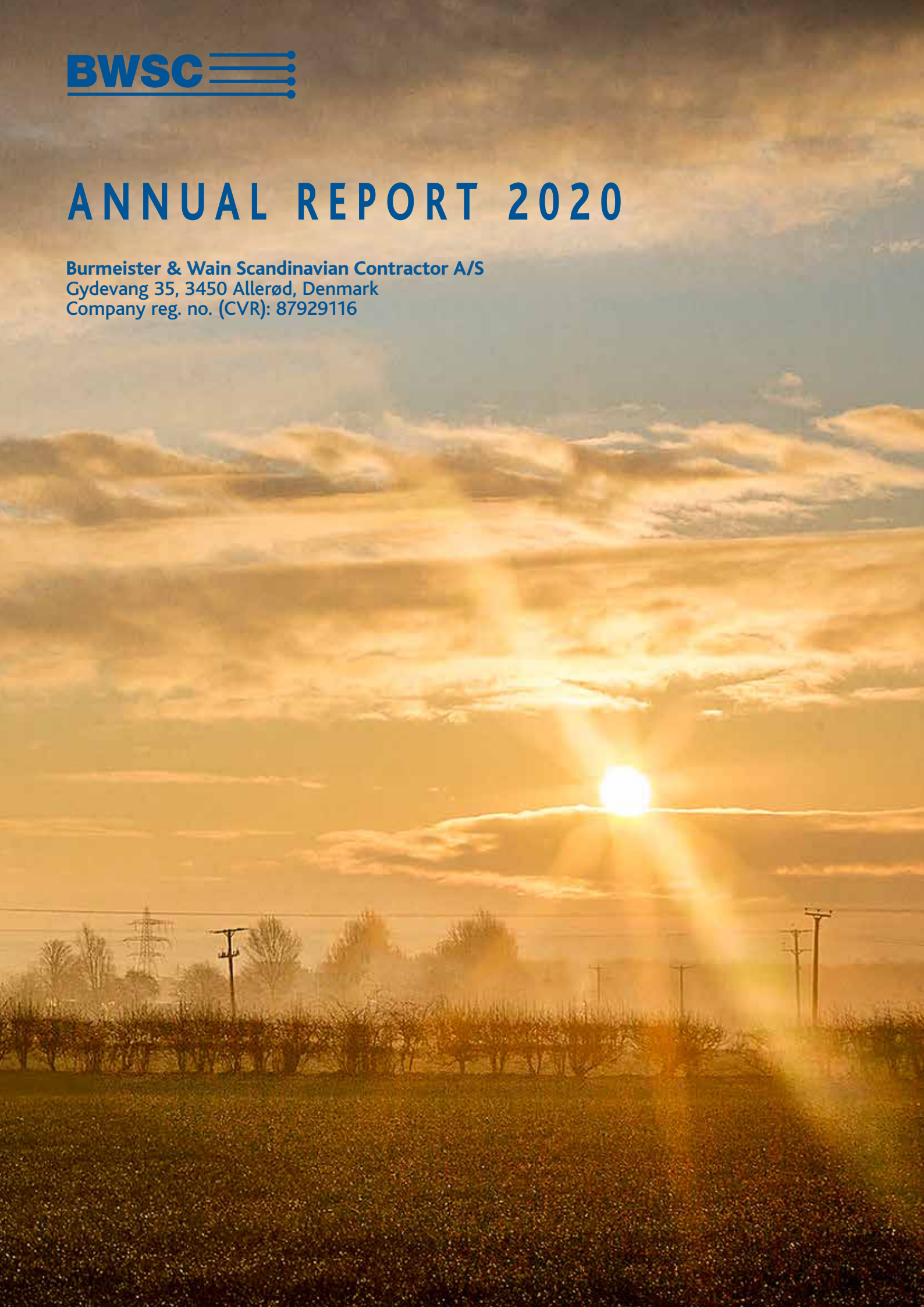




ANNUAL REPORT 2020

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



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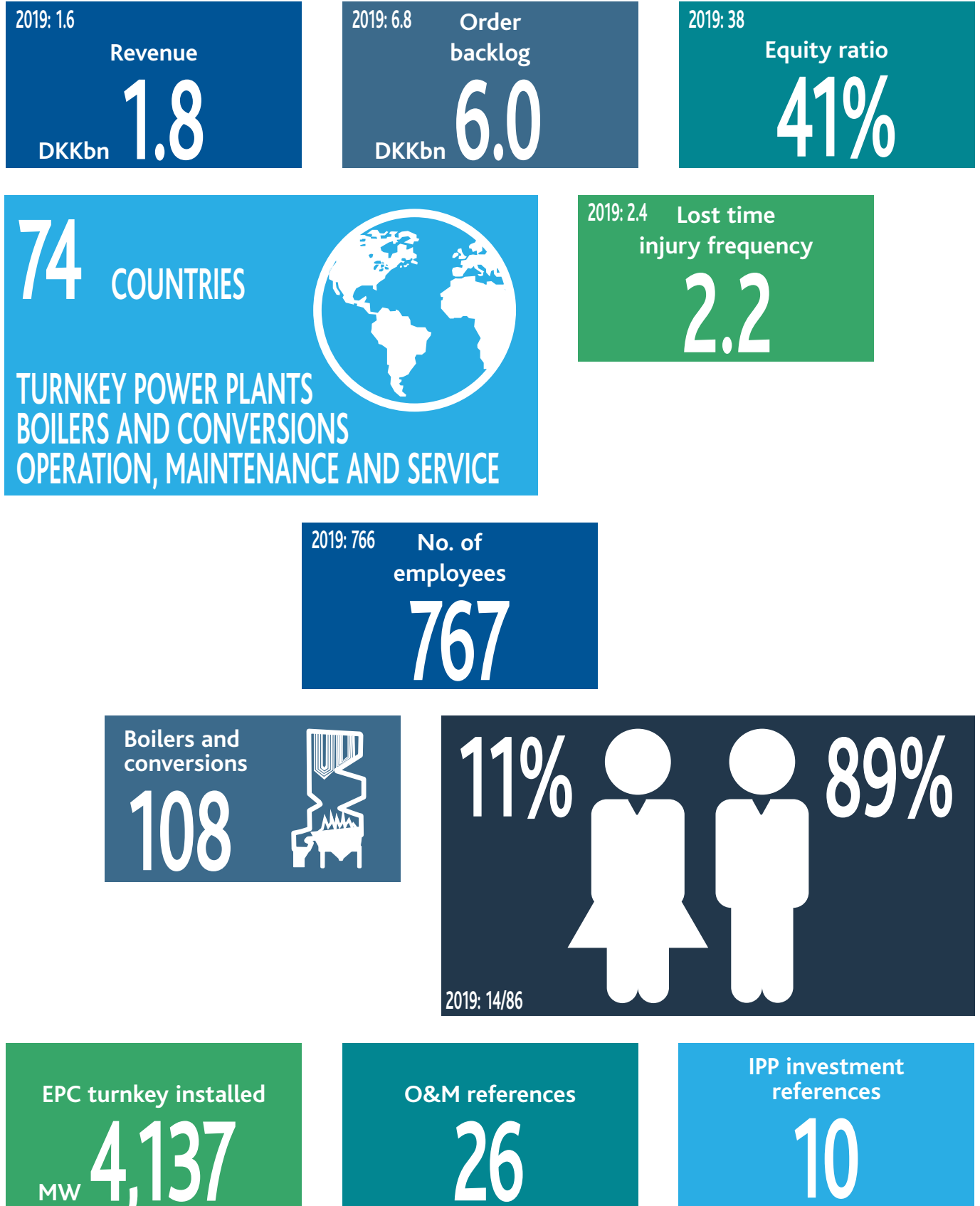
DOING BUSINESS

This page: Service at Söderenergi, Igelsta heating plant, Sweden. The in-country service team secured the job of exchanging the convection parts and heaters early 2020 and despite the pandemic the job was conducted in a safe manner. The job was handed over to a satisfied client late 2020.

Cover: Sunrise at Brigg Renewable Energy plant, UK. For the five years, the sun has risen above the power plant all while BWSC has delivered reliable power 24/7/365 for some 70,000 UK households and businesses.

BWSC AT A GLANCE

BWSC is a global leader in the world of power generation. We go the extra mile to provide and operate power plant solutions and associated services for a wide variety of energy sources, including biomass, waste, liquid, or gaseous fuels.



LETTER FROM THE CEO

RE-POSITIONING IN A CHANGING ENERGY MARKET

The COVID-19 pandemic along with a rapidly changing energy market have caused customers to postpone decisions on larger capital investments, and new projects have been deferred or cancelled. This has had a significant impact on our business opportunities in 2020 and we have not secured the orders we had expected. In addition, BWSC has also in 2020 been impacted by a number of negative events including investments not yielding returns as expected, cost-overruns on recently delivered projects and unpaid claims. Together this has resulted in losses over the past couple of years as well as in 2020, which is unsatisfactory.

In response to this development BWSC in November 2020 decided to change the strategic focus of the company. Going forward we will focus on a continuation of our strong operation and maintenance (O&M) and service businesses, where BWSC has grown to become a significant player in the market. We will also ensure that the ongoing construction of power plants will be completed according to our high standards. Consequently, and to achieve a profitable business going forward, we have across the business carried out cost savings and taken action to improve our margins and unfortunately also significantly reduced the number of employees. This restructuring has led to significant one-time costs, which has also impacted on the result for 2020. The financial strength of BWSC to carry through the restructuring and to build a new BWSC has been secured via continued and new supplemental financial support from our owner.

BWSC has faced and overcome many challenges since our formation in 1977 and earlier legacy history dating back to 1843. As in the past, our employees continue to rise to the occasion, and we are certain that by utilising the same entrepreneurial spirit, we will succeed in growing a new BWSC.

Our partners rely on us to ensure uninterrupted power and heat supply for the benefit of many people and businesses. We are therefore very happy that, through extraordinary efforts, we have managed to mitigate major COVID-19 impact at sites all over the world and managed to ensure progress on construction projects. We are proud of this achievement, which would not have been possible without our employees' and business partners' collaborative efforts and contributions.

ACHIEVEMENTS IN 2020

2020 has also been a year of great achievements. Early in 2020, we obtained two new orders; we are designing and supplying the biomass feeding system, boiler and flue gas treatment system for Gentse Warmte Centrale (GWC), a 20 MWe biomass power plant located in Ghent, Belgium, which BWSC will also operate and maintain for 15 years. Furthermore, we were selected to expand the DPP2 Bemland power station in Paramaribo, Suriname from 84 MW to 126 MW.



I would like to thank all BWSC employees around the world for enabling our company to continue providing critical infrastructure in the energy sector to our customers and partners ensuring stability in the midst of the global pandemic

NIKOLAJ HOLMER NISSEN, CEO

During 2020 we have also handed over two projects to our customers, which concluded with the first virtual certificate signings in BWSC history! We are on track with our remaining EPC and boiler projects, including the Hooton Bio Power waste facility in the UK, the Bemland extension project and the Gentse Warmte Centrale project. Our O&M and service businesses continue to deliver solid results and have grown to account for approximately half of the company's turnover. We have taken over operation of the Ichihara power plant in Japan and obtained several new customers and orders within our service business, including a major service order in Grand Bahamas. In 2020 we have also finally closed all of our most challenging projects and can thus close a chapter that has for some years contributed to negative financial performance. Furthermore, we are continuing our good performance in regard to health and safety.

COMMITTED TO BUSINESS INTEGRITY AND HEALTH & SAFETY

At BWSC we are committed to live by our code of conduct, policies and procedures. We continue to strengthen our compliance programme and in 2020, close to 100% of all employees have received training in integrity and anti-corruption. We have developed and implemented key policies and procedures and will continue to introduce initiatives that will maintain all-staff commitment to our code of conduct and ensure that our values and actions are aligned. In 2021 and beyond we will continue to 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. During the COVID-19 pandemic we remain dedicated to the safety, health and well-being of our employees, and we draw on our strong safety culture to manage through this pandemic. Employees who can work from home are doing so, and at our facilities that remain open, we are taking appropriate precautions and implementing safeguards to protect our colleagues and partners.

THANK YOU

We are confident that 2021 and the years to come will provide new opportunities for BWSC based on our strong reputation and credentials in the energy sector, and that the re-positioning will create a strong foundation to deliver a sustainable future for BWSC.

We 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



GROUP FINANCIAL HIGHLIGHTS - 5 YEAR SUMMARY

	2020 EURm*	2020 DKKm	2019 DKKm	2018 DKKm	2017 DKKm	2016 DKKm
Income statement						
Revenue	244	1,814	1,609	2,158	2,882	2,946
Gross profit	18	131	99	105	179	292
Operating result (EBIT)	-23	-174	-75	-101	-26	112
Operating result (EBIT) adjusted **	-11	-79	-75	-101	-26	112
Financial items, net	-2	-13	2	-18	3	-11
Result before tax	-34	-254	-101	-201	-45	105
Net result	-31	-229	-85	-172	-42	81
Balance sheet						
Total assets	203	1,518	1,761	1,918	1,935	1,827
Cash	54	403	495	521	358	214
Net working capital	42	316	269	-278	-31	87
Equity	84	622	671	454	656	759
Net interest-bearing debt	15	109	213	216	169	172
Cash flow						
From operating activities	-21	-159	-545	114	221	-331
From investment activities	-4	-30	215	3	-31	-337
From financing activities	13	97	297	47	-46	108
Financial ratio (%)						
Gross margin	7	7	6	5	6	10
Profit ratio	-14	-14	-6	-9	-2	4
Equity ratio	41	41	38	24	34	42
Return on equity	-35	-35	-15	-31	-6	11
Other information						
Order intake	162	1,206	474	2,955	3,769	3,036
Order backlog	810	6,031	6,797	7,917	7,120	6,687
Number of full-time employees	767	767	766	763	715	577
Of which employed by the Parent Company	366	366	442	509	473	383

The calculation of the financial ratios are described in note 7.2 in the financial statements.

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

** Adjusted for restructuring costs



OUR CUSTOMERS AND US



2020 HIGHLIGHTS

TRUSTED PARTNER IN SURINAME

On 9 February 2020 BWSC in consortium with MAN Energy Solutions won a tender to extend the capacity of Bemland power station in Paramaribo, Suriname. The project is the culmination of a long partnership to power the capital of Suriname. The 2020 project included a 42 MW extension as well as an upgrade and expansion of the 33 kV distribution system. The plant will be the most fuel-efficient power station in the region and will enable the local utility N.V. Energiebedrijven Suriname (EBS) to save tons of fuel per day, while reducing exhaust and noise emissions substantially.

On 20 December 2020, our heavy lift operation in Suriname consisting of two engines and two generators was successfully completed. This undertaking constituted a major achievement for BWSC project execution. A substantial project risk was eliminated while a solid road was established for the successful and timely completion of the EPC project. Despite logistical challenges caused by the global pandemic, we expect to deliver the plant to our client in the first half of 2021 – as agreed!

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, and surrounding communities. Together with our customers we contribute to much of what we all expect from a well-functioning society.

In executing our mission we enable delivery of clean and flexible energy solutions in support of sustainable societies. One of the biggest challenges facing the energy industry is the move towards decarbonisation. We are committed to work with our partners and customers to produce economically viable options that meet the transition towards a carbon-free world.

We aim to achieve a balance between:



Minimising emissions: Many countries are adopting carbon taxes and the EU has released its Green Deal, stating that the EU will aim to reach net-zero greenhouse gas emissions by 2050. As a player in the energy sector, we recognise our role in assisting our customers into a sustainable future. We always work within parameters of national legislation and follow internationally recognised standards. Where possible, we strive to exceed requirements through innovativeness and leadership on the issues that are important to us and our customers.



Reliable, affordable energy: 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 safeguard and develop innovative products and processes that improve the sustainability of power plants. 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.



Local partnerships: At all our sites, we partner up with the local authorities and population. The majority of our employees are local, ensuring not only continuous improvement in servicing our customers, but also local growth and prosperity. Therefore, it is vital and natural for us to build on the local skills and expertise. If required, we organise a variety of training programmes and even local schools, as the children often grow up to become part of our future workforce.

The growing focus on sustainability is becoming increasingly important for our customers and we are strongly positioned to address their challenges.

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 when market conditions change.

Financial investors and other partners hire us to operate and maintain their plants. We minimise their investment risk, procure a return on their invested capital, and ensure them a good night's sleep – every night.

Creating value for our customers

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. It is generally assumed that our success is owed to decades of worldwide experience – whereas the secret lies in listening to our customers and understanding their requirements.

A safe partner

Health and safety are our topmost priorities, and our well-trained staff ensure that we meet the highest of safety standards. All our activities are run by teams with an intimate knowledge of power plant systems and are acutely aware of any potential risks that may arise. As a result, our safety records are excellent.

At BWSC we are committed to live by our code of conduct, policies and procedures. We continue to develop and refine our compliance programme, so our customers can maintain full confidence in BWSC as a company with a high level of integrity.

**2020
HIGHLIGHTS**

During the pandemic major parts of the BWSC workforce – whether at the headquarters in Allerød or at our sites – have been forced to establish new work procedures while at the same time continuing to secure power supply and build and service power plants across the world. Some of our 2020 highlights are illustrated below and throughout the report.



SUND 3 PROJECT HAND-OVER

On 14 March 2020 we handed over the SUND 3 project to our customer Elnet SEV in the Faroe Islands. SUND 3 is located on the SUND power station site 10 km outside Thorshavn; the same location where BWSC in 1983 and 1987 installed the two 2-stroke units, which are still considered the backbone of electricity supply for the main Faroe Islands. The power plant is designed to provide efficient and environmentally responsible power supply to the Faroe Islands.

BERMUDA SERVICE PROVIDER

On 31 March 2020 we successfully handed over the North Power Station project in Bermuda to our long-term valued client Bermuda Electric Light Company (BELCO). BWSC has a long history on Bermuda and this plant is the fifth project BWSC has handed over to BELCO since 1984. For us long-term partnerships are incredibly valuable, and we were very pleased when BELCO in April 2020 chose BWSC as main contractor for replacing the radiator coolers for generating sets E5 and E6 of similar type and quality as supplied for the newly commissioned North Power Station.



NEW DANISH SERVICE ORDER

In December 2020 BWSC was chosen as a supplier for the design, delivery and installation of an exhaust by-pass for the existing gas turbine unit at Helsingør Kraftvarmeværk. The project comprises a new specially designed by-pass damper, high temperature exhaust gas ducting and a new separate stack, as well as a complex relocation of existing equipment. The entire project is scheduled for completion in June 2021. We look forward to continuing the good cooperation with Helsingør Kraftvarmeværk to help ensure their commitments towards a green transition.

SEE MORE 2020 HIGHLIGHTS THROUGHOUT THE REPORT

OUR CUSTOMERS AND US

WORKING WITH BWSC

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 developing and safeguarding their power plants

BWSC is a global leader in the world of power generation. We go the extra mile to provide and operate power plant solutions and associated services for a wide variety of energy sources, including biomass, waste, liquid, or gaseous fuels.

To achieve results, BWSC relies on cooperation and teamwork with our main equipment suppliers, local service providers and, most importantly, our customers. It is the backbone of the BWSC philosophy: Our customers and suppliers are our partners! We are in this together, with mutually agreed targets and success criteria.



We work together in all phases of the power plant life cycle and we strive to build and safeguard long-term customer and supplier relations. Working in difficult, remote and challenging environments is customary to us; however, we cannot succeed alone!

OPERATION & MAINTENANCE

When partnering with BWSC for Operation and Maintenance (O&M), our customers gain access to the experience and in-depth knowledge accumulated within our entire organisation from designing and building more than 180 power plants and from operating and maintaining more than 4,100 MW of base-load generation equipment worldwide. We handle large and medium-scale power plants, combined heat and power (CHP) plants and plants fuelled by renewable energy.

At BWSC we understand the requirements of our customer's plant, whether it is fuelled by liquid, gas, biomass or waste, whether afloat or land-based, wherever in the world and irrespectively of engine or boiler manufacturer. Our mission is to make plants work reliably and efficiently – and we are very experienced in doing so.

Successfully operating a power plant is a 24/7 task. As plant owner or investor, our customers can anticipate and expect smooth, continuous operation with high levels of availability and reliability.

BWSC takes a holistic approach to each individual power plant; we regard the plant as one complex working entity, not just as a large piece of equipment surrounded by auxiliaries.

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



SERVICE

BWSC is a long-standing, reputable and all-round service provider for both engine and boiler-based power plants utilising its extensive knowledge of power plants to address and remedy virtually any power plant related issue.

We supply service for boilers with high fuel flexibility. Our rehabilitation and maintenance programme can extend a boiler plant's lifetime, ensuring that it always performs optimally. We can also assist our customers in conversion of boilers from coal to biomass, facilitating a massive leap towards a more sustainable future.

BWSC's engineers and specialists can provide in-depth technical assistance for virtually all aspects of engine-based power plant operations.

When entering a long-term technical support agreement (TSA) with BWSC, our customers are guaranteed quality and risk mitigation and can expect one of our expert troubleshooting teams to be dispatched at short notice if the need arises. Our service hotline is open 24/7, 365 days a year!

Our TSA set-up features fixed prices to aid budgeting processes and is tailored to meet the owner's needs with the following advantages for the plant owner:

- competitive operation and maintenance costs
- risk mitigating
- performance backed by guarantees
- spare parts delivered on-site, at the proper time for overhaul
- best practice technical support in all power plant areas
- minimised outage time
- liaison with the entire BWSC technical organisation and network of original equipment manufacturers
- knowledge-sharing

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

PROJECTS

BWSC is known as a global and leading EPC contractor of turnkey power plants. The project execution teams have since the beginning delivered EPC projects totalling more than 4,100 MW installed capacity and operated in 74 countries worldwide. We have delivered the following solutions in cooperation with strategic partners, suppliers and customers:

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

Going forward we will continue our focus to ensure that the ongoing construction of power plants will be completed according to our high standards, while our strategic focus will be on continuation of our strong operation and maintenance (O&M) and service business, where BWSC has grown to become a significant player in the market.

BWSC takes pride in always meeting our contracts and agreements. We deliver on time, on budget and at the specified performance level. A deal is a deal!

OUR CUSTOMERS AND US

MARKET DEVELOPMENT AND OUR STRATEGY GOING FORWARD

The energy market is characterised by changes in energy policies to promote sustainable development and fight climate change. Utilities and investors globally are updating their investment strategies as they await regulatory requirements and aim to achieve increasingly ambitious targets for decarbonisation. This in combination with an unfavourable economic environment, affected by COVID-19 uncertainties, has caused customers to defer investment decisions. The situation has resulted in a low demand for new turnkey energy solutions.

Despite the lack in demand for new turnkey solutions, the market for energy service orders has developed well, resulting in new partnerships and several new orders. Also, the demand for continued operation and maintenance of power plants has been steady and the outlook for sustaining and growing this business is positive.

In response to the market development and negative results in 2020, combined with uncertainties in the market ahead, we

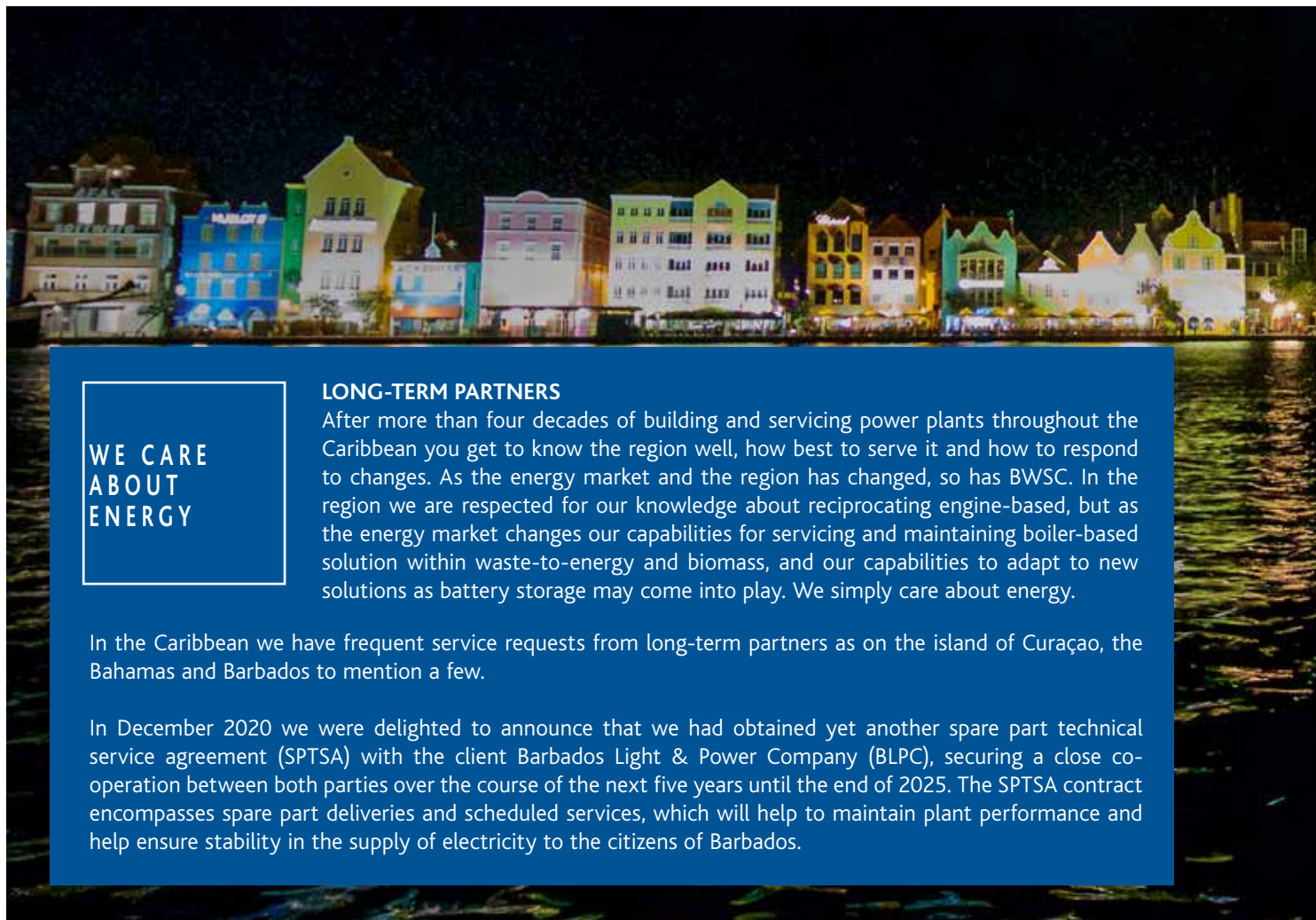
have, in cooperation with our owner, decided to change the strategic focus of the company.

While we remain committed to completing all on-going EPC projects, going forward we have decided to focus our efforts on continuation of the strong O&M and service business, which has grown to account for almost half of the company revenue. BWSC has grown to become a significant player in the markets with strong value propositions within each sector.

Service

BWSC service sector's strongest value proposition is project management and engineering, where we utilise our broad range of engineering competencies and specialists. This enables BWSC to operate within areas where competition is generally lower and margins higher. Another strength is our broad product portfolio ranging from spare parts, simple repair jobs to complex rehab and upgrade projects.

Despite a declining demand for new engine-based power plants in general, there is still a market for service, especially on islands and in remote locations. Within the boiler service business, we will enter new markets and potentially expand



WE CARE ABOUT ENERGY

LONG-TERM PARTNERS

After more than four decades of building and servicing power plants throughout the Caribbean you get to know the region well, how best to serve it and how to respond to changes. As the energy market and the region has changed, so has BWSC. In the region we are respected for our knowledge about reciprocating engine-based, but as the energy market changes our capabilities for servicing and maintaining boiler-based solution within waste-to-energy and biomass, and our capabilities to adapt to new solutions as battery storage may come into play. We simply care about energy.

In the Caribbean we have frequent service requests from long-term partners as on the island of Curaçao, the Bahamas and Barbados to mention a few.

In December 2020 we were delighted to announce that we had obtained yet another spare part technical service agreement (SPTSA) with the client Barbados Light & Power Company (BLPC), securing a close co-operation between both parties over the course of the next five years until the end of 2025. The SPTSA contract encompasses spare part deliveries and scheduled services, which will help to maintain plant performance and help ensure stability in the supply of electricity to the citizens of Barbados.

our offerings. Based on a large potential for expanding the boiler service business in Sweden, Norway and potentially the UK, we will aim to do so via increased sales presence and activities in these key markets. Also, here we aim to win large complex boiler service projects with new customers. We continue to investigate opportunities to win and deliver services in other industries.

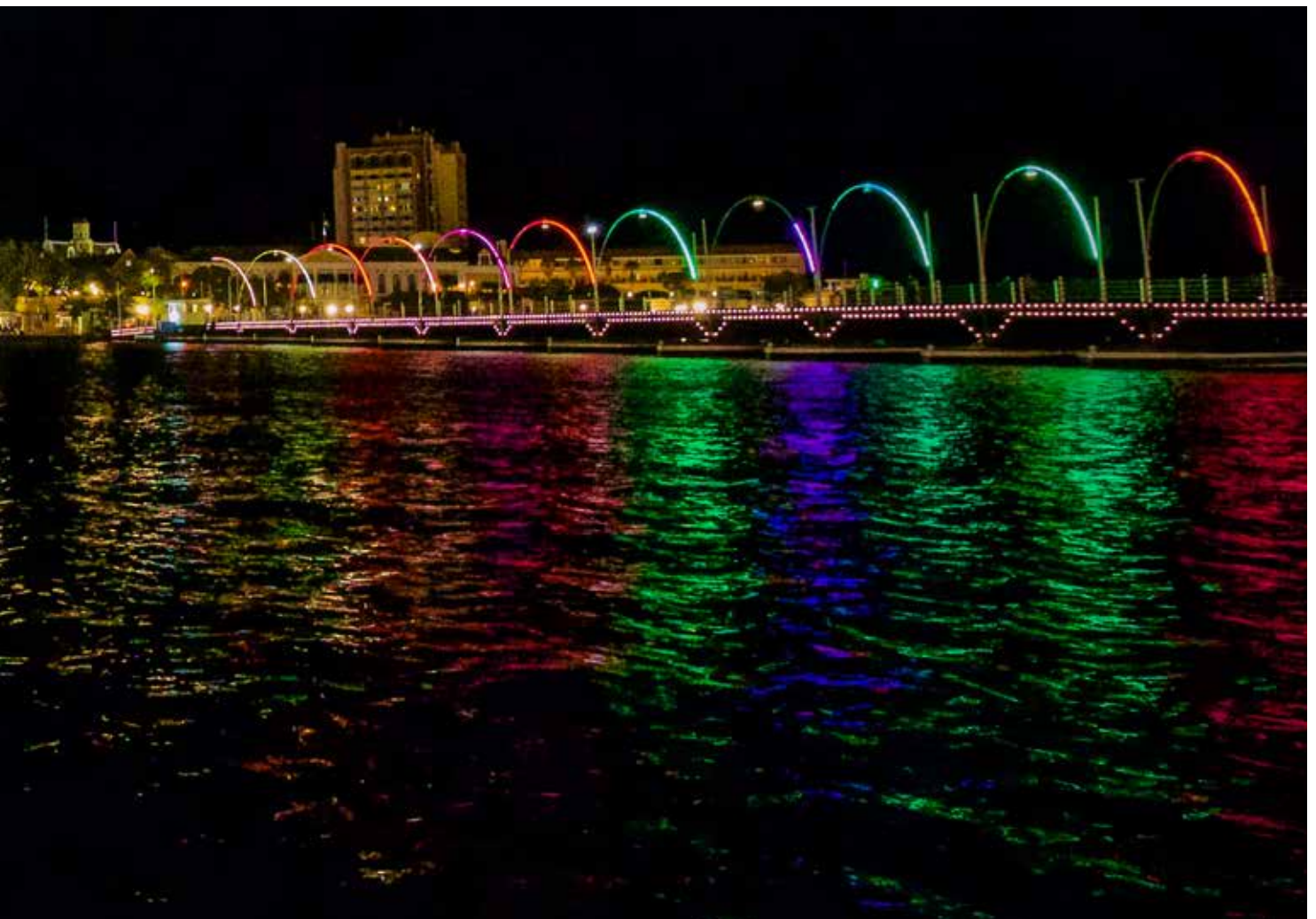
Operation and Maintenance

Over the years, BWSC has established itself as a strong and reputable player in the market for O&M, with a solid revenue base made up of 16 long-term contracts. This contract portfolio is providing stable business well beyond 2030 with the last contract ending in 2040. Historically, O&M sales has mainly come from EPC/Boiler associated sales, with most contracts being associated with large EPC contracts. In the New BWSC, O&M must become self-sustainable selling O&M contracts to owners of non BWSC-built plants. This has already been achieved on several contracts, including the recently obtained Ghent and Ichihara O&M contracts.

A key strategy is to obtain business from new customers. There are several EPC contractors who do not offer O&M capability. Such contractors are now potential partners for BWSC, where the strong selling points for having separate EPC and O&M contractors include:

- Independent review of construction plans and documents
- Independent management of warranty claims during the defect notification period
- Access to knowledge and experience sharing through the various BWSC O&M forums, and
- An extra pair of ears and eyes for the owner during construction overlooking the EPC contractor
- Opportunities to win and deliver O&M contracts in other industries will be further investigated
- O&M is further strengthening its commercial muscles to ensure long-term viability of the business

Our new corporate strategy is under development and will guide our actions for the years to come. Through it, we will grow our O&M and Service business bringing our mission "to deliver world-class, sustainable energy solutions" to life.



OUR CUSTOMERS AND US

COMPETENCE POOL

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

In-house competences include high-level engineering, technological innovation as well as well-proven project management and site management skills. Competences also include power plant operation skills, insights in financial markets and legal frameworks.

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.

Based on these capabilities BWSC continuously develops the most efficient energy solutions within the requirements set by the customer.

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.



2020 HIGHLIGHTS

WORKING WITH OUR OWNERS

On 17 December 2020, BWSC Japan took responsibility for operating and maintaining of the 50 MW Ichihara Biomass Power Plant in Chiba, Japan. The 20 year O&M contract is with Ichihara Biomass Power KK – a company owned by Osaka Gas, Itochu and MES. The plant has been built by MES Engineering at the MES Chiba Shipyard and designed to be fuelled by wood pellets and palm kernel shells, based on a circulating fluidized bed boiler by Andritz with a MAN turbine. The Ichihara O&M contract is in line with the BWSC strategy of obtaining O&M business on non BWSC-built power plants, which is why we are very happy to announce the start of this O&M contract.



2020 HIGHLIGHTS

OPERATION & MAINTENANCE

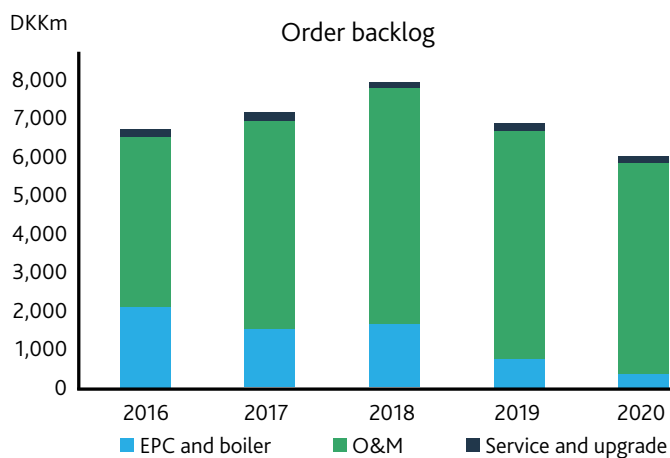
On 17 January 2020 BWSC reached effective contract on a technology supply contract and a 15 year O&M contract on Gentse Warmte Centrale (GWC), a 20 MWe biomass power plant located in Ghent, Belgium. We were very pleased to land this contract as the project follows BWSC's O&M sales business strategy by expanding the O&M business into mainland Europe and by adding another O&M reference for non BWSC-built power plants.

FINANCIAL REVIEW

The net result for the year is significantly impacted by restructuring costs and loss on investments in equity interests and is a loss of DKKm 229 compared to a loss of DKKm 85 in 2019. Furthermore, a large new project did not materialise as expected resulting in idle capacity and costs related hereto.

ORDER INTAKE AND BACKLOG

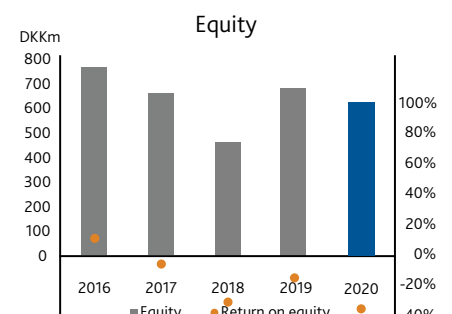
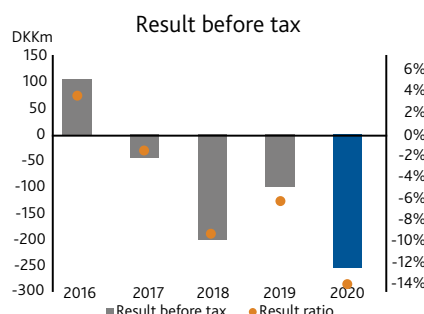
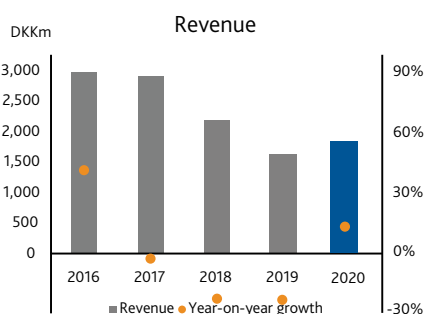
The order intake for 2020 amounted to DKKm 1,206 compared to DKKm 474 in 2019. The EPC order intake improved compared to 2019 and amounted to DKKm 453. The order intake in O&M amounted to DKKm 390 and in Service DKKm 363. The order backlog at the end of 2020 amounted to DKKm 6,031 (2019: DKKm 6,797). The order backlog is specified as follows:



EPC projects, that ensure revenue over the construction period – typically around 2-3 years per project, have been below expectations in 2020, 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 extent follow the EPC projects and have consequently also been below expectations.

REVENUE

Revenue in 2020 amounted to DKKm 1,814 compared to DKKm 1,609 in 2019. The increase is mainly due to an increase in revenue from the power plant activities in Asia Power Private Limited. 48% of revenue related to the EPC activities (2019: 59%).



EBIT

The financial performance has been below expectations, which has resulted in a loss before interest and tax (operating result or EBIT) of DKKm -174 for 2020 compared to a loss of DKKm 75 in 2019. The unsatisfactory EBIT is mainly the result of restructuring costs of DKKm 95, lacking orders and cost overruns on a few projects. Despite cost overruns on projects gross profit improved to DKKm 131 from DKKm 99 in 2019.

RESTRUCTURING COSTS AND ADJUSTED EBIT

EBIT is impacted negatively by costs relating to the restructuring one-time costs of a total of DKKm 95. In November 2020 BWSC announced a large restructuring of its business and a changed focus going forward where the focus will be on the O&M activities and on the Service activities – both are areas where BWSC over the past years have gained a solid market position. The restructuring gives rise to a significant reduction of the number of employees, abandonment of development projects, impairment of assets no longer to be used, etc. The restructuring costs comprise of write down of assets for a total of DKKm 56 and other restructuring costs, mainly relating to employees, for a total of DKKm 39.

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 plants 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 result from the investments in equity interests. Result from investments in equity interests amounts to DKKm -67 (2019: DKKm -27).



RESULT BEFORE TAX

Result before tax for 2020 amounts to DKKm -254, which is a decrease of DKKm 153 compared to 2019. The vast majority of the deterioration stem from restructuring costs, result on investments in equity investments and other financial items.

TAX

Tax for the year is an income of DKKm 25 compared to an income in 2019 of DKKm 16. The tax income is a net amount of payable and deferred taxes, etc. The tax payable for the year is an expense of DKKm 9 (2019: DKKm 6). Changes in deferred taxes is an increase of DKKm 35 which is primarily attributable to tax losses carried forward that are expected utilised within a foreseeable future.

NET RESULT

The net result for the year is a loss of DKKm 229 compared to a loss of DKKm 85 in 2019. The loss is proposed appropriated as shown in the Statement of changes in equity and for the parent company as stated in note 5.3 Distribution of result.

UNCERTAINTIES

In 2014, two engine-based projects in the Middle East were suspended due to the client not paying the milestone payments on time. These 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 and the Client's representative. Since it has not been possible to reach an agreement, we decided in 2018 to file for arbitration through ICC, France. The arbitration has been on stay (on hold) from 2019 until the beginning of 2021 due to settlement negotiations with the Client and the Client's Representative. The arbitration case at ICC re-started in January 2021 when the latest extension of the Stay expired, and BWSC expects to submit the Statement of Claim to ICC in the spring of 2021. A material part of the amount BWSC is claiming has not been recognised as income due to the claim

negotiations not being finalised. It is the assessment that a finalisation of the case, either via a settlement or via the ICC case will result in an outcome for BWSC amounting to at least the amount recognised as income.

INVESTMENTS

Financial assets comprise of investments in equity interests, mainly power plants in which BWSC has a substantial but not controlling shareholding. Financial assets amounted to DKKm 150 at the end of 2020 compared to DKKm 225 at the end of 2019. The decrease relates to losses in some of the equity interests in 2020 as well as negative FX development.

WORKING CAPITAL

At year end 2020 net working capital amounted to DKKm 316, an increase of 47 DKKm compared to 2019. The main reason for the increase is a decrease in prepayments from customers.

CASH FLOW

Cash flows from operating activities amounts to DKKm -159, which is an increase/an improvement of DKKm 386 compared to last year. The increase is mainly caused by less cash being spent on projects in 2020 compared to 2019. Cash flows from investing activities amounts to DKKm -30 versus DKKm 215 last year. Cash flows from investing activities mainly relates to development projects under intangible assets. Cash flow from financing activities amounts to DKKm 97 compared to DKKm 297 last year. In 2020 cash flow from financing activities is mainly due to a loan from the ultimate parent company.

EQUITY

Equity amounts to DKKm 622 (2019: DKKm 671), and the equity ratio is 41% (2019: 38%). The equity ratio has increased mainly due to a capital increase of DKKm 200 by way of a conversion of a loan from BWSC's parent company in December 2020 and as a result of a decrease in total assets. 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 133 (2019: DKKm 145). The total eliminated profit will be taken to income over the operational lifetime of the power plants.

2021 OUTLOOK

The restructuring of BWSC announced in November 2020 will lead to reduced EPC activity and overall a lower revenue level in 2021. We expect to see an effect from the restructuring on our profitability on a medium to long-term basis. For 2021 we expect an improved and positive net result. The result for 2021 is however expected to be of limited size.

Forward looking statements like the 2021 outlook are uncertain and depend on a number of factors. Furthermore, BWSC disclaims any liability to update or adjust statements in the Annual Report 2020 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 2020, 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, a boiler design and supply project in Belgium, with expected hand-over in 2022 and an engine-based project in Suriname, with expected hand-over in 2021.

Projects

Management conducts a thorough review of all EPC, O&M and other projects on an ongoing basis, to manage operational and financial risks in 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 strict 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. Strong project management and ongoing follow up on project milestones are carried out as 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 sustainability 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 a 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 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. Since the consequences of Brexit are still not fully clear, this may have an impact on projects in the UK. For ongoing EPC contracts, we are to a large extent 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

Objectives and policies for managing financial risks

The overall objectives and policies for BWSC's financial risk management are described in note 5.4.

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 are considered having 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.

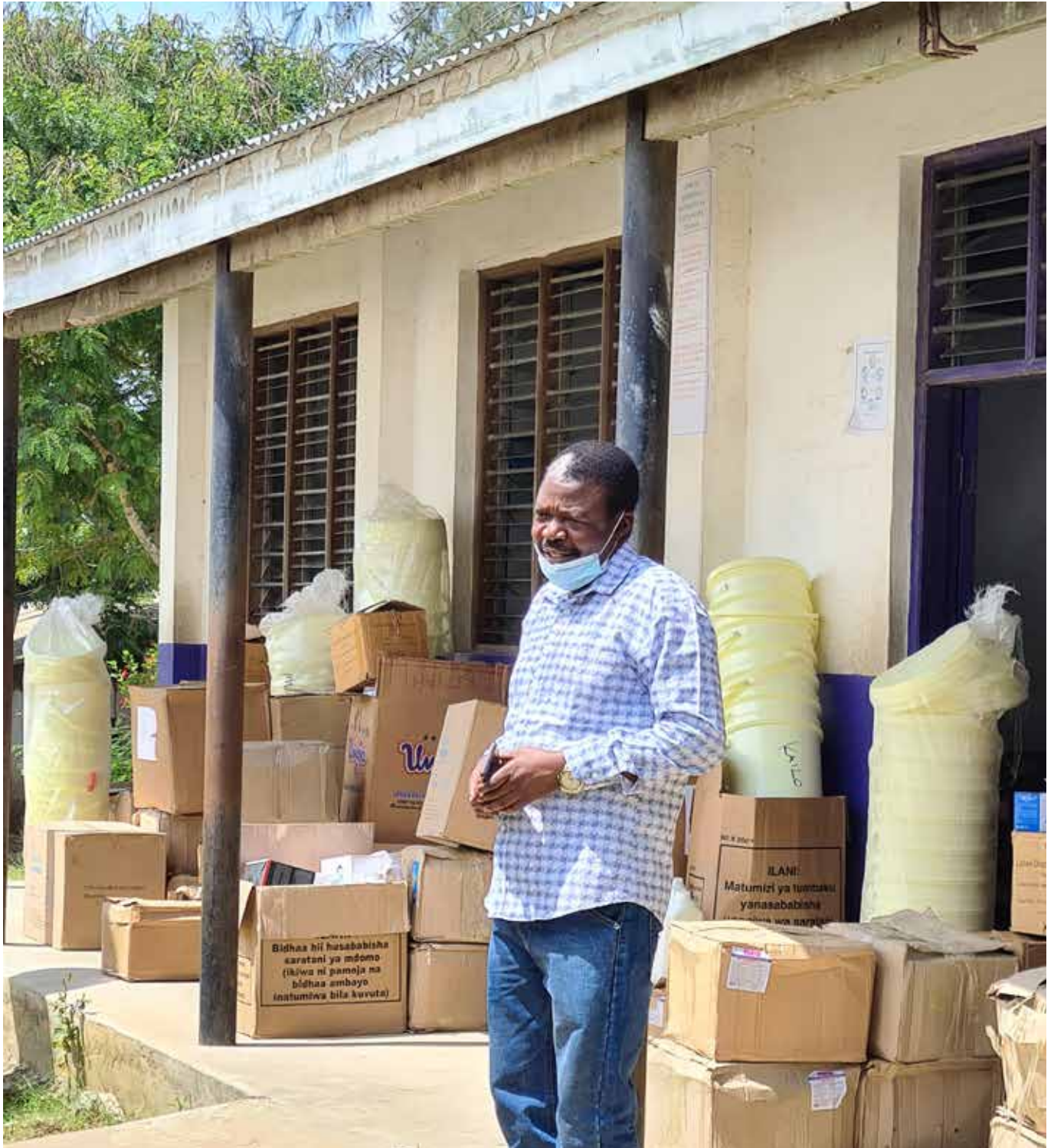
Each project defines an energy price hedge strategy based upon continuous analysis by the project companies. Subject to the analysis, each strategy could entail any degree of price hedging implemented in the electricity offtake agreements. The projects also define strategies to safeguard the supply of fuel through centrally negotiated supply agreements with well-established suppliers.

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

WE CARE ABOUT HEALTH

In the past decade in Rabai, Kenya, BWSC has supported the local health facility. A diagnostic laboratory and a ward with a 20-bed capacity has been added, fast-tracking the facility for hospital status and additional resources. During the COVID-19 pandemic basic and critical health equipment has been donated to the Rabai Health Centre. For BWSC, sustainability means caring about the wider community and to take responsibility for the impact we have on society. At BWSC not only care about energy, we care about people.



For BWSC, sustainability means pursuing environmental, governance and social objectives simultaneously and with equal energy. It is our aim to create lasting values, offer good working conditions, and conserve resources and the environment.

Since our foundation, our aspiration has been to supply energy solutions that create value for all stakeholders. Electricity unlocks the power of society and its people. With electricity we can build communities, develop economic opportunities, and spark creativity. Through helping partners choose the right technology and fuel-type, we can help societies tackle environmental problems of air pollution and harmful greenhouse gases, derived through decay at landfills. Today, our reference for determining the value we create is also defined within the UN Sustainable Development Goals (SDGs) adopted by the 193 United Nations Member States in September 2015. The SDGs represent an important step toward a shared understanding of the challenges that we need to tackle worldwide to enable sustainable development.

It is our aim to make sure that whenever we review our company goals and strategy, we align all initiatives to the SDG priorities, thereby striving to make a positive contribution to a sustainable future. With the restructuring of the company, initiated in November 2020, we will in 2021 revisit our SDG priorities and set new SDG goals.

The BWSC CSR statement, which can be found on bwsc.com, is, together with other policies, guidelines and 'tone from the top', the basis for our sustainability work. All employees must comply with the code and the principles that 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 mitigate offences related to slavery, servitude and forced compulsory labour. Our statement in this respect can be found on bwsc.com.

BASIS OF REPORTING

The consolidated data in this Sustainability reporting is produced according to the same principles as the financial statements and thus comprises data from the parent company BWSC A/S and subsidiaries controlled by BWSC A/S.

The scoping and consolidation of safety incidents deviate from the above principles. Lost time injury frequency (LTIF) data is collected using an operational scope. This means that irrespective of our ownership status, we include 100% of injuries, incidents, hours worked etc. from all operations where BWSC is responsible for safety measures, including safety for our external suppliers.

BWSC CO2 impact calculations follow the GHG Protocol, Corporate Accounting and Reporting Standard and classifies the corporate GHG emissions into three 'scopes':

Scope 1: Emissions emanating from sources or activities that are owned or controlled by BWSC

Scope 2: Emissions emanating from electricity, heating and cooling purchased by BWSC

Scope 3: Emissions emanating from purchased goods and logistics service, business aircraft travel etc.

The calculations are based on the following principles:

Scope 1 and Scope 2 values indicated are calculated based on direct measurements.

Scope 3 values are indicated "as available" and provided by sources that are not controlled by BWSC.

BWSC's cut-off date for scope 1 covering our construction activities is at first synchronising, as the CO2 impact related to production of electricity hereafter is imposed upon the local electricity off-taker and/or heat off-taker.

CO2 impact related to use of waste as primary fuel after first synchronising is also imposed upon the local electricity off-taker and/or heat off-taker, while CO2 impact related to use of biomass as primary fuel is considered zero (see more in green box below).

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 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). BWSC is committed to conduct its business in compliance with the laws in Denmark and in each of the markets where it operates, and to act with integrity as a responsible corporate citizen in all aspects of our work. We seek to work with others who share our commitments to business integrity and compliance. Therefore, we expect business associates to establish processes to ensure compliance with the principles set out in our Code of Conduct for Business Associates, which can be found on bwsc.com.

ENVIRONMENT AND CLIMATE

Compliance with environmental regulations, standards and voluntary commitments is a basic prerequisite of our actions.

Reporting on our CO₂ footprint

In addition to delivering environmentally friendly solutions, BWSC has for the fifth year in a row collected data on our own carbon footprint. Since 2017 we have collected scope 3 CO₂ data emanating from business related aircraft travel as well as external transportation of BWSC goods. In 2016 scope 3 CO₂ data was gathered only for business related aircraft travel. Only CO₂ is considered and not any other gas with greenhouse warming risk. We continue to develop our principles for calculating our CO₂ footprint.

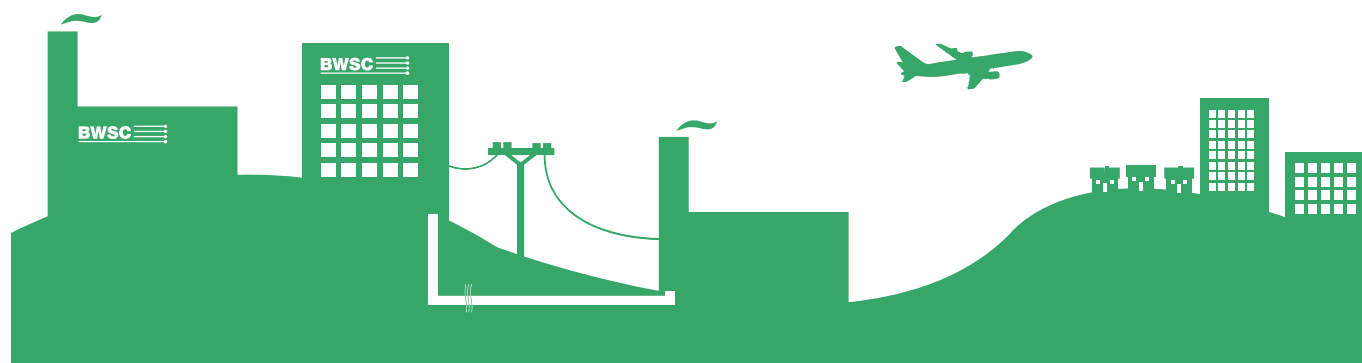
Looking at figures for the BWSC Group, the total footprint in 2020 was 2,338 tonnes CO₂ or 2.8 t/DKKm revenue, against 4,547 tonnes in 2019 or 2.2 t/DKKm revenue.

The development in figures from 2019 to 2020 reflects a decrease in travel activities due to COVID-19 restrictions as

well as a reduction in number of ongoing projects, compared to 2019. For this reason, the scope 3 emissions have decreased. It should be noted that BWSC works with local suppliers and service providers all over the world, including minor companies, and not all these have CO₂ monitoring systems in place. Therefore, some Scope 3 CO₂ emissions are not included in the reporting.

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 2020 compared to 2019. In 2019, we had two power plants in the final stage of construction, compared to zero power plants in 2020 in final stages. This is reflected in the CO₂ 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 CO₂ EMISSIONS EMANATING FROM SELECTED ACTIVITIES IN THE 2016-2020 REPORTING YEARS



2020	Scope 1+2	Scope 3	Total
CO ₂ (ton)	1,179 t CO ₂	1,159 t CO ₂	2,338 t CO ₂
CO ₂ in relation to revenue	0.65 t/DKKm	0.64 t/DKKm	1.3 t/DKKm
2019			
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 CO₂ from 2016 to 2020 is commented upon in the text above.

¹ Scope 3 data from 2016 include CO₂ emissions emanating from supplier transportation of goods.

SUSTAINABILITY IN OUR ENERGY SOLUTIONS

Looking ahead we will stay active in markets for technologies using either liquid, gaseous, biomass or waste-based fuels. Regardless of technology our focus is on safeguarding and enhancing power plant efficiency, minimising our own and our customers carbon footprint, and lowering the operational cost for our customer.



Engine-based technology enables a highly efficient, low Co2 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. In some countries it is the only viable solutions and when a plant is built, operated, or serviced by BWSC we will ensure that it operates in accordance with national and international environmental legislation and standards, including the Co2 emissions standard of the International Finance Corporation (IFC) environmental guidelines for thermal power plants.



Biomass-to-energy power plants supply carbon-neutral electricity to hundreds of thousands of households. In many countries, biomass waste continues to be burned on open fields, causing massive air pollution. By collecting the biomass and using it as fuel in advanced boiler systems, we transform a waste product into valuable energy. Boiler-applications fuelled by biomass are in general accepted as CO2-neutral since biomass, if not combusted, would release the same amount of CO2 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.



BWSC is active in markets for both ACT and mass burn waste-to-energy solutions. By making use of state-of-the-art boiler technology, waste-to-energy power plants can turn plastic and household waste into useful megawatts and thereby mitigate the release of harmful greenhouse gases, otherwise derived through decay at landfills.

Climate risk 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. In 2021 we are going to review design requirements and offerings made to customers in order to see if there is possibility to enhance influence on choices made by our customers. We will also start working more strategically with climate risk, i.e. the impact that climate change and related government regulations may have on our business and how we may address potential negative impact. For this we will work strategically with recommendations given by the Taskforce for climate-related Financial disclosures (TCFD).

BWSC welcomes the increasing momentum towards establishing mandatory human rights due diligence (MHRDD) at the EU-level, and view this as a positive step in the ongoing journey to maximize the full potential of the United Nations Guiding Principles on Business and Human Rights (UNGPs). We welcome and support the EU MHRDD initiative and process and stand ready to share our experience and considerations through open dialogue. We support the initiatives to promote a level playing field and ensure that all actors in the value chain are responsible and accountable.

Health and safety

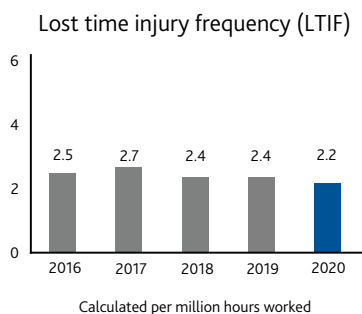
HUMAN AND LABOUR RIGHTS

With a revised and updated Business Code of Conduct for employees and business associates, 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. BWSC commits to equal opportunity and non-discrimination as well as observance of a work environment free from harassment and bullying. We expect all business associates to commit to these values when choosing to work with BWSC.

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. Our success is to a high degree based on our ability to deliver and operate projects without compromise on safety, quality and customer satisfaction..

Delivering high quality products and services 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 our own specific policies and procedures on health and safety. All our power plant projects 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.

While one accident is still one accident too many, 2020 has been a good year for BWSC in terms of safety with lost time injury frequency (LTIF) of 2.2, thus right on target for 2020, and below the LTIF of 2.4 in 2019.



A number of initiatives have been introduced over the years to further improve health and safety performance at BWSC, including promoting of health and safety at construction sites and throughout the organisation and ensuring a high standard of occupational health and safety at BWSC workplaces.

During the COVID-19 pandemic we remain dedicated to the safety, health and well-being of our employees, and we draw on our strong safety culture to manage through this pandemic. Employees who can work from home are doing so, and at our facilities that remain open, we are taking appropriate precautions and implementing safeguards to protect our colleagues and partners.

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 14 nationalities.

Out of the total number of employees, 11% are women (2019:14%) and 11% of the managers are women (2019: 6%). The ratio of men to women has decreased in 2020 due to relative increase in size of subsidiaries against BWSC A/S. Women are generally underrepresented in the subsidiary work-space due to the nature of the work incl. power plant operations, welding, and other blue-collar work etc. BWSC is continuously striving to enforce diversity and representation

at all levels in the organisation. 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.

A target has been set stating that one member of the Board of Directors of BWSC A/S elected by the general assembly must be a woman by 2022. Together with our Japanese owners we value and prioritise long-term commitment of the Board of Directors. However, we will be searching for women with competencies within our industry when the time comes to consider changes to the Board of Directors. Today, the Board of Directors consists of two employee elected women but no general assembly elected women.

Risks and risk management

Running large construction sites, operating power plants with heavy machinery, and performing service and repair works on pressurized systems and equipment increases the risk of work accidents. Accordingly processes and activities throughout the design, construction and test and commissioning phases which impact or imply health and safety risks, or environmental risk are managed through policies, detailed procedures, method statements, risk assessments and permit to work procedures – all aimed at protecting employees and business associates.

BWSC integrated management system is certified to ISO 9001:2015 standard for Quality Management Systems, ISO 14001:2015 standard for Environmental Management Systems, ISO 45001:2018 standard for Occupational Health and Safety Management Systems and ISO 3834-2 for Welding works. The effectiveness of the system is continually improved by means of internal audits, management reviews and evaluations. Further analysis of performance data, review of site HSE inspection reports, nonconformities, incident reporting and customer feed-back will contribute to improvements. All certificates have been renewed in 2020. The systems remain adequate and effective with improvements made throughout 2020. Over the years, we have improved our integrated QHSE management system and four O&M sites have also achieved certifications and our goal is to continue to expand.

Our overall work to improve our procedures and to further reduce any accident and injury risks continue. Following the organisational changes implemented in 2020, we will in 2021 review major impact areas and define new health and safety objectives and performance indicators for the future.

Due to the nature of work at BWSC and in the contracting industry in general, BWSC has 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 and promotion practices take the results into account.

BUSINESS INTEGRITY (BRIBERY AND ANTI-CORRUPTION)

At BWSC we are conducting our business by the values and principles expressed in our Business Code of Conduct and the underlying policies and procedures. This includes a strong focus on zero tolerance for bribery and corruption. We continue to strengthen our compliance programme. In 2020, 99,5% of relevant employees have received training in integrity and anti-corruption, either as on-demand eLearning or through targeted class-room sessions. We have developed and implemented key policies and procedures and will continue to introduce initiatives that will maintain all-staff commitment to our code of conduct and ensure that our values and actions are aligned. In January 2020, we launched a Code of Conduct for Business Associates, which supports and promotes our core values of trustworthiness, credibility and integrity. This latest conduct is aligned with our Code of Conduct for Employees and 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.

Key activities for 2020 have included implementation of a policy and procedure to ensure that a compliance risk assessment is carried out on all sales projects. Policies and procedures for compliance due diligence of third parties have been revised and relevant employees have been trained accordingly.

GOVERNANCE OBJECTIVES	PERFORMANCE INDICATOR 2020	STATUS	PERFORMANCE INDICATOR 2021
Maintain best-practise compliance programme	N/A	N/A	Complete third party review of the compliance programme against AfDB's standard for Integrity Compliance Programmes.
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	99.5% completion achieved	100% completion of online anti-corruption training course in 2021 by all relevant staff (Denmark and sites)
To follow up on any misconduct within the organisation	Adequate follow-up to reports of misconduct (via whistleblower line or line management), according to policies and guidelines	Achieved	Adequate follow-up to reports of misconduct (via whistleblower line or line management), according to policies and guidelines
	Implement revision of disciplinary procedures in relation to breaches of governance and compliance procedures	Achieved	Further strengthen a speak-up culture by regular communication about how and where to raise concerns.
To ensure business associates ¹ compliance with BWSC Business Code of Conduct	All contracted business associates are monitored against Global Watch Lists (sanctions), adverse media appearance and enforcement databases	Achieved	Adjust the policy and procedures for third party due diligence to match risk profile of the "new BWSC"
	All new business associates sign the BWSC Business Code of Conduct for Business Associates	Achieved	All new business associates sign the BWSC Business Code of Conduct for Business Associates

¹ Business associates as defined in the BWSC Business Code of Conduct.

Compliance risks and risk management

In 2020 BWSC conducted an updated corruption and bribery risk assessment across all business areas which guides the compliance programme in terms of annual plan, training efforts and prioritised activities.

On the 4th of June 2020 BWSC and the African Development Bank (AfDB) reached a settlement that concludes AfDB's investigation into a case of suspected corruption, which BWSC communicated publicly in February 2019. With the settlement, BWSC accepted a debarment of 21 months from participating in projects financed by AfDB and some other development banks. The debarment period is considered relatively short, reflecting a constructive collaboration with AfDB and the bank's recognition of BWSC's transparency in dealing with the matter, as well as our efforts to enhance our compliance program. In 2021 BWSC will undergo an external review of its compliance program as part of the settlement, ensuring that our efforts live up to the standards for a best practice integrity compliance program as defined by the AfDB.

SOCIAL AND STAFF MATTERS

To maintain and develop the skills and competences of our employees and to stay at the forefront of market and 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 Change Management and project management. As an example of this 40 of BWSC's Managers and Project Managers involved in implementation of projects and change in 2020 attended a ADKAR Change Management course. Further 48 Managers and Project Managers in 2020 attended PMI training – Project Management Institute.

We firmly believe that creating one integrated BWSC requires relations across the business, and we emphasise creating a learning environment where our employees can exchange information and experience. 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.

Over the past years, 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. Approximately 65% of our managers have been through management training in the period from 2017 to 2020 and the initiative will continue during 2021.

New courses aimed at building the competences needed to achieve BWSC new focus will be planned for 2021.

Training activity at the production facilities

BWSC currently operates and maintains 16 power plants. 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 2020, eight interns and two apprentices have been employed. This is a number that surpasses the minimum requirements set by the Danish authorities.

Risks and risk management

BWSC carried out a major change of strategy during 2020 with the purpose of focusing and optimising the business. Consequently, the company has undergone significant organisational changes and changes of market focus. 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 social activities arranged through the BWSC staff club play a major role. The COVID-19 situation has impacted on the opportunities to meet, so instead creative solutions for social gatherings were found, such as virtual Christmas lunch, physical training sessions and bingo nights. 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. We will in 2021 set specific CSR goals to be addressed.



COMMUNITY ENGAGEMENT

CRITICAL INFRASTRUCTURE

Despite the difficult logistics of transporting both goods and passengers during the COVID-19 pandemic, BWSC has managed to continue project execution at our sites. In Suriname this has required chartering of flights to enable manpower timely access to sites. At the same time, we are pleased to be able to assist passengers in need, wherever this is possible. Recently three children in need of medical attention not available in Suriname, joined us on our flight to Columbia – with their mothers of course. We are pleased that they are now receiving the required medical treatment and will get a chance at a bright future.

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 are 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 eight members and comprises one representative from the ultimate parent company Mitsui E&S, four external members and three employee-elected members serving a four-year term. The current term for the employee-elected members runs until 2024. 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 six Danes.

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 2020, four ordinary and three 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

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 Thomas Knudsen as ordinary member. The committee holds at least three yearly meetings. During 2020 the committee has held five meetings.

Management

The Executive Management of BWSC consists of Nikolaj Holmer Nissen, CEO and Benny Lyng Sørensen, CFO. The Management Group consists of the Executive Management as well as a Senior Vice President (SVP) for each business area and each function. Following the restructure announced in November 2020 the Senior Vice Presidents are: Flemming Juel Jensen, SVP, Service; Jan Kristoffersen, SVP, Project Execution; Karsten Valsted Larsen, SVP, Operation & Maintenance and Claus Berner, SVP, HR, Corporate Administration & Communication. At 1 January 2021 Toshihiko Uchida was announced a member of the management group.

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 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.

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.

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 continued its strengthening of its compliance procedures.

Audit

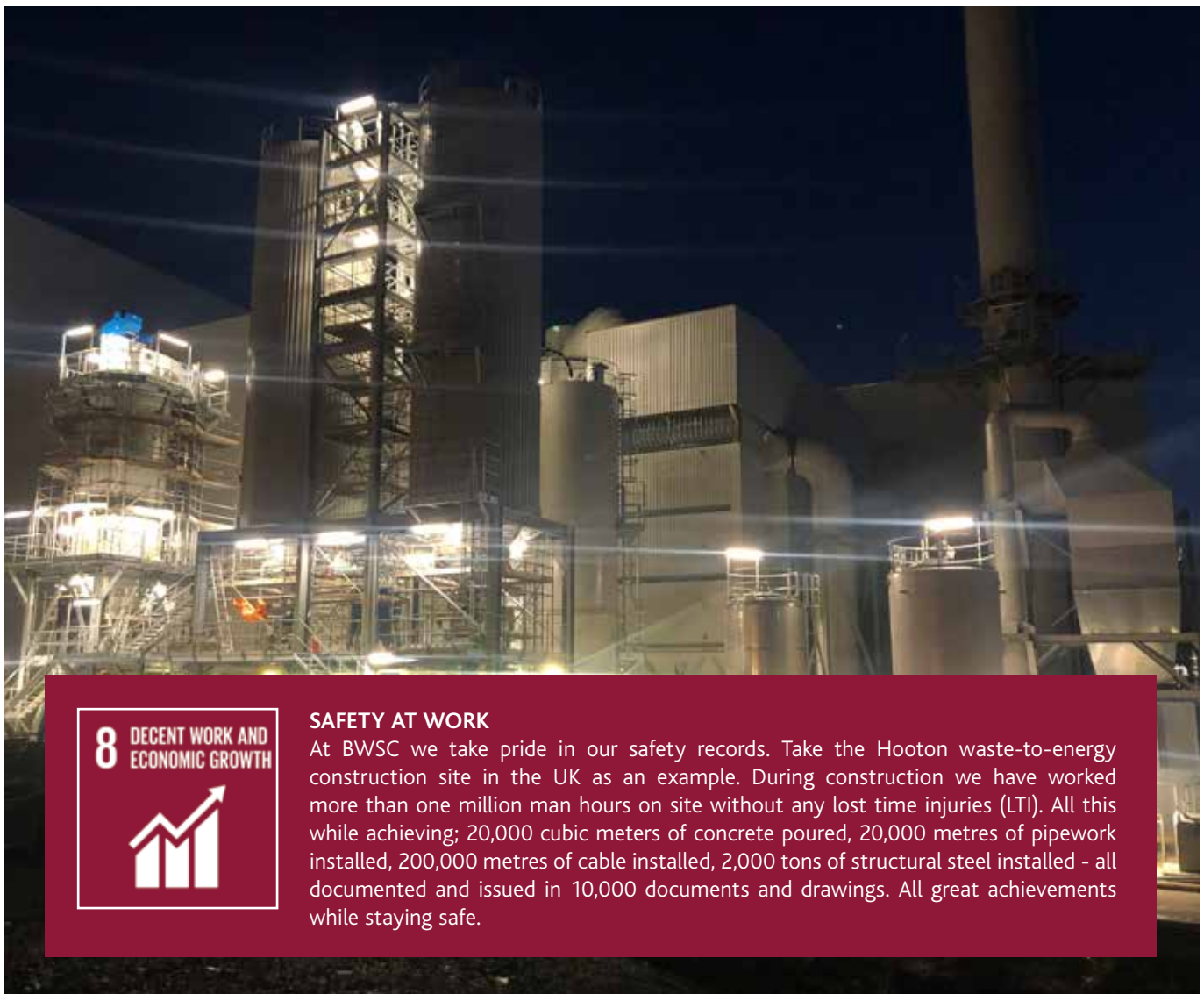
KPMG was re-elected as BWSC's auditors for 2020 and will be proposed as auditors for 2021 at the Annual General Meeting. The auditors have been elected based on the recommendation from the ultimate parent company. The auditors participate in the Audit, Risk & Compliance committee's meeting regarding 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, observations and recommendations.

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 equity interests are listed.

Financial year

2020 is the Company's 41th financial year.



SAFETY AT WORK

At BWSC we take pride in our safety records. Take the Hooton waste-to-energy construction site in the UK as an example. During construction we have worked more than one million man hours on site without any lost time injuries (LTI). All this while achieving; 20,000 cubic meters of concrete poured, 20,000 metres of pipework installed, 200,000 metres of cable installed, 2,000 tons of structural steel installed - all documented and issued in 10,000 documents and drawings. All great achievements while staying safe.

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 Holdings



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



Directorships: Investeringselskabet Luxor A/S • Elektro-Isola A/S • Kadeau ApS, Chairman
Advisory Board: Nodes Agency



Directorships: No other board memberships



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



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



Directorships: No other board memberships



Directorships: No other board memberships

* Employee-elected

MANAGEMENT GROUP



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 Lyng 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.



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.



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.



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.

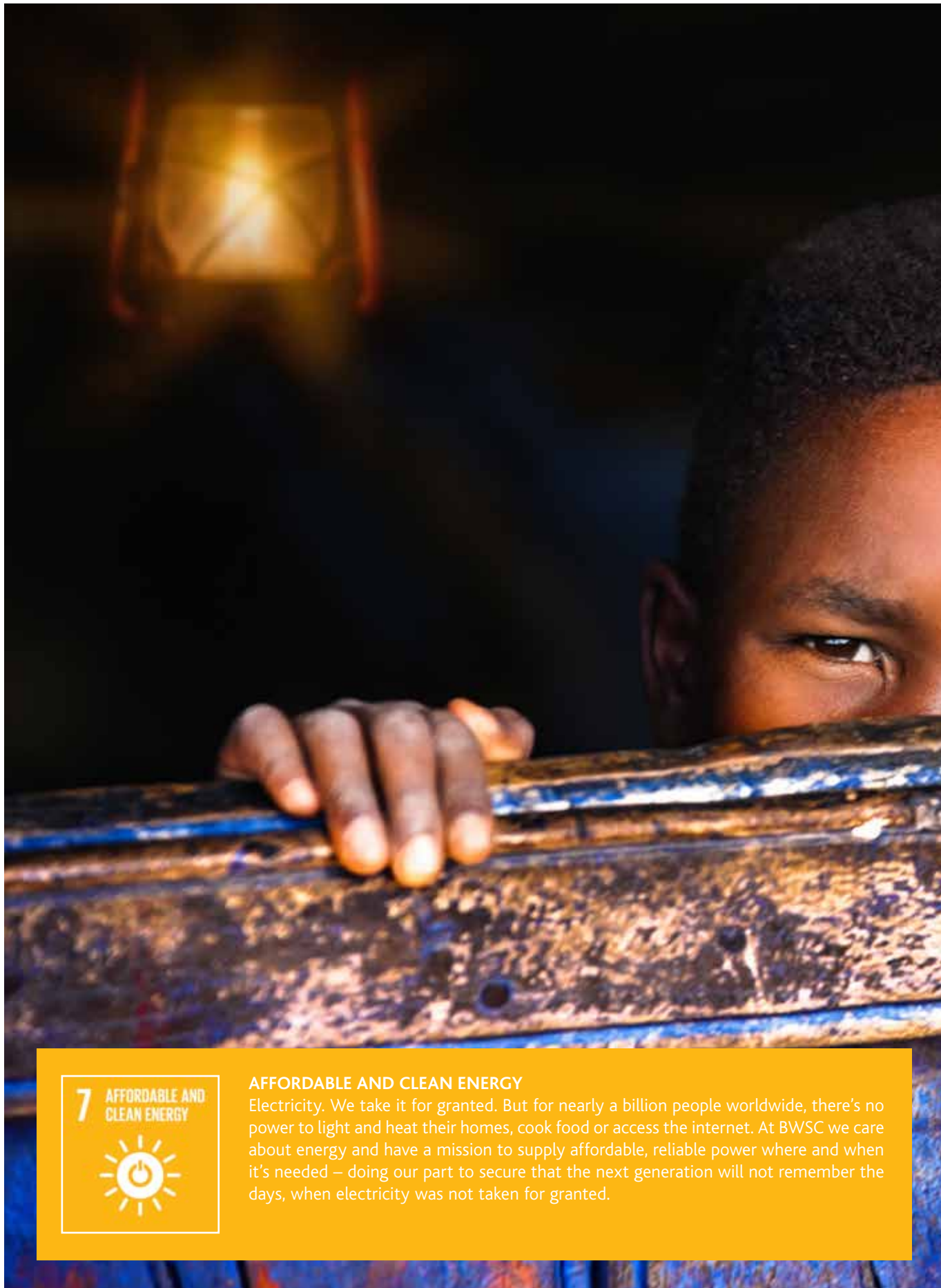


Claus Berner joined BWSC in 2007. He holds a MSc in Technological and Socio-Economic Planning and a Graduate Diploma in Business Administration and Human Resources.



Toshihiko Uchida joined the parent company, Mistui E&S (MES) in 1995 and has been seconded to BWSC since 2012. He holds a BA in Economics and has more than 20 year experience in power plant business. In 2021, he was appointed in his current position.

* Executive Management



AFFORDABLE AND CLEAN ENERGY

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 we care about energy and have a mission to supply affordable, reliable power where and when it's needed – doing our part to secure that the next generation will not remember the days, when electricity was not taken for granted.



MANAGEMENT'S STATEMENT

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2020 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 2020, 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 2020.

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, 23 February 2021

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

Thomas Knudsen

Michelle Runge Christensen*

Lars Ellegaard*

Christina Menå*

The Annual Report 2020 is adopted at the Annual General Meeting on 23 February 2021.

* Employee-elected

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 2020 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 2020 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 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility for the consolidated financial statements and the Parent Company financial statements

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

In preparing the consolidated financial statements and the Parent Company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial

statements and the Parent Company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

report to the related disclosures in the consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

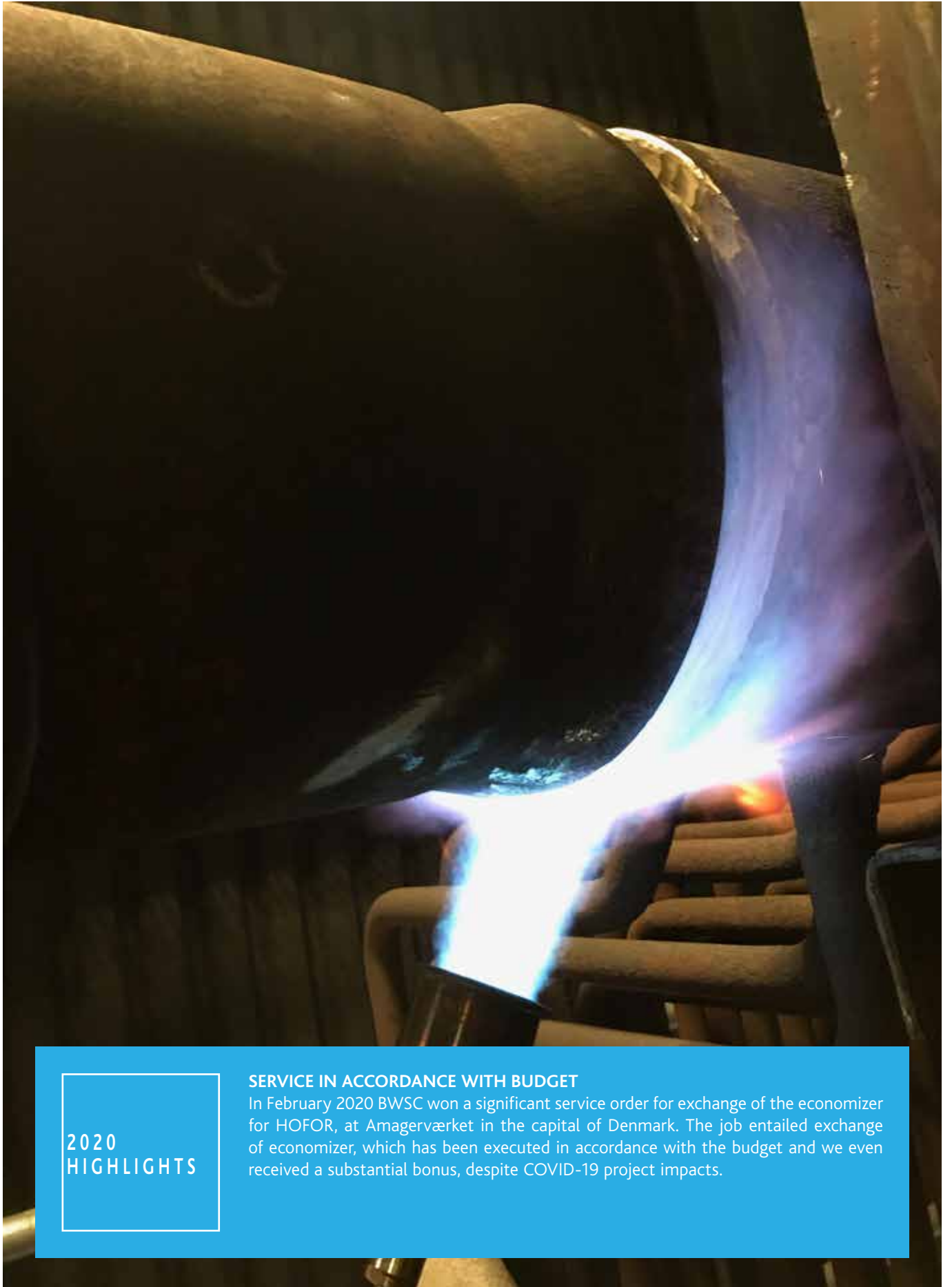
Copenhagen, 23 February 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR No. 25578198

Niels Vendelbo
State Authorised Public Accountant
MNE-no. 34532

Christian Granhøj
State Authorised Public Accountant
MNE-no. 46615



2020 HIGHLIGHTS

SERVICE IN ACCORDANCE WITH BUDGET

In February 2020 BWSC won a significant service order for exchange of the economizer for HOFOR, at Amagerværket in the capital of Denmark. The job entailed exchange of economizer, which has been executed in accordance with the budget and we even received a substantial bonus, despite COVID-19 project impacts.

INCOME STATEMENT

DKKt

Parent Company			The Group		
2019	2020	Notes	2020	2019	
1,566,515	1,573,455	2.1 Revenue	1,814,434	1,609,152	
-1,489,334	-1,489,259	Production costs	-1,683,630	-1,509,822	
77,181	84,196	Gross profit	130,804	99,330	
-51,259	-58,308	Sales costs	-58,516	-51,568	
-129,047	-230,594	Administrative costs	-245,959	-132,109	
8,897	0	3.4 Other operating income	0	8,897	
-94,228	-204,706	Operating result	-173,671	-75,450	
12,950	24,495	3.3 Result on investments in subsidiaries	0	0	
-27,059	-66,734	3.3 Result on investments in equity interests	-66,734	-27,059	
7,435	1,344	Financial income	5,882	7,549	
-5,359	-17,784	Financial costs	-19,363	-5,831	
-106,261	-263,385	Result before tax	-253,886	-100,791	
21,156	33,016	2.4 Tax on result for the year	25,212	16,263	
-85,105	-230,369	Net result for the year	-228,674	-84,528	
		Attributable to:			
		Non-controlling interests	1,695	577	
		Shareholders in BWSC A/S	-230,369	-85,105	

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

BALANCE SHEET, ASSETS

DKKt

Parent Company			The Group	
2019	2020	Notes	2020	2019
13,382	10,581	Software and goodwill	10,627	13,475
3,671	0	Development costs	0	3,671
0	0	Contract rights	3,263	15,901
17,053	10,581	3.1 Intangible assets	13,890	33,047
67,238	36,500	Land and buildings	36,500	67,238
2,694	1,607	Fixtures and fittings, tools and equipment	8,511	13,644
69,932	38,107	3.2 Tangible assets	45,011	80,882
64,624	79,124	Investments in subsidiaries	0	0
225,225	150,054	Investments in equity interests	150,054	225,225
289,849	229,178	3.3 Financial assets	150,054	225,225
376,834	277,866	Total non-current assets	208,955	339,154
0	0	Raw materials and consumables	3,751	6,566
0	0	Inventories	3,751	6,566
94,127	51,918	Trade receivables	110,182	133,806
540,445	584,494	4.1 Work in progress	590,497	543,321
67,249	53,437	Amounts owed by related companies	51,072	64,416
49,796	5,129	Receivable corporate taxes	7,015	51,893
29,508	61,810	2.4 Deferred tax assets	66,463	35,166
85,067	62,694	4.2 Other receivables	71,859	87,025
4,561	5,312	Prepayments	5,312	4,561
870,753	824,794	Receivables	902,400	920,188
474,182	347,795	Cash	402,527	495,243
1,344,935	1,172,589	Total current assets	1,308,678	1,421,997
1,721,769	1,450,455	TOTAL ASSETS	1,517,633	1,761,151



BALANCE SHEET, EQUITY AND LIABILITIES

DKKt

Parent Company			The Group	
2019	2020	Notes	2020	2019
160,000	170,000	Share capital	170,000	160,000
122,249	118,711	Revaluation reserve acc. to the equity method	79,340	82,879
-13,053	-6,278	Reserve for financial instruments	-6,278	-13,053
2,863	0	Reserve for development costs	0	2,863
389,274	332,148	Retained earnings	371,519	428,644
661,333	614,581	Equity owned by the shareholders of BWSC A/S	614,581	661,333
0	0	Non-controlling interests	7,860	9,917
661,333	614,581	Total equity	622,441	671,250
0	0	2.4 Deferred tax	442	677
86,497	68,404	Warranty provisions	68,404	86,497
190,465	150,173	6.1 Other provisions	165,498	210,492
276,962	218,577	Total provisions	234,344	297,666
9,360	6,245	5.4 Mortgage debt	6,245	9,360
0	100,000	5.4 Loan from Parent Company	100,000	0
4,963	29,288	Other long-term liabilities	29,288	4,963
14,323	135,533	5.2 Total long-term liabilities	135,533	14,323
3,119	3,119	5.4 Mortgage debt, short-term	3,119	3,119
200,064	0	5.4 Loan from Parent Company	0	200,064
261,123	181,346	4.1 Prepayments received from customers	185,736	262,198
119,922	89,947	Trade payables	167,701	180,360
77,073	76,369	Payables to related companies	7,487	4,026
0	3,792	Corporate tax	5,737	3,741
107,850	127,191	4.3 Other payables	155,535	124,404
769,151	481,764	Total current liabilities	525,315	777,912
783,474	617,297	Total long-term and current liabilities	660,848	792,235
1,721,769	1,450,455	TOTAL EQUITY AND LIABILITIES	1,517,633	1,761,151

CASH FLOW STATEMENT

DKKt

Notes	The Group	
	2020	2019
Operating result	-173,671	-75,450
6.5 Adjustments	44,572	85,423
4.4 Changes in working capital	-47,506	-526,865
Cash flows from operating activities before net financials	-176,606	-516,892
Financial income	5,882	615
Financial costs	-24,357	-5,767
Cash flows from ordinary activities	-195,081	-522,044
Taxes received (paid)	35,860	-23,117
Cash flows from operating activities	-159,221	-545,161
Additions of tangible assets	-1,358	-3,502
Additions of intangible assets	-29,462	-9,776
Dividends received from equity interests	1,323	7,773
Investments in equity interests and other securities	-884	-3,139
Disposals of investments in other securities	0	224,105
Cash flows from investing activities	-30,381	215,461
5.4 Bank loan	0	-200,000
Loan from Parent company	100,000	200,000
Capital increase	0	300,000
Repayment of mortgage debt	-3,114	-3,041
Cash flows from financing activities	96,886	296,959
Cash at 1 January	495,243	520,602
3.4 Cash from acquired entities	0	7,382
Changes in cash	-92,716	-32,741
Cash at 31 December	402,527	495,243

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 2020	160,000	122,249	-13,053	2,863	389,274	661,333
Capital injection	10,000				190,000	200,000
Result for the year		19,620		-2,863	-247,126	-230,369
Changes in financial instruments			8,328			8,328
Tax on changes in equity			-1,553			-1,553
Exchange rate differences related to subsidiaries and equity interests		-23,158				-23,158
Equity at 31 December 2020	170,000	118,711	-6,278	0	332,148	614,581

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

Besides the increase of nominal DKKm 10 in 2019 and nominal DKKm 10 in 2020 there have been no changes in the share capital during the last 5 years. The share capital is divided into 170 shares of DKKm 1 each.

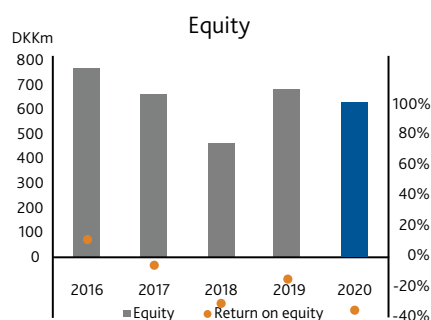
The Group

	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 2020	160,000	82,879	-13,053	2,863	428,644	661,333
Capital injection	10,000				190,000	200,000
Result for the year		13,250		-2,863	-240,756	-230,369
Changes in financial instruments			8,328			8,328
Tax on changes in equity			-1,553			-1,553
Exchange rate differences related to subsidiaries and equity interests		-16,789			-6,369	-23,158
Equity owned by shareholders of BWSC at 31 December 2020	170,000	79,340	-6,278	0	371,519	614,581
Non-controlling interest	0	0	0	0	7,860	7,860
Equity at 31 December 2020	170,000	79,340	-6,278	0	379,379	622,441

NOTES

Notes	Page	Reading instructions
1 Basis of reporting		
1.1 Basis of reporting	43	<p>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.</p> <p>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.</p>
2 Net result		
2.1 Revenue	45	
2.2 Staff costs, etc.	45	
2.3 Audit fees	46	
2.4 Tax	46	
3 Non-current assets		
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Return on equity for 2016 - 2020:



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.

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. It is assessed that a settlement of the matter will provide BWSC at least the amount recognised as income.
- 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 equity interests 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 2020 (2019: DKKm 0).
- Restructuring costs have been accrued or provided for based on an assessment of the value of assets to be used in the future business of BWSC as well as staff and other costs related to the restructuring.

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.

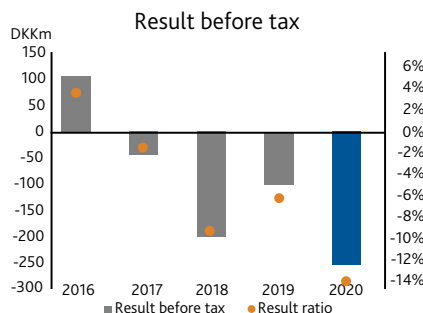
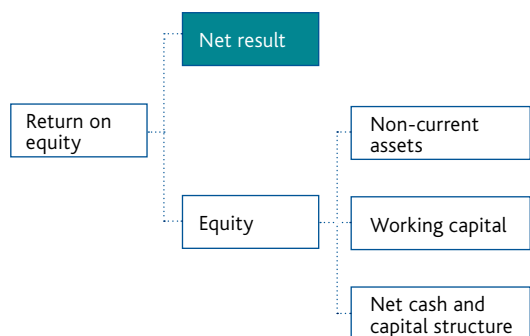
Going concern

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 1,814 (2019: DKKm 1,609) in a year with an operating result of DKKm -174 (2019: DKKm -75) and a net result of DKKm -229 (2019: DKKm -85).



The activity level measured in revenue has increased by 13% compared to 2019. Revenue for 2020 amounts to DKKm 1,814 (2019: DKKm 1,609). 48% of the revenue is related to the EPC activities (2019: 59%). Revenue for the segment Europe, which mainly consists of biomass and waste projects in the UK accounts for 57% of the total revenue for 2019 (2019: 51%).

The operating result and the net result are impacted negatively by the restructuring of the Company decided in November 2020. The operating result is impacted by DKKm -95 of restructuring costs.

The average number of employees has increased from 766 in 2019 to 767 in 2020. Due to restructuring in the Parent Company the average number of employees have decreased from 442 to 366 which amounts to a decrease of 76 employees. This is offset by an increase of 77 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 36 to DKKm 438, a decrease of 8.2%

The financial performance for some of the EPC projects has been significantly lower than expected in 2020, which has resulted in an operating result of DKKm -174 (2019: DKKm -75).

Restructuring costs are included in the following items

DKKt

	The Group
Notes	2020
3.1 Impairment intangible fixed assets	26,556
3.2 Impairment tangible fixed assets	29,203
2.2 Staff costs	33,850
Administrative costs	5,550
Total restructuring costs	95,159

Note 2.1 Revenue

DKKt

Parent Company			The Group	
2019	2020		2020	2019
2,025,671	1,401,397	Final invoicing	1,639,357	2,065,324
-459,156	172,057	Changes in contract work in progress	175,078	-456,172
1,566,515	1,573,455		1,814,434	1,609,152

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

2019	2020		2020	2019
815,928	1,040,684	Europe	1,040,684	815,928
246,576	72,645	Africa and Middle East	103,551	269,367
473,313	424,837	South and Central America	470,351	478,291
30,698	35,289	South East Asia	199,848	45,566
1,566,515	1,573,455		1,814,434	1,609,152

Note 2.2 Staff costs, etc.

DKKt

Parent Company			The Group	
2019	2020		2020	2019
346,321	299,815	Wages and salaries	416,891	449,499
4,077	3,772	Pension contribution	7,599	8,659
2,574	2,303	Social security costs	13,267	15,365
352,972	305,890		437,757	473,523
442	366	Average number of employees	767	766

Included in staff costs for 2020 is restructuring costs of DKKm 33.9.

Staff costs include remuneration for:

2019	2020		2020	2019
6,774	9,390	Executive Management of Parent Company	9,390	6,774
1,512	1,525	Board of Directors of Parent Company	1,525	1,512
8,286	10,915		10,915	8,286

A bonus scheme for the Executive Management is established. The bonus scheme is based on individual goals and the Company's overall result. For 2020 the remuneration to Executive Management contains an extraordinary supplement due to ie. the restructuring.

Note 2.3 Audit fees

DKKt

Parent Company			The Group	
2019	2020		2020	2019
540	550	Audit fee	824	859
250	69	Other declaration assignments	69	250
0	0	Tax advisory fee	1,077	1,073
100	195	Other fees	385	138
890	814		2,355	2,320

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	
2019	2020		2020	2019
1,144	1,888	Income tax payable	9,066	6,287
-41,371	-35,388	Change in deferred tax	-34,618	-41,621
-144	-1,553	Tax on changes in equity	-1,553	-144
6,012	4,080	Adjustment of tax concerning previous years	4,167	6,012
12,482	-2,043	Adjustment of deferred tax concerning previous years	-2,274	12,482
721	0	Paid dividend tax abroad	0	721
-21,156	-33,016		-25,212	-16,263

Effective tax rate:

2019	2020		2020	2019
22%	22%	Company tax rate in Denmark	22%	22%
20%	13%	Effective tax rate	10%	16%

Note 2.4 Tax (continued)

DKKt

Specification of effective tax rate:

2019	2020		2020	2019
22%	22%	Company tax rate in Denmark	22%	22%
1%	-3%	Tax on profit in subsidiaries and equity interests	-6%	1%
0%	0%	Adjustment of calculated tax in foreign companies compared to 22%	0%	0%
1%	0%	Non-deductible costs	0%	1%
-4%	-6%	Other adjustments	-6%	-8%
20%	13%	Effective tax rate	10%	16%

Taxes received for the BWSC Group in 2020 amounts to DKKm 36 (2019: DKKm -23)

Other adjustments relate to deferred taxes that have not been recognised.

Deferred tax:

Parent Company			The Group	
2019	2020		2020	2019
-41,213	-29,508	Deferred tax at 1 January	-34,489	-40,291
53,076	-1,242	Adjustment concerning previous years	-1,242	53,076
0	0	Acquisition of entities	0	-5,653
0	4,328	Adjustment for tax credit scheme	4,328	0
-41,371	-35,388	Changes in deferred tax	-34,618	-41,621
-29,508	-61,810		-66,021	-34,489

Deferred tax can be specified as follows:

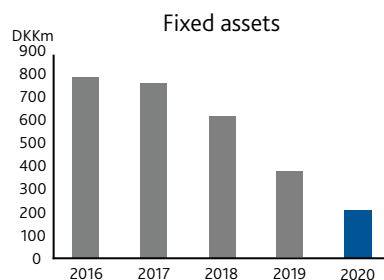
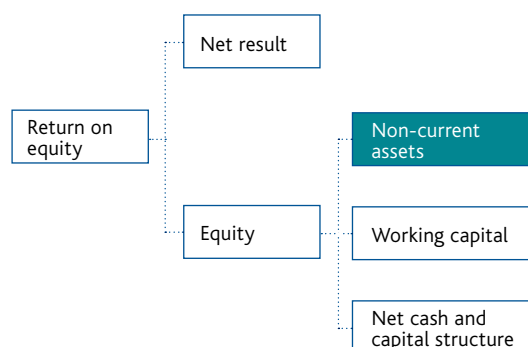
2019	2020		2020	2019
0	0	Acquisition of entities	0	-5,653
7,186	-1,345	Tangible fixed assets	-2,798	7,858
-944	-1,424	Intangible fixed assets	-1,424	-944
-31,402	-29,368	Financial fixed assets	-29,368	-31,402
37,363	45,254	Contract work in progress	45,254	37,363
0	-10,139	Provisions	-12,897	0
-41,711	-64,788	Tax loss carried forward	-64,788	-41,711
-29,508	-61,810		-66,021	-34,489

2019	2020		2020	2019
-29,508	-61,810	Deferred tax asset	-66,463	-35,166
0	0	Deferred tax liability	442	677
-29,508	-61,810		-66,021	-34,489

Note section 3

Non-current assets

Investments of DKKm 32 in non-current assets (2019: DKKm 16) of which DKKm 1 (2019: DKKm 3) is in power plants via equity interests.



In 2020, non-current assets have decreased by DKKm 130 (2019: decrease of DKKm 239). The decrease is mainly driven by impairment related to the restructuring and to our share of results in equity interests.

In addition to investments made in power plants, BWSC has committed not paid in investments amounts at the end of 2020 of DKKm 1 (2019: DKKm 0).

Note 3.1. Intangible fixed assets

DKKt

Parent Company

	Software	Goodwill	Development costs	Total
Cost at 1 January 2020	90,402	7,000	19,671	117,073
Additions in the year	9,791	0	19,671	29,462
Cost at 31 December 2020	100,193	7,000	39,342	146,535
Amortisation at 1 January 2020	79,937	4,083	16,000	100,020
Amortisation for the year	7,978	1,400	0	9,378
Impairment	1,697	1,517	23,342	26,556
Amortisation at 31 December 2020	89,612	7,000	39,342	135,954
Booked value at 31 December 2020	10,581	0	0	10,581
Booked value at 31 December 2019	10,465	2,917	3,671	17,053
Amortisation period	3-7 years	3 years	3 years	

Due to the restructuring and change in business focus and strategy the development projects have been discontinued and impaired.

Note 3.1 Intangible fixed assets (continued)

DKKt

The Group

	Contracts rights	Software	Goodwill	Development costs	Total
Cost at 1 January 2020	18,328	90,553	9,087	19,671	137,639
Currency adjustments at 1 January 2020	-1,697	-95	-198	0	-1,990
Additions in the year	0	9,791	0	19,671	29,462
Cost at 31 December 2020	16,631	100,249	8,889	39,342	165,111
Amortisation at 1 January 2020	2,427	79,995	6,170	16,000	104,592
Currency adjustments at 1 January 2020	-225	-52	-198	0	-475
Amortisation for the year	11,166	7,982	1,400	0	20,548
Impairment	0	1,697	1,517	23,342	26,556
Amortisation at 31 December 2020	13,368	89,622	8,889	39,342	151,221
Booked value at 31 December 2020	3,263	10,627	0	0	13,890
Booked value at 31 December 2019	15,901	10,558	2,917	3,671	33,047
Amortisation period	2 years	3-7 years	3 years	3 years	

Due to the restructuring and change in business focus and strategy the development projects have been discontinued and impaired.

The amortisations and impairments are recognised as follows in the income statement:

Parent Company			The Group	
2019	2020		2020	2019
20,847	35,934	Administrative costs	47,104	23,277
20,847	35,934		47,104	23,277

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 2020	30,221	120,821	151,042
Additions in the year	778	0	778
Cost at 31 December 2020	30,999	120,821	151,820
Depreciation at 1 January 2020	27,527	53,583	81,110
Depreciation for the year	1,865	1,535	3,400
Impairment	0	29,203	29,203
Depreciation at 31 December 2020	29,392	84,321	113,713
Booked value at 31 December 2020	1,607	36,500	38,107
Booked value at 31 December 2019	2,694	67,238	69,932
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	52,816	120,821	173,637
Currency adjustments at 1 January 2019	-1,504	0	-1,504
Additions in the year	1,358	0	1,358
Cost at 31 December 2020	52,670	120,821	173,491
Depreciation at 1 January 2020	39,172	53,583	92,755
Currency adjustments at 1 January 2020	-782	0	-782
Depreciation for the year	5,769	1,535	7,304
Impairment	0	29,203	29,203
Depreciation at 31 December 2020	44,159	84,321	128,480
Booked value at 31 December 2020	8,511	36,500	45,011
Booked value at 31 December 2019	13,644	67,238	80,882
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

Due to the restructuring and change in business focus and strategy the building is considered impaired.

Parent Company			The Group	
2019	2020		2020	2019
0	0	Costs of production	3,804	3,955
4,251	32,603	Administrative costs	32,703	4,251
4,251	32,603		36,507	8,206

Note 3.3 Financial fixed assets

DKKt

Parent Company

	Subsidiaries	Equity interests	Total
Cost at 1 January 2020	25,254	527,879	553,133
Additions in the year	0	884	884
Disposals in the year	-8	0	-8
Cost at 31 December 2020	25,246	528,763	554,009
Revaluations/write-downs at 1 January 2019	39,370	-302,654	-263,284
Share of result for the year	24,495	-66,734	-42,239
Exchange rate differences	-6,369	-16,789	-23,158
Distribution of dividend	-3,618	-1,323	-4,941
Elimination intercompany profit	0	8,791	8,791
Revaluations/write-downs at 31 December 2020	53,878	-378,709	-324,831
Booked value at 31 December 2020	79,124	150,054	229,178
Booked value at 31 December 2019	64,624	225,225	289,849

In the distribution of result for the year (note 5.3) for 2020, DKKt 19,620 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

	Equity interests	Total
Cost at 1 January 2020	527,879	527,879
Additions in the year	884	884
Cost at 31 December 2020	528,763	528,763
Revaluations/write-downs at 1 January 2020	-302,654	-302,654
Share of result for the year	-66,734	-66,734
Exchange rate differences	-16,789	-16,789
Distribution of dividend	-1,323	-1,323
Elimination intercompany profit	8,791	8,791
Revaluations/write-downs at 31 December 2020	-378,709	-378,709
Booked value at 31 December 2020	150,054	150,054
Booked value at 31 December 2019	225,225	225,225

As per 31 December 2020, the accumulated elimination of the proportionate share of the intercompany profit of DKKm 133 (2019: DKKm 145) before tax has been deducted from the investments in equity interests.

BWSC has invested in ten power plants via equity interests.

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:

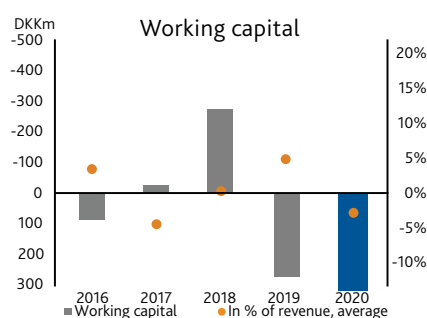
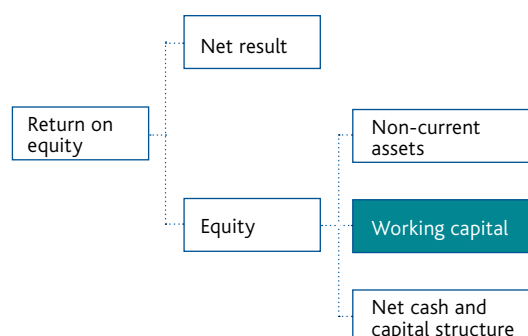
	2020	2019
Intangible assets	0	18,328
Deferred tax assets	0	5,641
Inventory	0	8,440
Receivables	0	29,772
Provisions	0	-20,028
Payables	0	-21,970
Net asset acquired	0	20,183
Gain on bargain purchase	0	8,897
Estimated fair value	0	29,080
Cash acquired	0	-7,382
Non-controlling interest	0	-12,999
Previously owned shares, revaluated	0	-7,097
Total consideration	0	1,602

Gain on bargain purchase is recognised as other operating income.

Note section 4

Working capital

Working capital has increased compared to 2019.



Working capital amounts to DKKm 316 at the end of 2020 (2019: DKKm 269). A positive working capital represents that BWSC capital is tied into the assets and liabilities necessary to support the day-to-day running of the business. Working capital has increased by DKKm 47 in 2020.

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 receivable corporate taxes, deferred tax assets and cash minus current liabilities excluding short-term mortgage debt, loan from parent company, and corporate tax.

Note 4.1 Contract work in progress

DKKt

Parent Company			The Group	
2019	2020		2020	2019
4,517,641	4,689,699	Sales value of production in progress	4,695,702	4,520,625
-4,238,319	-4,286,551	Invoiced on account	-4,290,941	-4,239,502
279,322	403,148	Contract work in progress, net	404,761	281,123

Classified as follows:

2019	2020		2020	2019
540,445	584,494	Contract work in progress (receivables)	590,497	543,321
-261,123	-181,346	Prepayments received from customers (liabilities)	-185,736	-262,198
279,322	403,148		404,761	281,123

Note 4.2 Other receivables

DKKt

Parent Company			The Group	
2019	2020		2020	2019
26,830	19,141	VAT receivable etc.	19,599	27,336
11,318	4,573	Financial instruments	4,573	11,318
46,919	38,980	Other	47,687	48,371
85,067	62,694		71,859	87,025

Note 4.3 Other payables

DKKt

Parent Company			The Group	
2019	2020		2020	2019
47,439	47,761	Payable payroll related costs	54,157	53,357
27,642	12,383	Financial instruments	12,383	27,642
0	0	VAT payable	7,578	4,624
32,769	67,047	Other accrued costs	81,417	38,781
107,850	127,191		155,535	124,404

Note 4.4 Changes in working capital for the cash flow statement

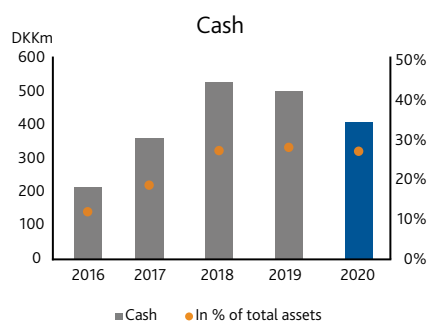
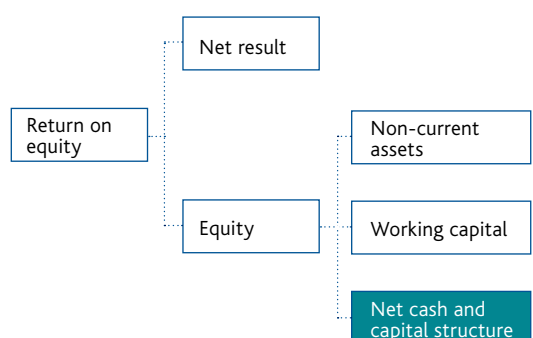
DKKt

	The Group	
	2020	2019
Changes in inventories	2,815	324
Changes in contract work in progress and prepayments received by customers, net	-123,638	-434,320
Changes in trade receivables	23,624	43,971
Changes in receivables from related companies	13,344	-47,809
Changes in other receivables	15,166	9,565
Changes in prepayments	-751	2,284
Changes in trade payables	-12,658	-123,160
Changes in payables to related companies	3,461	1,439
Changes in other creditors	31,131	20,841
	-47,506	-526,865

Note section 5

Net cash and capital structure

Cash at the end of 2020 reduced by DKKm 93 compared to 2019 and amounting to DKKm 403, equaling 27% of total assets (2019: 28%).



BWSC's capital structure at the end of 2020 consists of equity of DKKm 622 (2019: DKKm 671), interest bearing debt of DKKm 109 (2019: DKKm 213) and cash of DKKm 403 (2018: DKKm 495).

The equity has decreased by DKKm 49 to DKKm 622 at the end of 2020 and the equity ratio (equity in relation to equity and total liabilities) is 41% (2019: 38%), which is an increase of 3 percentage-points compared to the end of 2019. The solidity is expected to remain at a similar level in 2021. Cash

has decreased by DKKm 93 to DKKm 403 at the end of 2020 whereas interest bearing debt has decreased by DKKm 104 to DKKm 109. During the year cash has been impacted by more large movements, like a capital increase of DKKm 200, 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 41% at the end of 2020 is impacted by the increase in equity related to the net amount of a capital increase of DKKm 200 received in 2020 and the loss for the year and currency adjustment.

The solidity is expected to remain at a comparable level to the above in 2021.

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 2020 amounts to DKKm 0 (2019: DKKm 0).

The mortgage debt amounts to DKKm 9 at the end of 2020 (2019: DKKm 13) with a maturity of four years.

Other long-term liabilities DKKm 29 (2019: DKKm 5) are non-interest bearing. A major part of the long-term liabilities in 2020 relates to accrued holiday liabilities.

Note 5.3 Distribution of result

It is recommended that the result for the year, DKKt -230,369 is appropriated as follows:

Parent company		
2019	2020	
-3,715	19,620	Transferred to reserve for net revaluation according to the equity method
-5,457	-2,863	Transferred from reserve for development costs
-75,933	-247,126	Retained earnings
-85,105	-230,369	

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 meet 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 meet 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 forecasted liquidity resources

A loan facility agreement with Mitsui E&S was established in November 2019 of DKKm 200 and with maturity in December 2020. On 18 December 2020 the loan was converted to new equity in the Company. A loan facility agreement with Mitsui E&S was established in December 2020 of DKKm 200 with maturity in December 2022.

The table below shows the overview of interest-bearing debt at the end of 2020 and at the end of 2019.

DKKm	2020				2019			
	Amount	Drawn	Available	Expiry	Amount	Drawn	Available	Expiry
Mitsui E&S facility	0	0	0	2020	200	200	0	2020
Mitsui E&S facility	200	100	100	2022	0	0	0	-
Mortgage debt	9	9	0	2023	13	13	0	2023
Total	209	109	100		213	213	0	

Counterparty risks

BWSC's counterparty 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 counterparty 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 2020 consists of mortgage debt and drawn downs on the facility with Mitsui E&S. The mortgage debt amounts to DKKm 9 (2019: DKKm 13) and is subject to a fixed interest rate via an interest rate swap. The market value of the interest rate swap is DKKm -1 (2019: DKKm -1) 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.

	2020			2019		
	Market value	Contract amount sold	Contract amount bought	Market value	Contract amount sold	Contract amount bought
<i>DKKt</i>						
USD	1,773	20,596	0	-5,008	50,824	14,019
GBP	-8,726	395,579	76,529	-9,853	457,860	203,056
CHF	0	0	0	3	0	5,713
SEK	-9	1,479	0	-3	1,431	0
Total	-6,962	417,654	76,529	-14,861	510,115	222,788

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 equity interests 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.

	2020			2019		
	Market value	Recognised in income statement	Recognised in equity	Market value	Recognised in income statement	Recognised in equity
<i>DKKt</i>						
Currency financial instruments	-6,962	0	-6,962	-14,861	0	-14,861
Interest rate financial instruments	-847	0	-847	-1,463	0	-1,463
Total	-7,809	0	-7,809	-16,324	0	-16,324

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

	2020			2019		
	Currency financial instruments	Interest rate financial instruments	Total	Currency financial instruments	Interest rate financial instruments	Total
<i>DKKt</i>						
Within 1 year	1,770	0	1,770	1,312	0	1,312
Between 1 and 5 years	-8,732	-847	-9,579	-16,173	-1,463	-17,636
Over 5 years	0	0	0	0	0	0
Total	-6,962	-847	-7,809	-14,861	-1,463	-16,324

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 165 (2019: DKKm 210) cover estimated remaining liabilities in connection with finalised projects other than warranty provisions as well as restructuring cost provisions.

Approximately 90% of other provisions (2019: 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 equity interests 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 equity interests, 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 equity interests 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)

<i>DKKt</i>	Sales	Purchases	Receivables outstanding	Payables outstanding	Dividends received	Loans received	Interest payable
BWCC Ltd.	0	0	0	17,813	0	0	0
BWSC Benin SARL	0	3,149	1,591	0	0	0	0
BWSC Cayman Ltd.	0	0	0	3,215	0	0	0
BWSC Cyprus Ltd.	0	0	0	164	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	6,811	239	0	0	0	0
BWSC Lebanon Construction SARL	0	0	0	29,306	0	0	0
BWSC Macau Ltd.	0	0	0	4,960	0	0	0
BWSC Mali SARL	0	3,879	0	5,069	0	0	0
BWSC (Mauritius) Ltd.	0	0	0	3,858	0	0	0
BWSC Panama S.A.	0	4,771	0	534	0	0	0
BWSC Regional Services S.A.	0	0	0	1,025	0	0	0
BWSC Mindanao Inc.	0	0	0	68	0	0	0
BWSC Lanka (Private) Ltd.	0	0	0	0	0	0	0
BWSC Sweden AB	0	2,281	0	774	0	0	0
BWSC Generation Services Northern Ireland Ltd.	0	31,508	0	741	0	0	0
BWSC Generation Services UK Ltd.	0	227,376	0	33,110	0	0	0
Asia Power (Private) Ltd.	0	0	0	0	0	0	0
Subsidiaries total	0	279,775	1,830	101,120	0	0	0
Asia Power (Private) Ltd.	0	0	0	0	3,357	0	0
Rabai Operation and Maintenance Ltd.	429	0	352	0	0	0	0
Western Biomass Operating Company Ltd.	3,668	1,609	20,445	2	0	0	0
APOM Ltd.	7,811	930	3,325	69	0	0	0
BWSC North Lincs Ltd.	47,161	0	0	0	0	0	0
BWSC East Anglia Ltd.	49,439	4,391	0	0	0	0	0
Rabai Power Holding Ltd.	25,554	170	1,218	0	1,323	0	0
Kent Power Corporation Ltd.	32,067	9,701	14,048	6,763	0	0	0
ERE LPS Holdings Ltd.	35,058	0	892	0	0	0	0
BWSC Power Corporation Ltd	8	0	0	0	0	0	0
Mersey Bioenergy Holdings Ltd.	20,999	0	1,884	0	0	0	0
Albatros Energy Mali S.A	11,614	0	1,172	0	0	0	0
Tilbury Green Power Holding Ltd.	-39,323	27	8,428	37	0	0	0
Equity interests total	194,485	16,828	51,764	6,871	4,680	0	0
Mitsui E&S Holdings Co. Ltd.	0	14,952	0	1,114	0	100,000	0
Parent company total	0	14,952	0	1,114	0	100,000	0
Dash Engineering Inc.	0	7,408	0	37	0	0	0
Other related companies total	0	7,408	0	37	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. It is the assessment that appropriate provisions have been made for the outcome of such disputes and litigation.

BWSC is involved in ongoing tax disputes in Africa, of which some relate to significant amounts in dispute. It is Management's assessment that these tax disputes are unjustified, and it is the assessment that appropriate provisions have been made for ongoing tax cases and risks.

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 37 (2019: DKKm 67) have been provided as security for mortgage debt. The total mortgage debt amounts to DKKm 9 (2019: DKKm 13).

Burmeister & Wain Scandinavian Contractor A/S has invested in power plants via equity interests and the not paid in committed capital in equity interests amounts to DKKm 1 at 31 December 2020 (2019: DKKm 0).

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 2020 guarantees given by banks and credit insurance institutions on behalf of BWSC for contract work, etc. amounted to DKKm 829 (2019: DKKm 1,256). 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	
	2020	2019
Amortisation, depreciation and impairment	83,611	31,481
Changes in provisions	-63,087	100,007
Derivative financial instruments	8,514	-29,014
Elimination of intercompany profit (note 3.3)	-8,791	-8,794
Other long-term liabilities	24,325	0
Effect from purchase of entities	0	-8,257
	44,572	85,423

Note 6.6 Events after the balance sheet date

No significant events that could materially affect the financial position at 31 December 2020 have occurred after the balance sheet date.

Note 6.7 Subsidiaries and equity interests

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%
Equity interests		
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	26%
Kent Power Corporation Ltd.	United Kingdom	18%
ERE LPS Holdings Ltd.	United Kingdom	17%
Mersey Bioenergy Holdings Ltd.	United Kingdom	11%
Albatros Energy Mali S.A	Mali	8%
Pedregal Power Company S.D.E.R.L	Panama	8%
Tilbury Green Power Holding Ltd.	United Kingdom	3%

* 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 equity interests 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.

Restructuring costs

Costs related to restructuring which comprise costs related to staff, other costs and impairment of assets offsetted by the restructuring and are included in the relevant cost item in the income statement.

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
Development costs	3 years
IT software	3-7 years

Tangible assets

Office building	100 years
Warehouse	25 years
Installations	10 years
Plant and equipment	5 years
Fixtures, fittings and tools	3-10 years

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 equity interests 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 equity interests 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.

For investment in equity interests where the eliminated intercompany profit exceeds the value of the investments either due to impairments or based on the proportional share of equity the remaining part of the eliminated intercompany profit is not recognised.

Net revaluation of investments in subsidiaries and equity interests 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 equity interests 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 equity interests. 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 equity interest becomes a subsidiary company, through step acquisition of more shares in the equity interest, 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 is 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 equity interests 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	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit ratio	$\frac{\text{Profit before tax} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$
Return on equity	$\frac{\text{Profit for the year (after tax)} \times 100}{\text{Average equity}}$



2020 HIGHLIGHTS

DELIVERING DURING COVID-19

In April 2020 BWSC won a large and important order for assisting Grand Bahamas Power Company with project management and electrical engineering. And in July we won the order for site demolition and installation works under a cost+ arrangement. We are extremely proud of this achievement during a pandemic and we hope to continue co-operation for many years to come.

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