at the end of 2018.

	2019				2018			
DKKm	**Amount**	**Drawn**	**Available**	**Expiry**	**Amount**	**Drawn**	**Available**	**Expiry**
Credit facility					250	200	50	2020
Mitsui facility	200	200	0	2020				
Mortage debt	13	13	0	2023	16	16	-	2023
Total	**213**	**213**	**0**		**266**	**216**	**50**	

Counterpart risks
BWSC's counterpart risks mainly relate 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's is exposed to interest rate risk arising from interest bearing debt and cash deposits.

BWSC's cash deposits are subject to floating interest.

Interest bearing debt at 31 December 2019 consists of mortgage debt and drawn downs on the facility with Mitsui E&S. The mortgage debt amounts to DKKm 13 (2018: DKKm 16) and is subject to a fixed interest rate via an interest rate swap. The market value of the interest rate swap is DKKm -1 (2018: DKKm -2) and the market value is recognised in equity. The maturity of the loan is four years.

The facility with Mitsui E&S is subject to a one-year fixed 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.

	2019			2018		
DKKt	**Market value**	**Contract amount sold**	**Contract amount bought**	**Market value**	**Contract amount sold**	**Contract amount bought**
USD	-5,008	50,824	14,019	-9,643	210,410	17,928
GBP	-9,853	457,860	203,056	31,058	717,679	118,900
CHF	3	0	5,713	0	0	0
SEK	-3	1,431	0	0	0	0
Total	**-14,861**	**510,115**	**222,788**	**21,415**	**928,089**	**136,828**

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 EPC projects of power plants have a lifetime of up to 36 months whereas some of the Operation & 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 to large degree hedged, and only simple financial instruments must be used. Net investments in subsidiaries and associated companies are not hedged.

The hedging strategy is based on a ladder, 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.

For the O&M projects with a lifetime of up to twenty years, the net currency exposure above five years amount is above DKKbn 1.1. 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 2024.

Total financial instruments

Below table shows the market value of the currency and interest rate financial instruments and the effect on income statement and equity.

	2019			2018		
DKKt	**Market value**	**Recognised in income statement**	**Recognised in equity**	**Market value**	**Recognised in income statement**	**Recognised in equity**
Currency financial instruments	-14,861	0	-14,861	21,415	6,091	15,324
Interest rate financial instruments	-1,463	0	-1,463	-2,115	0	-2,115
Total	**-16,324**	**0**	**-16,324**	**19,300**	**6,091**	**13,209**

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

	2019			2018		
DKKt	**Currency financial instruments**	**Interest rate financial instruments**	**Total**	**Currency financial instruments**	**Interest rate financial instruments**	**Total**
Within 1 year	1,312	0	1,312	10,531	0	10,531
Between 1 and 5 years	-16,173	-1,463	-17,636	10,884	-2,115	8,769
Over 5 years	0	0	0	0	0	0
Total	**-14,861**	**-1,463**	**-16,324**	**21,415**	**-2,115**	**19,300**

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 210 (2018: DKKm 101) cover estimated remaining liabilities in connection with finalised projects other than warranty provisions.

Approximately 90% of other provisions (2018: 90%) 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 and loan from Mitsui E&S Holdings Co., Ltd., Japan and sale of goods to subsidiaries and associated companies have taken place at market conditions and specified on page 61.

Apart from intercompany transactions which have been eliminated in the Group accounts, purchase of services from DASH engineering, service sales to associated companies, remuneration for the Board of Directors and the Executive Management, no transactions have been made with the Board of Directors, the Executive Management, subsidiaries and 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 or www.datacvr.virk.dk. The ultimate Parent Company is Mitsui E&S Holdings Co., Ltd., which prepares consolidated financial statements for the group in which BWSC is included.

Group financial statements for the ultimate Parent Company can be obtained from: Mitsui E&S Holdings Co., Ltd., 6-4, Tsukiji 5-chome, Chou-ku, Tokyo 104-8439, Japan or via www.mes.co.jp.

Note 6.2 Transactions between related parties (continued)

DKKt	Sales	Purchases	Receivables outstanding	Payables outstanding	Dividends received	Loans received	Interest payable
BWCC Ltd.	0	11,226	0	1,295	0	0	0
BWSC Benin SARL	0	7,246	0	984	0	0	0
BWSC Cayman Ltd.	0	0	0	3,560	0	0	0
BWSC Cyprus Ltd.	0	0	165	0	0	0	0
BWSC Foreign Investments ApS	0	0	0	71	0	0	0
BWSC Generation ApS	0	0	0	412	0	0	0
BWSC Japan Ltd.	0	8,925	0	1,891	0	0	0
BWSC Lebanon Construction SARL	0	932	0	32,554	0	0	0
BWSC Macau Ltd.	0	0	0	5,483	0	0	0
BWSC Mali SARL	0	5,180	2,012	0	0	0	0
BWSC (Mauritius) Ltd.	0	0	0	8,147	0	0	0
BWSC Panama S.A.	0	307	892	0	0	0	0
BWSC Regional Services S.A.	0	0	0	1,112	0	0	0
BWSC Mindanao Inc.	0	0	0	71	0	0	0
BWSC Lanka (Private) Ltd.	0	0	0	150	0	0	0
BWSC Sweden AB	0	3,668	0	652	0	0	0
BWSC Generation Services Northern Ireland Ltd.	0	31,090	0	550	3,946	0	0
BWSC Generation Services UK Ltd.	0	223,749	0	16,116	22,802	0	0
Asia Power (Private) Ltd.	0	0	0	0	3,699	0	0
Subsidiaries total	**0**	**292,325**	**3,069**	**73,047**	**30,447**	**0**	**0**
Asia Power (Private) Ltd.	0	0	0	0	903	0	0
Rabai Operation and Maintenance Ltd.	616	0	0	0	762	0	0
Western Biomass Operating Company Ltd.	0	0	7,767	0	0	0	0
APOM Ltd.	0	0	297	0	0	0	0
BWSC North Lincs Ltd.	54,067	0	236	0	0	0	0
BWSC East Anglia Ltd.	50,382	0	0	0	0	0	0
Rabai Power Holding Ltd.	16,178	0	500	0	5,300	0	0
Kent Power Corporation Ltd.	48,103	0	0	0	0	0	0
ERE LPS Holdings Ltd.	36,413	0	0	0	0	0	0
Mersey Bioenergy Holdings Ltd.	83,261	0	5,965	0	0	0	0
Albatros Energy Mali S.A	13,060	0	24	0	808	0	0
Tilbury Green Power Holding Ltd.	228	0	49,628	233	0	0	0
Associated companies total	**302,307**	**0**	**64,416**	**233**	**7,773**	**0**	**0**
Mitsui E&S Holdings Co. Ltd.	0	11,220	0	3,664	0	200,000	64
Parent company total	**0**	**11,220**	**0**	**3,664**	**0**	**200,000**	**64**
Dash Engineering Inc.	0	6,922	0	129	0	0	0
Sister companies total	**0**	**6,922**	**0**	**129**	**0**	**0**	**0**

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 customary 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 Mesco Denmark 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 67 (2018: DKKm 69) have been provided as security for mortgage debt. The total mortgage debt amounts to DKKm 13 (2018: DKKm 16).

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 0 at 31 December 2019 (2018: DKKm 3). The not paid in capital will be paid in during 2020.

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

Note 6.4 Guarantees

At 31 December 2019 guarantees given by banks and credit insurance institutions on behalf of BWSC for contract work, etc. amounted to DKKm 1,256 (2018: DKKm 1,883). The guarantees are typically provided in the form of performance and down payment guarantees to cover project-related risks, such as performance, payment, quality and delay for projects and supplies towards our customers.

Note 6.5 Cash flow adjustments for the cash flow statement

DKKt

	The Group	
	2019	**2018**
Amortisation/depreciation	31,481	26,510
Changes in provisions	100,007	-18,448
Derivative financial intruments	-29,014	-15,875
Elimination of intercompany profit (note 3.3)	-8,794	-2,456
Effect from purchase of entities	-8,257	0
	85,423	**-10,269**

Note 6.6 Events after the balance sheet date

No significant events that could materially affect the financial position at 31 December 2019 have occurred after the balance sheet date.

Note 6.7 Subsidiaries and Associated Companies

Companies	Incorporated in country	Ownership in %
Parent company		
Burmeister & Wain Scandinavian Contractor A/S*	Denmark	
Subsidiaries		
BWCC Ltd.	The Bahamas	100%
BWSC Benin SARL	Benin	100%
BWSC Cayman Ltd.	Cayman	100%
BWSC Cyprus Ltd.	Cyprus	100%
BWSC Foreign Investments ApS	Denmark	100%
BWSC Generation ApS	Denmark	100%
BWSC India (Private) Ltd.	India	100%
BWSC Japan Ltd.	Japan	100%
BWSC Lebanon Construction SARL	Lebanon	100%
BWSC Macau Ltd.	Macau	100%
BWSC Mali SARL	Mali	100%
BWSC (Mauritius) Ltd.	Mauritius	100%
BWSC Panama S.A.	Panama	100%
BWSC Regional Services S.A.	Panama	100%
BWSC Mindanao Inc.	The Philippines	100%
BWSC Lanka (Private) Ltd.	Sri Lanka	100%
BWSC Sweden AB	Sweden	100%
BWSC Generation Services Northern Ireland Ltd.	United Kingdom	100%
BWSC Generation Services UK Ltd.	United Kingdom	100%
Asia Power (Private) Ltd.	Sri Lanka	55%
Associated companies		
Rabai Operation and Maintenance Ltd.	Kenya	51%
Western Biomass Operating Company Ltd.	United Kingdom	51%
APOM Ltd.	United Kingdom	50%
BWSC Power Corporation Ltd.	United Kingdom	34%
Rabai Power Holding Ltd.	United Kingdom	25.5%
Kent Power Corporation Ltd.	United Kingdom	18%
ERE LPS Holdings Ltd.	United Kingdom	17.2%
Mersey Bioenergy Holdings Ltd.	United Kingdom	10.6%
Albatros Energy Mali S.A	Mali	8%
Pedregal Power Company S.D.E.R.L	Panama	7.6%
Tilbury Green Power Holding Ltd.	United Kingdom	3.4%

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

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

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

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

Recognition and measurement in general

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

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

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

Consolidation

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

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

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

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

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

Companies in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as 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.

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 of 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 costs incurred on the project, compared to the total estimated costs.

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

Income from spare part contracts and the sale of electricity is recognised when delivered.

Production costs

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

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

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

Sales costs

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

Financial items

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

Tax

The estimated tax charge for the year is recognised in the income statement and is recorded as a current liability in the balance sheet. Non-refunded dividend tax concerning dividends from foreign subsidiaries is expensed in the year in which the dividend is declared.

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

Deferred tax resulting from timing differences between income and expenses in the financial statements and the statement of taxable income and from tax loss carry-forwards is provided for in the balance sheet. Changes in the deferred tax charge for the year are taken to the income statement. Actual and deferred tax related to equity movements is recognised directly in equity.

BALANCE SHEET

Intangible and tangible fixed assets

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

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

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

Intangible assets	
Goodwill	3 years
Contract rights	2 years
IT software	3-7 years

Tangible assets	
IT hardware	3 years
Development costs	3 years
Office building	100 years
Warehouse	25 years
Installations	10 years
Cars	5 years
Plant and equipment	5 years
Fixtures, fittings and tools	3-10 years
Land is not depreciated	

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

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

Financial fixed assets and business combinations

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

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.

Trade payables

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 Revenue section.

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

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

Prepayments

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

Warranty provisions

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

Other provisions

Other provisions comprise expected remaining costs relating to delivered contracts.

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

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.

A cash flow statement for the parent company has not been prepared in accordance with §86.4 of the Danish Financial Statements Act.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Note 7.2 Financial ratios

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

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

Profit ratio $$\frac{\text{Profit before tax x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity at year-end x 100}}{\text{Total equity and liabilities at year-end}}$$

Return on equity $$\frac{\text{Profit for the year (after tax) x 100}}{\text{Average equity}}$$

Burmeister & Wain Scandinavian Contractor A/S
Gydevang 35
3450 Allerød
Denmark

T: +45 4814 0022
F: +45 4814 0150

bwsc@bwsc.dk
bwsc.com

Company reg. no. (CVR): 87929116

Burmeister & Wain Scandinavian Contractor A/S