ANNUAL REPORT 2003

ENERGY FOR GROWTH

BWSC

Burmeister & Wain Scandinavian Contractor A/S

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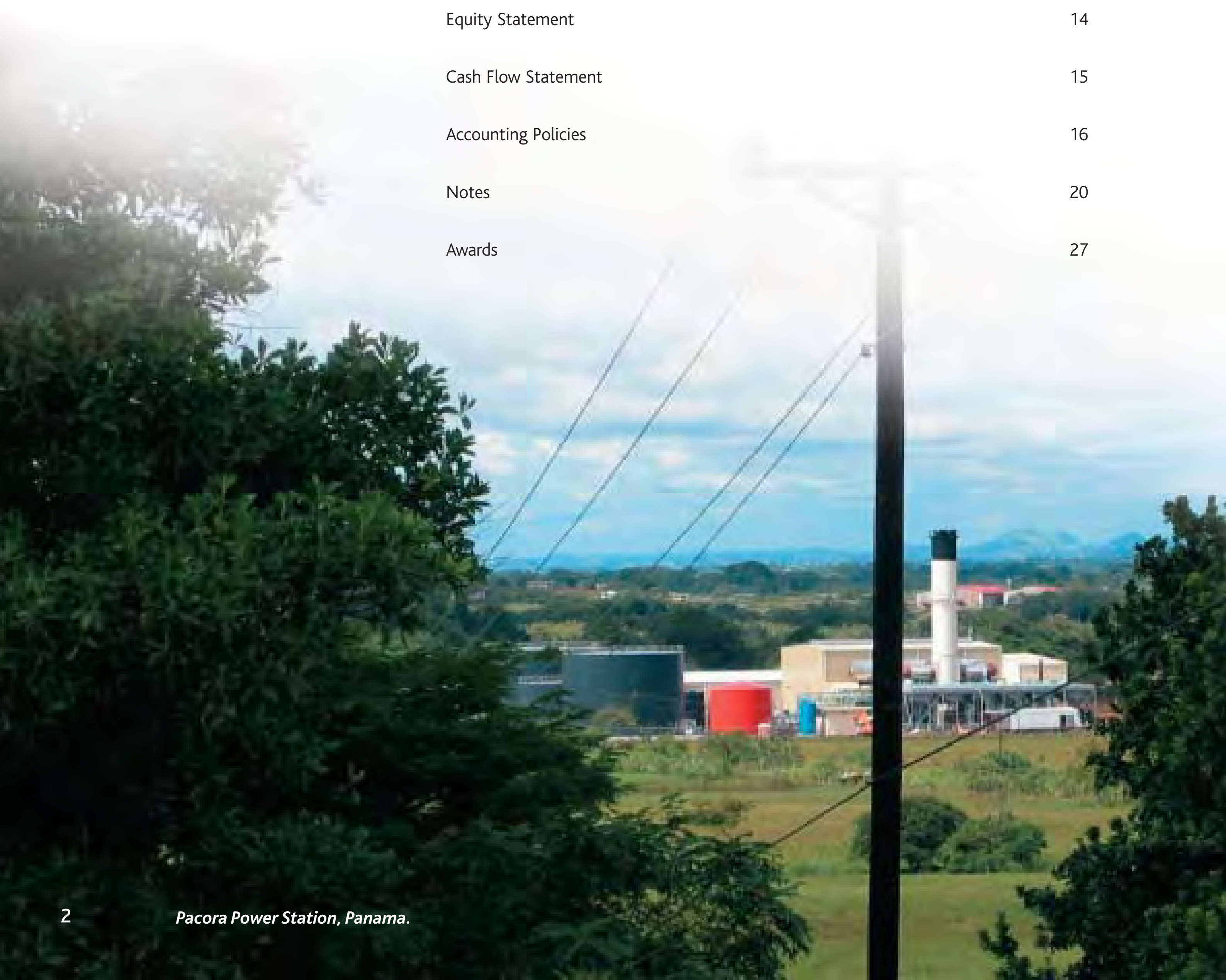

Pacora Power Station, Panama.

COMPANY INFORMATION

Burmeister & Wain
Scandinavian Contractor A/S
Gydevang 35, DK-3450 Allerød
Phone: +45 48 14 00 22
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E-mail: bwsc@bwsc.dk
Homepage: www.bwsc.dk

Board of Directors:
Torkil Bentzen, Chairman
Katsuhisa Ohno, Deputy Chairman
Makoto Sakurai
Sigurd Andersen
Lars Holmblad
Leif Juul Jørgensen
Svend Erik Christesen *)
Martin Friis Autzen *)
Lars Ellegaard *)
*) Elected by employees

Executive Management:
Sigurd Andersen, Managing Director
Søren Barkholt, Executive Director

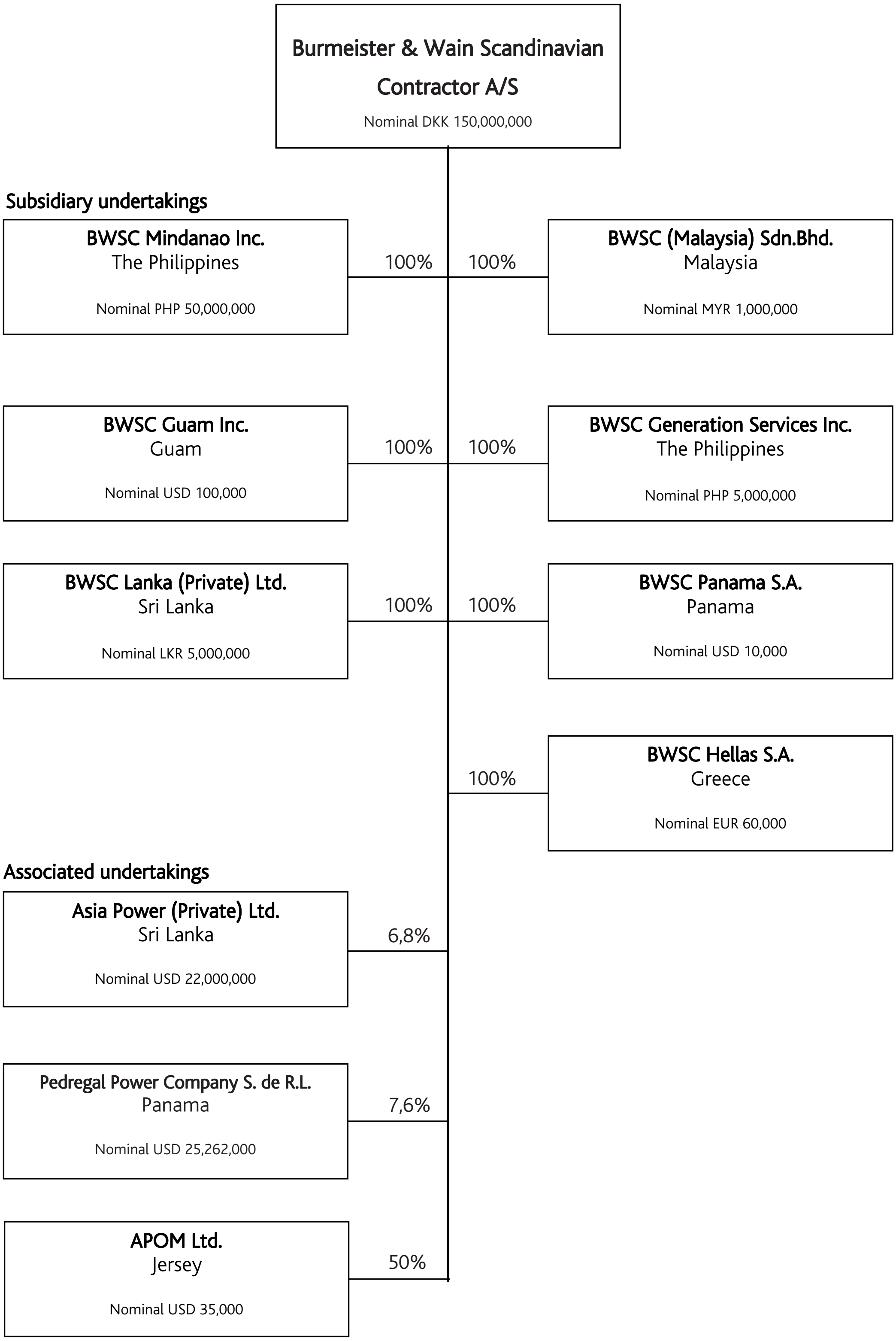
Shareholders holding more than 5% of the share capital or the voting rights:
MESCO Denmark A/S, which is owned by Mitsui Engineering & Shipbuilding Company Ltd., Japan

Auditors:
Ernst & Young Statsautoriseret Revisionsaktieselskab
KPMG C. Jespersen Statsautoriseret Revisionsinteressentskab

Bankers:
Danske Bank A/S

Front page : Atherinolakkos 102 MW Diesel Power Station under construction, Crete, Greece.

GROUP CHART



Burmeister & Wain Scandinavian Contractor A/S
Nominal DKK 150,000,000
Subsidiary undertakings
BWSC Mindanao Inc.
The Philippines
Nominal PHP 50,000,000
100%
100%
BWSC (Malaysia) Sdn.Bhd.
Malaysia
Nominal MYR 1,000,000
BWSC Guam Inc.
Guam
Nominal USD 100,000
100%
100%
BWSC Generation Services Inc.
The Philippines
Nominal PHP 5,000,000
BWSC Lanka (Private) Ltd.
Sri Lanka
Nominal LKR 5,000,000
100%
100%
BWSC Panama S.A.
Panama
Nominal USD 10,000
100%
BWSC Hellas S.A.
Greece
Nominal EUR 60,000
Associated undertakings
Asia Power (Private) Ltd.
Sri Lanka
Nominal USD 22,000,000
6,8%
Pedregal Power Company S. de R.L.
Panama
Nominal USD 25,262,000
7,6%
APOM Ltd.
Jersey
Nominal USD 35,000
50%

FINANCIAL HIGHLIGHTS (GROUP)

KEY FIGURES	2003 EUR	2003 DKK	2002 DKK	2001 DKK	2000 DKK	1999 DKK
Income Statement (in millions):						
Net turnover	133	993	703	527	801	622
Gross profit	18	131	166	156	121	100
Ordinary operating profit	6	46	66	43	27	19
Net financials	0	-1	4	9	6	2
Result before tax	6	47	73	57	36	22
Profit for the year	5	34	51	41	26	21
Balance Sheet (in millions):						
Total assets	91	678	523	483	448	418
Cash and cash equivalents	19	140	326	281	269	215
Equity	34	250	227	181	143	119
Interest-bearing debts	0	0	23	25	26	28
Cash Flows (in millions):						
From operating activities	-18	-133	62	25	64	120
From investing activities	-4	-27	-12	-12	-6	-4
From financing activities	-3	-26	-5	0	-4	-4
Employees (Number):						
Average number of full-time employees		479	449	457	427	381
Of which employed by the Parent Company		252	259	265	255	233
FINANCIAL RATIOS		%	%	%	%	%
Gross margin		13	24	30	15	16
Profit margin		5	9	8	3	3
Return on investments		7	13	11	7	5
Solidity		37	43	37	32	28
Return on equity		20	36	35	27	20

The ratios have been prepared in accordance with the "Recommendations and Guidelines 1997" issued by the Danish Society of Financial Analysts. (However, "Result before tax" is applied for calculation of "Return on equity"). For definitions, see under Accounting Policies, Section 1. The comparatives for the years 1999-2001 have not been restated.

View over the City of Hamilton from BELCO's Pembroke Power Station, Bermuda.

MANAGEMENT REPORT

The Annual Report for Burmeister & Wain Scandinavian Contractor A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for large reporting class C enterprises. Compared to previous years, the proposed dividend for the year has been recognized under shareholders' equity, where it was formerly recognized as a short-term liability. The accounting policies are otherwise consistent with those of last year.

Financial Result
In 2003, BWSC's net-turnover increased by 41% from DKK 703 million to DKK 993 million, which is an all-time high record for the Group. The increase is in particular coming from power plant enterprises where the turnover is DKK 653 million, while the turnover of DKK 340 from operation, service and maintenance contracts is on the same level as last year. The entire turnover derives from export.

The gross profit decreased by DKK 35 million to DKK 131 million compared to last year, while the operating profit amounted to DKK 46 million and the result after tax to DKK 34 million. The result is better than budgeted and is considered satisfactory.

The result before tax of DKK 47 million corresponds to a profit ratio of 4.7% and the return on equity before tax yielded 19.8%, which was better than average for the industry in previous years.

Activities in 2003
BWSC is a leading supplier of large turnkey diesel power plants. The strategy of the Company is unchanged compared to previous years, and the activities have comprised:

- Development of new Power Plant and Independent Power Producer (IPP) companies, which is anticipated to be followed by capital investments in the companies. This development includes all commercial and legal agreements, including electrical power and fuel purchase agreements, financing, insurance, leases, a.o.

- Delivery of turnkey power plants.

- Services in connection with long-term operation and maintenance contracts for power plants, delivery of transmission lines, and services such as spare parts, extended training programs and power plant rehabilitation.

- Construction and delivery of installations for environmental improvement – including flue gas cleaning for a power plant.

In 2003, 66% of the turnover came from the construction of power plants and 34% from operation, service and maintenance contracts, including operations on the Philippines, Sri Lanka, Panama and in the northern part of Iraq for the United Nations Development Program.

From a geographical viewpoint, 29% of the turnover came from countries in South and Central America, 24% from South East Asia, 13% from Africa and the Middle East and 34% from Europe. Compared to last year, the main part of the business has thus moved from South and Central America to Europe.

Contracts and Orders in Hand
During 2003, the Group entered into contracts worth DKK 753 million. Among these was an additional order for two Mitsui-MAN B&W 2-stroke low speed engines and generators for a power plant which is being constructed on the island of Crete in Greece by a consortium consisting of BWSC, MES and the Greek company Athena S.A.

BWSC also won contracts for extension of the power plant on Bermuda, and delivery of a power plant on the island of Rodrigues in the Indian Ocean, and extension of the power plant on the Azores – all in consortium with MAN B&W. Furthermore, BWSC entered into major service and rehabilitation contracts for existing power plants – among these for power plants in Iraq and on the Bahamas.

At the year-end, the volume of orders totalled DKK 1,535 million.

Capital Structure
Immediately after the Annual General Meeting last year, the share capital of the Company was increased from DKK 20 million to DKK 150 million through a cash payment of DKK 130 million – as mentioned in the Annual Report of 2002. Likewise mentioned, the capital increase was subscribed by BWSC's ultimate Japanese parent company Mitsui Engineering & Shipbuilding Company Ltd. (MES) through its Danish subsidiary MESCO Denmark A/S.

BWSC's capital structure is hereby significantly changed as the share capital at 31 December 2003 totalled 60% of the equity.

The significant increase of the share capital has resulted in the Company obtaining a remarkable increase of its guarantee lines with a number of financial institutions.

Capital Resources

In spite of the satisfactory result for 2003, the cash funds decreased by DKK 186 million to DKK 140 million. This is mainly due to repayment of a mortgage loan, financing of the building extension of the main offices in Allerød, prepayment of corporate tax, and a considerable increase in sales receivables compared to last year of DKK 311 million, especially in connection with a single power plant project. After the turn of the year, debtors have been reduced by approximately DKK 252 million.

The building extension will be financed by obtaining a mortgage loan. The cash fund reserves of the Group are still considered to be good.

In 2003, cash flows from operating activities amounted to DKK –133 million. Cash flows from investment activities amounted to DKK –27 million, which in all essentiality consisted of self-financing of the building extension costs, and DKK 2 million received in dividend from Asia Power (Private) Ltd. in Sri Lanka – an IPP company, which BWSC took part in developing and establishing for operationalization in 1998.

Cash flows from financing activities amounted to DKK –26 million and are mainly coming from repayment of the mortgage loan.

Events after Balance Sheet Date

After the close of the financial year, the Company has entered into a contract for extension of the power plant on the Azores worth DKK 164 million. The major part of the order is expected completed during 2004.

On behalf of a consortium, BWSC has received a claim for payment of local tax in connection with an operating contract in Asia – a demand, which is not considered to imply any need for provisions in the accounts.

Besides this, no other important events have taken place after the close of the financial year, which may have a significant impact on the position of the Company.

Knowledge Resources

The entire turnover of BWSC derives from export, which puts a demand on the employees and their capability of working in foreign cultures and in foreign languages. The continued development and securing of know-how are of vital importance in order to secure BWSC's continued growth and earnings. Therefore in 2003, the focus of Human Resource efforts has been to further develop employee competence, interdisciplinary cooperation and motivation.

In 2003, the average number of full-time employees in the Group was 479, which is an increase of 30 employees compared to last year. 252 were employed by the Parent Company, while 227 were employed by subsidiary undertakings, which means that BWSC has succeeded in its strategy of having the majority of growth in the number of employees abroad.

Of the employees in the Parent Company, 34% have worked with BWSC for more than 10 years. 36% of the employees of the Parent Company are engineers and 23% are marine engineers, with the other main groups consisting of employees with other technical backgrounds and in financial and administrative positions. Sickness absence in 2003 was 2.2% of the basis time and the rate of employee turnover was 9.1%.

Special Risks

BWSC's earnings derive from 3 main areas:

- Development of power plant projects including capital investments
- Construction contracts for power plants
- Service and full operational responsibility contracts for power plants

Sale and construction contracts for power plants are individual orders with an opportunity for possible later repeats. However, the focusing of sales efforts on service and operation contracts has successfully decreased the effect of fluctuation from power plant orders.

Due to the worldwide activities of the Company, the profit/loss, cash flow and equity positions are influenced by the development of exchange and interest rates of a number of currencies. It is company policy to hedge commercial currency risks for contracts, while currency risks for investments in subsidiaries and associated undertakings abroad are normally not hedged. The Parent Company undertakes this task as well as the Group's cash management. The Company regards the EUR as a stable currency against DKK, for which reason EUR net positions are not hedged, cf. note 9.

The only significant interest-bearing debt was the mortgage loan obtained in DKK.

BWSC has a long experience of conducting business in markets outside Europe, in both developing and developed countries – and usually of small geographical size, including small island societies. The long experience of the Group and its employees contributes to reducing the risks of the Group considerably when implementing contracts.

The External Environment
It is company policy to comply with all relevant standards and regulations in those countries and societies in which the Group conducts its business.

Diesel engines installed by BWSC can be adapted to use a large variety of alternative fuels, such as natural gas. The Company also participates in environmental protection projects, for instance the reduction of NOx and particle emission to further strengthen the position of the high-efficiency diesel engine, and the corresponding low CO_2 emissions.

The domestic activities of the Company are of a knowledge-based nature with no traditional production of goods, and it is considered that these activities do not have an impact on the external environment.

Development Activities
BWSC has developed from an engineering company supplying parts for power plants – via the role of turnkey supplier – to a company also developing and investing in power plant companies and IPP companies. This includes all commercial and legal agreements together with electrical and fuel purchase agreements, financing, insurance, leases, a.o.

Power plant companies, IPP companies and self-generating industrial companies depend heavily on their ability to maximize the yield from their investments. Additionally, the access to reliable and low-cost energy becomes increasingly more significant to attain sustainable economic growth and to develop business and society.

In 2002, BWSC entered into a contract – in consortium with the German company Argillon AG – for delivery of a system of cleaning of nitric oxides in the flue gas of a 2-stroke power plant of 232 MW in Macau. The project will be handed over as planned in 2004, after which it will be considered to which extent and in which form it should be marketed to other power plants.

BWSC has delivered biogas plants in Denmark and in Japan and stays continuously informed on the market possibilities and technology development within Renewable Energy.

BWSC also conducts a continuous technical and conceptual development program together with on-going improvement of all operations and business areas. The development costs are expensed in the year incurred.

Ownership
Originally, BWSC was a part of the Burmeister & Wain Group, and the Company was established as an independent company in 1980.

Since 1990, BWSC has been a wholly owned subsidiary of Mitsui Engineering & Shipbuilding Company Ltd. (MES) through its Danish subsidiary MESCO Denmark A/S. The cooperation between MES and the B&W Group dates back to 1926 when MES entered into a license agreement with Burmeister & Wain A/S as the first of now many global manufacturers of MAN B&W diesel engines.

MES is listed on the Tokyo stock exchange, and the Group company activities include the manufacture of industrial plants, shipyards, diesel engines, gas turbine and boiler production. Group activities also include road making, bridge building, and tunnel construction, a.o.

BWSC's Parent Company MES has a turnover corresponding to approximately USD 2,600 million and approximately 3,800 employees, and today holds a position as MAN B&W senior licensee. The MES-Group has a turnover of approximately USD 4,500 million and approximately 10,700 employees.

Closing Remarks
Based on BWSC's satisfactory level of orders in hand of DKK 1,535 million, of which operation contracts are still substantial, and including worked up order possibilities for new projects, an increased turnover and a satisfactory result are expected for the fiscal year 2004.

The Management and the Supervisory Board hereby express their sincere gratitude to customers, cooperation partners and employees, who through good teamwork and dedicated effort have all contributed to the good results for the BWSC Group.

Engine hall, Units 5-8, Belo Jardim, Terceira, the Azores.

MANAGEMENT'S STATEMENT

The Supervisory and Executive Boards have presented and adopted the Annual Report for the financial year ended 31 December 2003 of Burmeister & Wain Scandinavian Contractor A/S.

The Annual Report has been presented in accordance with Danish statutory accounting requirements.

We consider the accounting policies applied appropriate and the accounting estimates made reasonable. To the best of our belief, the Annual Report includes the information, which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position, results of operations and cash flows for the year ended 31 December 2003.

We recommend that the Annual Report be adopted at the Annual General meeting.

Allerød, 24 February 2004

Executive Board

Sigurd Andersen Managing Director	Søren Barkholt Executive Director

Supervisory Board

Torkil Bentzen (Chairman)	Katsuhisa Ohno (Deputy Chairman)	Makoto Sakurai
Sigurd Andersen	Leif Juul Jørgensen	Lars Holmblad
Martin Friis Autzen*)	Svend Erik Christensen*)	Lars Ellegaard*)

The Annual Report is adopted at the Annual General Meeting of shareholders on 24 February, 2004.

*) Elected by employees

Belo Jardim New Boiler Plant, Unit 5, Terceira, the Azores.

Belo Jardim Power Station, Terceira, the Azores.

AUDITORS' REPORT

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

We have audited the Annual Report of Burmeister & Wain Scandinavian Contractor A/S for the financial year ended 31 December 2003.

The Annual Report is the responsibility of the Company's Supervisory and Executive Boards. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion
We conducted our audit in accordance with Danish Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by the Supervisory and Executive Boards, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2003 and of the results of their operations and cash flows for the financial year then ended in accordance with the Danish Financial Statements Act.

Copenhagen, 24 February 2004

Ernst & Young
Statsautoriseret
Revisionsaktieselskab

Tom Hornbøll
State Authorized Public
Accountant

KPMG C. Jespersen
Statsautoriseret
Revisionsinteressentskab

Jesper Koefoed
State Authorized Public
Accountant

Lars Rhod Søndergaard
State Authorized Public
Accountant

Renovation of Carribean Utilities Co. LTD. 's first diesel engine on Grand Cayman to be used for exhibition purposes.

The North Sound Road Power Station, Grand Cayman Island.

PROFIT AND LOSS ACCOUNT (IN DKK THOUSANDS)

Parent Company				*The Group*	
2002	**2003**	**Note**		**2003**	**2002**
602,832	955,393	1	Net turnover	993,114	703,218
-452,157	-836,460	3	Costs of production	-861,929	- 537,071
150,675	**118,933**		**Gross profit**	**131,185**	**166,147**
-31,494	-20,721	3	Sales costs	-20,774	- 31,537
-56,440	-58,328	3	Administrative expenses	-64,631	- 68,484
62,741	**39,884**		**Operation profit/loss**	**45,780**	**66,126**
559	1,606	4	Profit on investments in subsidiary undertakings	0	0
3,151	1,833	4	Profit on investments in associated undertakings	1,833	3,151
66,451	**43,323**		**Profit before non-operating items**	**47,613**	**69,277**
7,329	5,614		Financial income	5,927	7,542
-2,015	-3,879		Financial costs	-6,579	- 3,416
71,765	**45,058**		**Profit before tax and extraordinary items**	**46,961**	**73,403**
- 21,014	-11,440	2	Tax on profit on ordinary activities	-13,343	- 22,652
50,751	**33,618**		**PROFIT FOR THE YEAR**	**33,618**	**50,751**

The Board of Directors recommends that the profit for the year, DKK 33,618 thousand, is appropriated as follows:

Dividend	15,000
Transferred to net revaluation reserves	1,593
Retained profit	17,025
	33,618

Engine hall, Grand Cayman.

Control room, Grand Cayman.

BALANCE SHEET

ASSETS (IN DKK THOUSANDS)

Parent Company 2002	Parent Company 2003	Note		The Group 2003	The Group 2002
44,078	67,573		Land and buildings	67,573	44,078
7,387	6,075		Fixtures and fittings, tools and equipment	7,686	9,081
51,465	**73,648**	3	**Tangible fixed assets**	**75,259**	**53,159**
6,508	9,242		Investments in subsidiary undertakings	0	0
28,888	24,518		Investments in associated undertakings	24,518	28,888
1,345	1,822		Other securities	1,822	1,345
36,741	**35,580**	4	**Fixed asset investment**	**26,338**	**30,233**
88,206	**109,228**		**Total fixed assets**	**101,597**	**83,392**
0	**0**		**Inventories**	**1,658**	**1,613**
41,833	359,258		Trade debtors	365,501	54,302
11,353	24,966	5	Contract work in progress	26,689	9,552
22,610	10,611		Amounts owed by subsidiary undertakings	0	0
1,533	1,511		Amounts owed by associated undertakings	1,511	1,533
29,930	26,741		Other debtors	32,190	35,348
9,858	8,212		Prepayments	9,073	11,684
117,117	**431,301**		**Debtors**	**434,966**	**112,419**
306,467	**132,874**		**Cash and cash equivalents**	**140,062**	**325,989**
423,584	**564,175**		**Total current assets**	**576,686**	**440,021**
511,790	**673,403**		**TOTAL ASSETS**	**678,283**	**523,413**

Coloane Power Station, Macao.

SCR reactor under installation.

BALANCE SHEET

LIABILITIES (IN DKK THOUSANDS)

Parent Company				*The Group*	
2002	**2003**	**Note**		**2003**	**2002**
20,000	150,000		Share capital	150,000	20,000
2,862	0		Net revaluation reserve acc. to the equity method	0	1,358
7,465	3,527		Reserve for financial instruments	3,527	7,465
63,990	81,015		Retained earnings	81,015	65,494
133,000	15,000		Proposed dividend	15,000	133,000
227,317	**249,542**		**Equity**	**249,542**	**227,317**
29,101	19,299		Deferred tax	19,035	28,998
20,059	13,722		Warranty provisions	13,722	20,059
49,160	**33,021**		**Provisions**	**32,757**	**49,057**
21,119	0		Mortgage debt	0	21,119
21,119	**0**		**Long-term liabilities**	**0**	**21,119**
1,798	0		Mortgage debt, maturing in 2004	0	1,798
87,368	91,273	5	Prepayments received from customers	91,909	92,701
35,597	114,108		Trade creditors	115,146	37,245
0	0		Corporation tax	1,243	801
11,215	87,563		Amounts owed to related undertakings	86,386	11,555
78,216	97,896	6	Other creditors	101,300	81,820
214,194	**390,840**		**Current liabilities**	**395,984**	**225,920**
235,313	**390,840**		**Total long-term and current liabilities**	**395,984**	**247,039**
511,790	**673,403**		**TOTAL EQUITY AND LIABILITIES**	**678,283**	**523,413**

7 Audit fee
8 Staff
9 Financial instruments
10 Transactions between related parties
11 Contingent liabilities, security for loans, etc.

Selective Catalytic Reduction System (SCR) for Coloane Power Station, Macau.

EQUITY STATEMENT

Parent Company

The share capital is divided into 150 shares of DKK 1 million each.

	Share capital	Net revalua- tion reserve	Financial instru- ments	Retained earnings	Dividend proposed	Total
Balance at 1 January 2003	20,000	2,862	7,465	63,990	0	94,317
Adjustment at beginning of the year	0	54	0	0	0	54
Adjustment of accounting policy	0	0	0	0	133,000	133,000
Adjusted balance at 1 January 2003	20,000	2,916	7,465	63,990	133,000	227,371
Dividends paid	0	0	0	0	-133,000	-133,000
Cash capital injection	130,000	0	0	0	0	130,000
Profit for the year	0	1,593	0	32,025	0	33,618
Proposed dividend for 2003	0	0	0	-15,000	15,000	0
Changes in financial instruments	0	0	-2,427	0	0	-2,427
Tax on equity changes	0	0	-1,511	0	0	-1,511
Currency retranslation, adjustment of opening net assets, and currency translation of the accounts of associated undertakings	0	-4,509	0	0	0	-4,509
Equity at 31 December 2003	**150,000**	**0**	**3,527**	**81,015**	**15,000**	**249,542**
The Group						
Balance at 1 January 2003	20,000	2,995	7,465	63,857	0	94,317
Adjustment at beginning of the year	0	0	0	54	0	54
Adjustment of accounting policy	0	0	0	0	133,000	133,000
Adjusted balance at 1 January 2003	20,000	2,995	7,465	63,911	133,000	227,371
Dividends paid	0	0	0	0	-133,000	-133,000
Cash capital injection	130,000	0	0	0	0	130,000
Net profit for the year	0	1,514	0	32,104	0	33,618
Proposed dividend for 2003	0	0	0	-15,000	15,000	0
Changes in financial instruments	0	0	-2,427	0	0	-2,427
Tax on equity changes	0	0	-1,511	0	0	-1,511
Currency retranslation, adjustment of opening net assets, and currency translation of the accounts of associated undertakings	0	-4,509	0	0	0	-4,509
Equity at 31 December 2003	**150,000**	**0**	**3,527**	**81,015**	**15,000**	**249,542**

CASH FLOW STATEMENT (IN DKK THOUSANDS)

The Group	Note	2003	2002
Operating profit		45,780	66,126
Adjustments	12	53	4,509
Changes in working capital	13	-148,700	25,361
Cash flow from operating activities before net financials		-102,867	95,996
Interest received and similar income		7,622	-681
Interest paid		-6,579	- 3,416
Cash flow from ordinary activities		-101,824	91,899
Income taxes paid		-30,914	- 30,378
Cash flow from operating activities		**-132,738**	**61,521**
Additions of buildings, fixtures and fittings, tools and equipment		-28,592	- 5,359
Disposals of fixtures and fittings, tools and equipment		102	428
Dividends received from associated undertakings		1,695	1,514
Additions of securities		-477	- 8,414
Cash flow from investing activities		**-27,272**	**- 11,831**
Repayments, long-term liabilities other than provisions		-22,917	- 1,671
Share capital increase		130,000	0
Dividends distributed		-133,000	- 3,000
Cash flow from financing activities		**-25,917**	**- 4,671**
Changes in cash and cash equivalents		-185,927	45,019
Cash and cash equivalents at beginning of year		325,989	280,970
Cash and cash equivalents at year-end		**140,062**	**325,989**

Crankshaft for Engine No. 1 for Atherinolakkos.

Atherinolakkos 102 MW Diesel Power Station under construction, Crete, Greece.

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 enterprises.

The accounting policies have been changed in the following respects:

Proposed dividend for the fiscal year is included in the equity. Previously proposed dividend has been recognized as short-term debt. The change increases the equity by DKK 15,000 thousands at 31 December 2003. Comparative figures for the year 2002 have been changed according to the new accounting policy.

The accounting policies are otherwise consistent with those of last year.

Consolidation
The consolidated financial statements are prepared on the basis of audited Annual Report of the Parent Company and each subsidiary by aggregating items of a uniform nature and by eliminating intra-group income, expenses and balances. Furthermore, intra-group profits and losses are eliminated.

Shares in consortia are recognized using pro rata consolidation. Intra-group profits, losses and balances are eliminated relative to the Company's investment in such consortia. Any remaining balances are stated under the items 'Investments in associated undertakings' and 'Amounts owed by associated undertakings'.

The project financial statements of international contracting activities are translated into Danish kroner as follows: The items in the Profit and Loss Account 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, no exchange rate differences will arise.

The financial statements of international subsidiaries that are independent entities are translated into Danish kroner as follows: The items in the Profit and Loss Account are translated at average rates that do not differ materially from the exchange rates ruling at the date of transaction. Balance Sheet items are translated into closing exchange rates. Currency retranslation differences are taken directly to equity.

The financial statements of international subsidiaries that are integrated entities are translated into Danish kroner as follows: The items in the Profit and Loss Account are translated at average rates that do not differ materially from the exchange rates ruling 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 differences are recognized in the Profit and Loss Account.

Foreign Currency Translation
Monetary items in foreign currency are translated at the exchange rate at the transaction date. Exchange differences arising between the exchange rate ruling at the transaction date and the payment date are recognized in the Profit and Loss Account.

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 recognized in the Profit and Loss Account.

Derivative financial instruments are recognized in the Balance Sheet at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Changes in the fair value of derivative financial instruments, which are classified as and qualify for hedging of fair value of a recognized asset or liability, are recognized in the Profit and Loss Account together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments, which are classified as and which qualify for hedging of future assets and liabilities, are recognized as prepayments and deferred income and in equity, respectively. If the future transaction results in recognition of assets or liabilities, the amounts deferred under equity are transferred from equity and recognized in the cost of the asset or liability, respectively. If the future transaction results in revenues or expenses, the amounts, which have been deferred under equity, are recognized in the Profit and Loss Account in the period in which the hedged item affected the Profit and Loss Account.

For any derivative financial instruments, which do not qualify for being treated as hedging instruments, the changes in fair value are recognized in the Profit and Loss Account on a current basis.

PROFIT AND LOSS ACCOUNT

Revenue
The Company's revenue derives from contract activities, etc.

Contract work is recognized according to the percentage-of-completion method. Profits on contracts are recognized by reference to actual stage of completion, based on a conservative estimate allowing for both known and expected additional expenses.

Realized profits on completed contracts are recognized net of provisions for necessary warranties.

Income from operational and spare part contracts is recognized when invoiced.

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

Furthermore, research costs, development costs that do not qualify for capitalization, and depreciation of capitalized development costs are recognized under production costs.

Write-downs in connection with expected losses on contract activities are, furthermore, recognized.

Sales Costs
Expenses related to offers and orders, etc. are recognized, including expenses related to sales personnel, marketing and internal development projects.

Administrative Expenses
Expenses related to management and group administration, including expenses related to administrative officers, management, office premises, office expenses, etc. and depreciation are recognized.

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

Net Financials
Financial income and expenses include interest income and expenses, realized and unrealized capital gains and losses, payables and transactions in foreign currency, amortization of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme, etc. Financial income and expenses are recognized at the amounts relating to the reporting period.

Tax
BWSC A/S is taxed on a consolidated basis with some of its foreign subsidiaries. The net tax charge of the jointly taxed income are proportionately distributed on the enterprises domiciled in Denmark with positive income.

The estimated tax charge for the year is recognized in the Profit and Loss Account and is recorded as a current liability in the Balance Sheet. Non-refunded withholding tax concerning dividends from foreign subsidiaries is expensed in the year in which the dividend is declared.

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 at 30%. Changes in the deferred tax charge for the year are taken to the Profit and Loss Account.

Intangible Fixed Assets and Property, Plant and Equipment
Intangible fixed assets and property, plant and equipment are measured at cost plus subsequent additions and revaluation and less accumulated amortization/depreciation and write-downs.

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

Leasehold improvements	5	years
Office building	100	years
Warehouse	25	years
Installations	10	years
Cars	5	years
Plant and equipment	2-5	years
Fixtures and fittings	3-10	years
Computer software	3	years
Computer hardware	3	years

Minor acquisitions not exceeding DKK 10,500 per unit are expensed in the year of acquisition.

Investments

Investments in Subsidiary and Associated Undertakings
Profit and Loss Account
The Company's proportionate share of the after-tax profit or loss of subsidiary undertakings is recognized in the Profit and Loss Account after full elimination of intra-group profits and losses.

The Company's proportionate share of the pre-tax profit or loss of associated undertakings is recognized in the

Profit and Loss Account after full elimination of intra-group profits and losses. The Company's share of associated undertakings' tax charge and extraordinary items are recognized under 'Tax on profit or loss from ordinary activities' and 'Extraordinary profit or loss after tax', respectively.

Balance Sheet
Investments in subsidiary and associated undertakings are recognized in the Balance Sheet at the Company's proportionate share of the net asset value of the enterprises, calculated by reference to the accounting polices applied by the Parent Company, less or plus unrealized intra-group profits and losses.

Subsidiary and associated undertakings whose net asset value is negative are recognized at DKK 0, and any receivables from these enterprises 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 recognized under provisions provided that the Parent Company has a legal or actual obligation to cover the subsidiaries' deficits.

Net revaluations of investments in subsidiary and associated undertakings are 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 enterprises are recognized in the financial statements from the time of acquisition. Enterprises sold or otherwise disposed of are recognized until the time of sale.

Profits or losses on the sale of subsidiary and associated undertakings are stated as the difference between the selling price and the carrying amount of the net assets at the time of sale and expected expenses related to the sale and/or disposal. Profits and losses are recognized in the Profit and Loss Accounts under net financials.

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

Inventories
Inventories are measured at cost according to the FIFO principle. However, inventories are written down to the lower of cost and net realizable value.

Receivables
Receivables, etc. are measured at amortized cost, which usually equals the nominal value.

Provisions for bad debts are based on individual assessments of high-risk accounts receivable.

Securities
Securities under 'Current assets' are stated at the market price at the balance sheet date.

Contract Work in Progress
Contract work in progress is measured by reference to the stage of completion.

The market price 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 recognized in the Balance Sheet under receivables or liabilities other than provisions, dependent on the net value of the selling price less payments on account and prepayments. Expenses related to sales work and contracts are recognized in the Profit and Loss Account as incurred.

Prepayments
Payments made or received concerning expenses or income in subsequent years are recognized under prepayments.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash and near money securities in respect of which the risk of changes in value is insignificant.

Provisions
Provisions comprise expected expenses relating to performance guarantees and expected losses on work in progress.

Performance guarantees comprise commitments to repair work within the guarantee period. Provisions are measured and recognized based on previous experience with guarantee work.

When it is probable that the total expenses 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 recognized as an expense under production costs.

Proposed Dividend for the Year
Proposed dividend for the year is included in the equity.

Financial Liabilities
Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. The financial liability is subsequently measured at amortized cost, equaling the capitalized value, using the effective interest rate method. The difference between the proceeds and the nominal value is thus recognized in the Profit and Loss Account over the loan term.

Other financial liabilities, which comprise trade payables, payables to subsidiary and associated undertakings and other payables are measured at amortized 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, the changes in cash and cash equivalents and the Group's cash and cash equivalents at the beginning and at the end of the year.

Cash Flows from Operating Activities
Cash flows from operating activities are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash Flows from Investing Activities
Cash flows from investing activities comprise payments related to additions and disposals of enterprises and activities and additions and disposals of intangible assets, property, plant and equipment and investments.

Cash Flows from Financing Activities
Cash flows from financing activities comprise changes in the size or composition of share capital and related expenses, raising of loans and repayments of interest-bearing debt and dividends distributed to shareholders.

Ratios are computed in accordance with 'Guidelines and Financial Ratios', issued by the Danish Society of Financial Analysts in 1997.

Analysis of the ratios included in the below financial highlights:

Gross margin $\dfrac{\text{Gross profit x 100}}{\text{Net turnover}}$

Profit margin $\dfrac{\text{Operating profit/loss x 100}}{\text{Net turnover}}$

Return on investments $\dfrac{\text{Operating profit or loss incl. interest x 100}}{\text{Assets}}$

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

Result for analysis purposes Profit before tax

Return on equity $\dfrac{\text{Profit before tax x 100}}{\text{Average equity}}$

Unloading of engine part onto truck, Atherinolakkos, Crete, Greece.

NOTES (IN DKK THOUSANDS)

Note 1. Net turnover

Parent Company			The Group	
2002	2003		2003	2002
338,025	649,503	Final invoicing	673,535	374,083
264,807	305,890	Changes in contract work in progress	319,579	329,135
602,832	955,393		993,114	703,218

Note 2. Taxes

Parent Company			The Group	
2002	2003		2003	2002
59	0	Withholding tax in foreign subsidiaries	0	59
20,955	-8,739	Adjustment of deferred tax	-8,887	20,804
0	21,690	Recognized income tax	23,741	1,789
21,014	12,951		14,854	22,652
		Classified as follows:		
21,014	11,440	Tax for the year	13,343	22,652
0	1,511	Tax on equity changes	1,511	0
21,014	12,951		14,854	22,652

Aqualectra Diesel Power Station, Curacao.

The Old Palm Tree is one of the key landmarks of the Aqualectra Power Plant, situated in the middle of the site entrance.

NOTES (IN DKK THOUSANDS)

Note 3. Tangible fixed assets

Parent Company			The Group	
Fixtures and fittings, tools and equipment	Land and buildings		Fixtures and fittings, tools and equipment	Land and buildings
41,223	60,901	Cost at 1 January 2003	45,162	60,901
2,942	24,989	Additions in the year	4,028	24,989
-8,555	0	Disposals in the year	-9,723	0
35,610	85,890	Cost at 31 December 2003	39,467	85,890
33,836	16,823	Depreciation at 1 January 2003	36,252	16,823
4,196	1,494	Depreciation in the year	4,941	1,494
-8,497	0	Depreciation of disposals	-9,412	0
29,535	18,317	Depreciation at 31 December 2003	31,781	18,317
6,075	**67,573**	**Book value at 31 December 2003**	**7,686**	**67,573**
7,387	*44,078*	*Book value at 31 December 2002*	*9,081*	*44,078*

Depreciation in the year is included in:

Parent Company			The Group	
2002	**2003**		**2003**	**2002**
602	812	Production costs	1,277	806
134	40	Sales costs	40	134
5,669	4,838	Administrative expenses	5,118	5,944
6,405	5,690		6,435	6,884

The addition of land and buildings solely concerns the Group's extension of the administration building under construction. It is expected to take in use the extension in year 2004, for which reason no provision for depreciation on the addition has been booked in year 2003.

According to the public assessment at 1 January 2002, the Group's property was stated at DKK 33 million, of which the land value totals DKK 5.7 million.

A mortgage deed, DKK 75 million in the property, has been registered to the mortgagor. The mortgage deed is available.

Powerhouse structure, Curacao.

Exhaust arrangement, Curacao.

NOTES (IN DKK THOUSANDS)

Note 4. Investments and other securities

Parent Company: Subsidiary undertakings	Parent Company: Associated undertakings	Parent Company: Other securities		The Group: Associated undertakings	The Group: Other securities
5,353	25,891	1,360	Costs at 1 January 2003	25,891	1,360
54	0	0	Adjustment at beginning of the year	0	0
446	432	477	Additions in the year	432	477
5,853	26,323	1,837	Costs at 31 December 2003	26,323	1,837
1,156	2,996	-15	Revaluations/write-downs at 1 January 2003	2,996	-15
1,606	1,833	0	Profit share in 2003	1,833	0
848	-4,509	0	Currency retranslation adjustments in 2003	-4,509	0
-31	-2,125	0	Distribution of dividend to Parent Company	-2,125	0
-190	0	0	Transferred to debtors/creditors	0	0
3,389	-1,807	-15	Revaluations/write-downs at 31 December 2003	-1,807	-15
9,242	**24,518**	**1,822**	**Book value at 31 December 2003**	**24,518**	**1,822**
6,508	*28,888*	*1,345*	*Book value at 31 December 2002*	*28,888*	*1,345*

Note 5. Work in progress

Parent Company: 2002	Parent Company: 2003		The Group: 2003	The Group: 2002
413,483	719,373	Market value of production in progress	798,604	479,025
- 489,498	-785,680	Invoiced on account	-863,824	- 562,174
- 76,015	-66,307	Contract work in progress, net	-65,220	- 83,149
		Classified as follows:		
11,353	24,966	Contract work in progress	26,689	9,552
- 87,368	-91,273	Prepayments received from customers	-91,909	- 92,701
- 76,015	-66,307		-65,220	- 83,149

Aerial view of Pacora Power Station, Panama.

The site of Pacora Power Station.

NOTES (IN DKK THOUSANDS)

Note 6. Other creditors

Parent Company			The Group	
2002	2003		2003	2002
13,563	14,405	Due holiday pay	14,405	13,563
1,321	1,712	Forward contracts concerning future cash flows	1,712	1,321
26,070	58,186	Residual costs, completed projects	58,186	26,070
37,262	23,593	Other accrued expenses, etc.	26,997	40,866
78,216	97,896		101,300	81,820

Notes 7. Audit fee

Parent Company			The Group	
2002	2003		2003	2002
798	1,072	Total fee, Ernst & Young	1,684	1,159
0	130	Total fee, KPMG	130	0
798	1,202		1,814	1,159
418	647	Fees, other services than audit Ernst & Young	1,148	650
0	55	Fees, other services than audit KPMG	55	0
418	702		1,203	650

Note 8. Staff

Analysis of staff costs:

Parent Company			The Group	
2002	2003		2003	2002
132,020	132,285	Wages and salaries	148,300	145,222
463	463	Social security costs	2,936	1,990
132,483	132,748		151,236	147,212
		Including remuneration for:		
3,764	4,679	Executive Management of Parent Company	4,679	3,764
630	831	Board of Directors of Parent Company	831	630
4,394	5,510		5,510	4,394
259	**252**	**Average number of employees**	**479**	**449**

Note 9. Financial instruments

It is company policy to hedge the net cash flow per currency of individual projects, primarily through forward contracting. Net positions are - apart from capital investments in subsidiaries - mainly amounts appropriated for covering future balances due from customers and amounts owed to creditors.

Group	Payment/ maturity	Cash and cash equivalents and debtors DKK '000	Debt DKK '000	Hedge transactions DKK '000	Net positions DKK '000
USD	0-24 months	85,836	-10,927	-28,827	46,082
EUR	0-24 months	340,348	-154,450	-33,454	152,444
CHF	0-24 months	4,037	-754	0	3,283
JPY	0-24 months	13,636	-1,404	-21,256	-9,024
HKD	0-24 months	3,630	-2,109	2,302	3,823
MYR	0-24 months	1,721	-343	0	1,378
LKR	0-24 months	4,189	-405	0	3,784
PHP	0-24 months	7,625	-1,039	0	6,586
Other	0-24 months	2,804	-913	0	1,891
Investments in subsidiary and associated undertakings					
USD		27,047	0	0	27,047
EUR		446	0	0	446
MYR		408	0	0	408
PHP		3,838	0	0	3,838
LKR		2,020	0	0	2,020
		497,585	-172,344	-81,235	244,006

Transport of Diesel Generator Set through the town of Port Mathurin, Rodrigues.

NOTES

Note 10. Transactions between related parties
Purchase of diesel engines, spare parts, guarantees etc. from Mitsui Engineering & Shipbuilding Company Limited, Japan and purchase of diesel engines and spare parts etc. from MAN B&W A/S and MAN B&W A.G., Germany have taken place at market conditions.

The sale of goods to associated companies have also taken place at market conditions.

Apart from intercompany transactions which have been eliminated in the Group accounts, plus usual management fee, no transactions have been made with Board, Executive Management, Senior Executives, subsidiary companies or other related parties during the year.

Group relationships
BWSC's ultimate Parent Company is Mitsui Engineering & Shipbuilding Company Limited, which prepares the accounts for the Group in which BWSC is located.

Group accounts for the foreign Parent Company can be obtained from:

Mitsui Engineering & Shipbuilding Company Limited, 6-4 Tsukiji 5-chome, Chuo-ku, Tokyo 104-8439, Japan.

Note 11. Contingency liabilities, security for loans, etc.
Guarantees totalling DKK 259 million have been provided for ongoing and completed projects, including DKK 83 million by way of prepayment guarantees.

Associates and joint ventures are jointly and severally liable. No other warranty commitments exist apart from service and guarantee commitments customary in the industry.

On behalf of a Consortium, the Company has received a demand for payment of local tax in connection with a maintenance contract in Asia - cf. remarks in Management's Report.

Diesel Generator Set crossing the Pointe Monnier Bridge, Rodrigues.

NOTES (IN DKK THOUSANDS)

Note 12. Adjustments

	The Group 2003	2002
Amortization/depreciation	6,435	6,884
Changes in performance guarantee	-6,337	-2,237
Profit/loss on the sale of fixed assets	-45	-138
	53	4,509

Note 13. Changes in working capital

	2003	2002
Changes in inventories	-45	199
Changes in contract work in progress	-17,929	- 17,001
Changes in trade receivables	-311,199	28,346
Changes in receivables from Group enterprises and associates	22	293
Changes in other receivables	6,018	-897
Changes in prepayments and deferred income	2,611	- 2,738
Changes in trade payables	77,901	14,612
Changes in payables to Group enterprises	74,831	- 2,211
Changes in other payables	19,090	4,758
	-148,700	25,361

Asia Power Station, Sri Lanka.

Congratulations

to

ASIA POWER STATION

BWSC is fully aware of the great efforts that the staff of Asia Power Station are putting into developing and maintaining the highest safety standards and procedures. It is therefore with great pride that BWSC has learnt that the Power Station has been honored with not one, but two, National Safety Awards.

By any standards this is an outstanding achievement. We want to pay tribute to the entire staff of Asia Power who has worked so competently and determinedly to ensure that the Station is also a safe workplace, and therefore has been awarded the safest workplace in the 'Engineering Services' sector of Sri Lanka, and the third safest workplace of all small companies in the whole of the island by the Sri Lankan National Safety Authority.

Thank you and good luck with a safe continuation.

Sigurd Andersen
Managing Director

Soren Barkholt
Executive Director

Burmeister & Wain Scandinavian Contractor A/S

BWSC

Two National Safety Awards to the staff of the Asia Power Station in Sri Lanka.

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