ANNUAL REPORT 2004

ENERGY FOR GROWTH

BWSC

Burmeister & Wain Scandinavian Contractor A/S

CONTENTS

Asia Power Station, Entrance, Sri Lanka.

COMPANY INFORMATION

Burmeister & Wain
Scandinavian Contractor A/S
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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
Sigurd Andersen
Lars Holmblad
Leif Juul Jørgensen
Willy S. Henriksen *)
John Berthin Jensen *)
Lars Ellegaard *)

*) Elected by employees

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

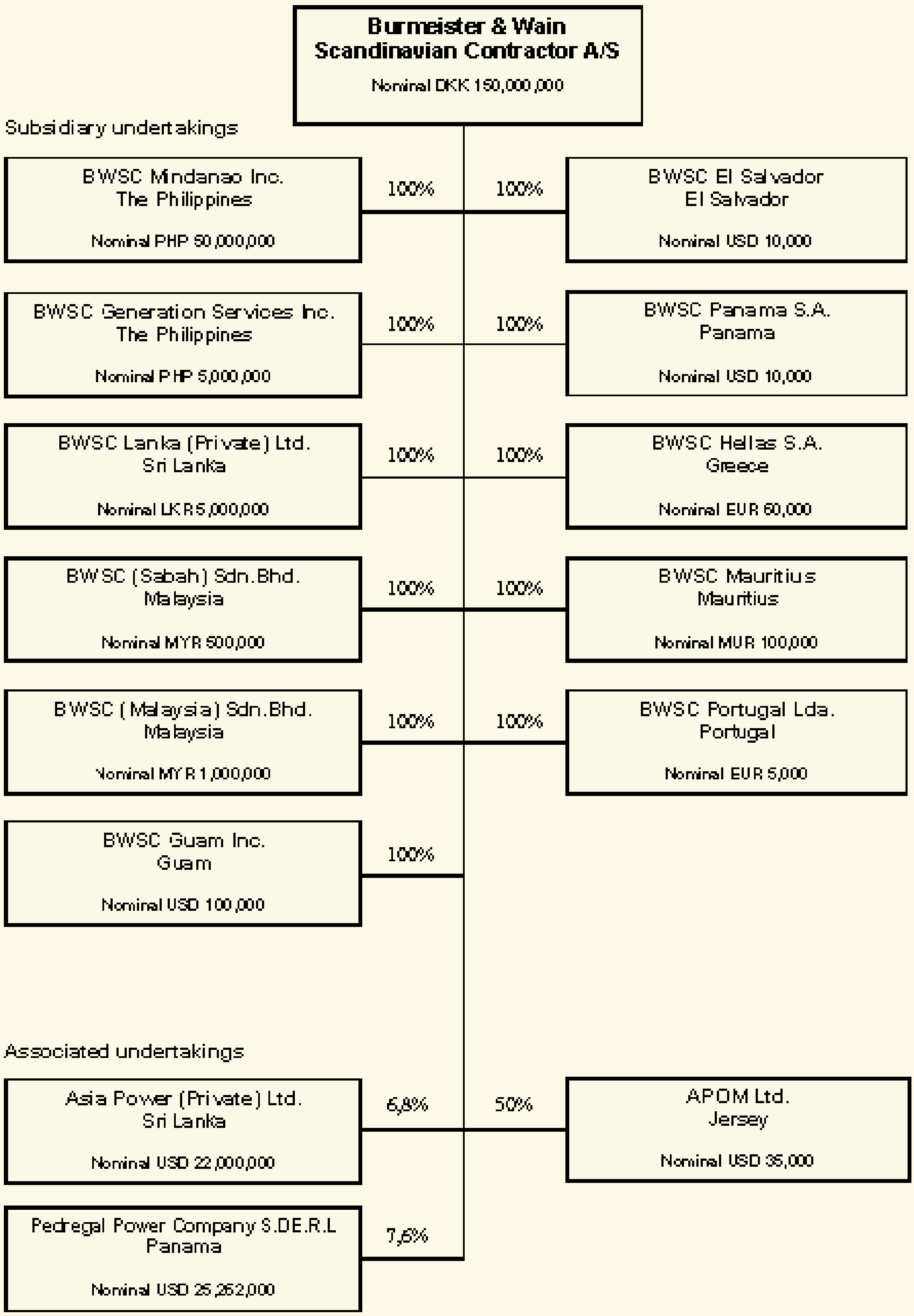
Shareholders holding more than 5% of the share capital or the voting rights:
MESCO Denmark A/S, which is owned by Mitsui Engineering & Shipbuilding Company Ltd., Japan

Auditors:
KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Bankers:
Danske Bank A/S

Front page: Atherinolakkos 102 MW Diesel Power Station under construction, Crete, Greece, November 2004.

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 El Salvador
El Salvador
Nominal USD 10,000
BWSC Generation Services Inc.
The Philippines
Nominal PHP 5,000,000
100%
100%
BWSC Panama S.A.
Panama
Nominal USD 10,000
BWSC Lanka (Private) Ltd.
Sri Lanka
Nominal LKR 5,000,000
100%
100%
BWSC Hellas S.A.
Greece
Nominal EUR 60,000
BWSC (Sabah) Sdn.Bhd.
Malaysia
Nominal MYR 500,000
100%
100%
BWSC Mauritius
Mauritius
Nominal MUR 100,000
BWSC (Malaysia) Sdn.Bhd.
Malaysia
Nominal MYR 1,000,000
100%
100%
BWSC Portugal Lda.
Portugal
Nominal EUR 5,000
BWSC Guam Inc.
Guam
Nominal USD 100,000
100%
Associated undertakings
Asia Power (Private) Ltd.
Sri Lanka
Nominal USD 22,000,000
6,8%
50%
APOM Ltd.
Jersey
Nominal USD 35,000
Pedregal Power Company S.DE.R.L
Panama
Nominal USD 25,252,000
7,6%

FINANCIAL HIGHLIGHTS (GROUP)

KEY FIGURES	2004 EUR	2004 DKK	2003 DKK	2002 DKK	2001 DKK	2000 DKK
Income Statement (in millions):						
Net turnover	118	880	993	703	527	801
Gross profit	20	151	136	166	156	121
Operating profit	7	50	51	66	43	27
Net financials	-	-1	-6	4	9	6
Profit before tax	7	51	47	73	57	36
Profit for the year	5	35	34	51	41	26
Balance Sheet (in millions):						
Total assets	82	611	670	523	483	448
Cash, cash equivalents and securities	47	347	140	326	281	269
Equity	36	265	250	227	181	143
Interest-bearing debts	7	53	0	23	25	26
Cash Flows (in millions):						
From operating activities	26	192	-133	62	25	64
From investing activities	-3	-23	-27	-12	-12	-6
From financing activities	5	38	-26	-5	0	-4
Employees (Number):						
Average number of full-time employees		491	479	449	457	427
Of which employed by the Parent Company		247	252	259	265	255
FINANCIAL RATIOS		%	%	%	%	%
Gross margin		17	14	24	30	15
Profit margin		6	5	9	8	3
Return on investments		8	7	13	11	7
Solidity		43	37	43	37	32
Return on equity		13	14	25	25	20

The ratios have been prepared in accordance with the “Recommendations and Guidelines 2005” issued by the Danish Society of Financial Analysts. For definitions, see under Accounting Policies, Section 1. Comparative figures have not been restated according to the change in accounting policies for the years 2000 and 2001.

MANAGEMENT'S 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. The accounting policies are consistent with those of last year.

Financial Result

Compared to last year, BWSC's net-turnover decreased by 11% in 2004 from DKK 993 million to DKK 880 million divided upon power plant enterprises totalling DKK 596 million and contracts for operation, service and maintenance, totalling DKK 283 million. The decrease in turnover, totalling DKK 113 million, was equally divided upon power plant enterprises and contracts for operation, service and maintenance. The entire turnover derives from export.

In spite of the decrease in turnover, the gross profit increased by DKK 15 million to DKK 151 million compared to the year 2003, while the operating profit amounted to DKK 50 million and the result after tax to DKK 35 million. This year again, the result is better than budgeted and is considered satisfactory.

The result before tax was DKK 51 million, the profit ratio was 5.6%, and the return on equity yielded 13.4%, which again this year was better than average for the industry.

Activities in 2004

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 power purchase and fuel supply agreements, financing, insurance, leases, a.o.
- Analyses and feasibility studies for acquisitions of energy companies in connection with privatization and/or power plant extensions.
- 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 2004, 68% of the turnover came from the construction of power plants and 32% from operation, service and maintenance contracts in the Bahamas, Barbados and Guam, and from operations in the Philippines, Malaysia, Sri Lanka, and Panama.

From a geographical viewpoint, 33% of the turnover came from countries in South and Central America, 17% from South East Asia, 9% from Africa and the Middle East, and 41% from Europe.

Contracts and Orders in Hand

During 2004, the Group entered into contracts worth DKK 623 million. BWSC won contracts for delivery of new power plants in Libya and on the Azores, and for delivery of complete turnkey power plants in Mauritius and on Grand Bahama.

Furthermore, BWSC entered into major service and rehabilitation contracts for existing power plants – among others in the Bahamas and Senegal.

At the year-end, the volume of orders totaled DKK 1,404 million, which is a decrease of DKK 131 million compared to the previous year, but still on a satisfactory level.

Capital Structure

BWSC's capital structure is unchanged compared to 2003, as the share capital at 31 December 2004 totaled DKK 150 million.

BWSC's ultimate Japanese parent company Mitsui Engineering & Shipbuilding Company Ltd. (MES) owns the total share capital through its Danish subsidiary MESCO Denmark A/S.

Engine Hall, Pointe Monnier Power Station, Rodrigues, Mauritius.

Capital Resources
In 2004, the cash funds and securities of the Group increased by DKK 207 million to DKK 347 million. This is mainly owing to a considerable decrease in sales receivables of DKK 279 million, and the raising of a mortgage loan of DKK 55 million, financing the completed building extension of the main offices in Allerød. At the end of 2004, the receivables of the Group amounted to DKK 142 million.

The major part of the cash funds and securities of the Group has been invested in short-term deposits and in bonds with a term to maturity of less than 6 years.

The cash fund reserves of the Group are still considered good.

In 2004, cash flows from operating activities amounted to DKK 192 million, while cash flows from investment activities amounted to DKK –23 million, which mainly consisted of building extension costs.

Cash flows from financing activities amounted to DKK 38 million and are coming from raising a mortgage loan of DKK 55 million in connection with the building extension in Allerød, and payment of a DKK 15 million dividend payment and loan repayment.

Events after Balance Sheet Date
After the close of the financial year, the Company has entered into a contract for delivery of a power plant in the Sudan worth approx. DKK 245 million. The major part of the order is expected completed during 2005.

No 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 strong international competition is still placing an increasing call for flexibility and competence of the employees, and it is of essential importance to BWSC that its core competencies are identified and developed. In 2004, the focus of Human Resource efforts has therefore been to attract and keep qualified employees and to further develop interdisciplinary cooperation and efficiency.

In 2004, the average number of full-time employees in the Group was 491, which is an increase of 12 employees compared to 2003. 247 persons were employed by the Parent Company, compared to 252 in 2003, while 244 persons were employed by subsidiary undertakings, compared to 227 in 2003. Thus the growth in the number of employees took place abroad.

33% of the employees in the Parent Company, having an average age of approx. 44 years, have worked with BWSC for more than 10 years. 48% of the employees of the Parent Company have a 3-4 year higher education, and 11% of the employees hold a master's degree or higher. 81 employees are engineers and 38 are marine engineers. Sickness absence in 2004 fell to 1.6% of the standard time, and the rate of employee turnover was 11%.

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 irregular order-intake for power plants.

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. As regards project supplies, the hedging of the net cash flow of each project is covered per currency. The Company regards the EUR as a stable currency against DKK, for which reason EUR net positions are not hedged, cf. note 9 of the Annual Report.

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

BWSC has a long experience of conducting business in markets inside as well as outside Europe, in both developing and developed countries – and usually of small geographical size, including island societies.

In connection with the activities in Portugal, the local tax authorities have not approved BWSC's tax return for the Portuguese activities in 1997 and 2000. According to BWSC's calculations, the claims will not lead to additional tax to be paid in Portugal, and thus no further provisions have been made.

Likewise, the local tax authorities in the Philippines have made a claim for payment of additional tax of BWSC's local activities, besides what already has been taxed and paid for. The claims have been rejected. BWSC has made a provision to cover legal and audit fees for the Portuguese as well as Philippine cases.

The in-depth experience of the Group and its employees with engineering, construction and servicing of power plants in the export markets 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 developing and investing in power plant companies and IPP companies as well, also in connection with privatization and/or power plant extensions. This includes all commercial and legal agreements together with power purchase and fuel supply 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, industry, and society.

BWSC has delivered Combined Heat and Power and Biogas Plants in Europe and Japan and stays constantly informed on the market possibilities and technology development within renewable energy and small waste incineration plants.

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's company activities include the manufacture of industrial plants, ships, diesel engines, gas turbine and boiler production. Group activities also include road making, bridge building, and tunnel construction, a.o.

As per 31 March 2004, BWSC's Parent Company MES has a turnover corresponding to approximately USD 2,700 million and employs approximately 3,900 persons, and today holds a position as MAN B&W senior licensee. The MES-Group has a turnover of approximately USD 4,600 million and employs approximately 10,700 persons.

Closing Remarks
Based on BWSC's satisfactory level of orders in hand of 1,404 million, of which operation contracts are still substantial, and including new obtained and worked up order possibilities for new projects, an increased level of activity and a satisfactory result are expected for the fiscal year 2005.

The Board of Directors and the Executive Management 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.

MANAGEMENT'S STATEMENT

The Board of Directors and Executive Management have today presented and adopted the Annual Report of Burmeister & Wain Scandinavian Contractor A/S for the financial year ended 31 December 2004.

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

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 2004.

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

Allerød, 28 February 2005

Executive Management

Sigurd Andersen Managing Director	Søren Barkholt Executive Director

Board of Directors

Torkil Bentzen (Chairman)	Katsuhisa Ohno (Deputy Chairman)	
Sigurd Andersen	Leif Juul Jørgensen	Lars Holmblad
Willy S. Henriksen*)	John Berthin Jensen*)	Lars Ellegaard*)

The Annual Report is adopted at the Annual General Meeting of shareholders on 28 February 2005.

Chairman

*) Elected by employees

Pointe Monnier Power Station under construction, Rodrigues, Mauritius.

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 2004. The Annual Report is presented in accordance with the Danish Financial Statements Act.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Management. 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 Board of Directors and Executive Management, 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 2004 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, 28 February 2005

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Jesper Koefoed
State Authorized Public Accountant

Lars Rhod Søndergaard
State Authorized Public Accountant

Inauguration Ceremony, December 2004, Pointe Monnier Power Station, Rodrigues, Mauritius.

PROFIT AND LOSS ACCOUNT (IN DKK THOUSANDS)

Parent Company				The Group	
2003	2004	Note		2004	2003
955,393	809,248	1	Net turnover	879,865	993,114
-831,177	-683,774		Costs of production	-728,404	-856,646
124,216	**125,474**		**Gross profit**	**151,461**	**136,468**
-20,721	-30,133		Sales costs	-30,133	-20,774
-58,328	-65,695		Administrative expenses	-71,685	-64,631
45,167	**29,646**		**Operating profit/loss**	**49,643**	**51,063**
1,606	11,594	4	Profit on investments in subsidiary undertakings	0	0
1,833	2,937	4	Profit on investments in associated undertakings	2,937	1,833
48,606	**44,177**		**Profit before non-operating items**	**52,580**	**52,896**
5,614	6,308		Financial income	6,694	5,927
-9,162	-6,304		Financial costs	-8,064	-11,862
45,058	**44,181**		**Profit before tax**	**51,210**	**46,961**
-11,440	-9,588	2	Tax on profit on ordinary activities	-16,617	-13,343
33,618	**34,593**		**PROFIT FOR THE YEAR**	**34,593**	**33,618**

It is recommended that the profit for the year, DKK 34,593 thousand, is appropriated as follows:

	Parent Company	Group
Dividend	25,000	25,000
Transferred to net revaluation reserves	13,913	2,109
Retained profit	-4,320	7,484
	34,593	34,593

Pointe Monnier Power Station, Rodrigues, Mauritius.

BALANCE SHEET

ASSETS (IN DKK THOUSANDS)

Parent Company 2003	Parent Company 2004	Note		The Group 2004	The Group 2003
67,573	88,026		Land and buildings	88,026	67,573
6,075	4,607		Fixtures and fittings, tools and equipment	5,972	7,686
73,648	**92,633**	3	**Tangible fixed assets**	**93,998**	**75,259**
9,242	20,902		Investments in subsidiary undertakings	0	0
24,516	23,349		Investments in associated undertakings	23,349	24,516
1,822	2,480		Other securities	2,480	1,822
35,580	**46,731**	4	**Financial fixed assets**	**25,829**	**26,338**
109,228	**139,364**		**Total fixed assets**	**119,827**	**101,597**
0	**0**		**Inventories**	**1,960**	**1,658**
350,736	73,915		Trade debtors	77,989	356,979
24,966	13,512	5	Contract work in progress	13,512	26,689
10,611	7,936		Amounts owed by subsidiary undertakings	0	0
1,511	1,292		Amounts owed by associated undertakings	1,292	1,511
9,982	7,328		Receivable corporate tax	7,328	9,982
16,761	24,075		Other debtors	29,979	22,210
8,212	10,517		Prepayments	12,144	9,073
422,779	**138,575**		**Debtors**	**142,244**	**426,444**
0	**35,809**		**Securities**	**35,809**	**0**
132,874	**285,952**		**Cash and cash equivalents**	**311,574**	**140,062**
555,653	**460,336**		**Total current assets**	**491,587**	**568,164**
664,881	**599,700**		**TOTAL ASSETS**	**611,414**	**669,761**

Unloading of engine for Pembroke Power Station, Bermuda.

BALANCE SHEET

EQUITY AND LIABILITIES (IN DKK THOUSANDS)

Parent Company				*The Group*	
2003	2004	Note		2004	2003
150,000	150,000		Share capital	150,000	150,000
0	11,804		Net revaluation reserve acc. to the equity method	0	0
3,527	1,763		Reserve for financial instruments	1,736	3,527
81,015	76,695		Retained earnings	88,499	81,015
15,000	25,000		Proposed dividend	25,000	15,000
249,542	**265,262**		**Equity**	**265,262**	**249,542**
19,299	28,588	6	Deferred tax	28,253	19,035
8,551	11,532		Warranty provisions	11,532	8,551
17,248	**20,111**	7	Other Provisions	**20,111**	**17,248**
45,098	60,231		**Provisions**	**59,896**	**44,834**
0	51,107	8	Mortgage debt	51,107	0
0	**51,107**		**Long-term liabilities**	51,107	**0**
0	2,233		Mortgage debt, maturing in 2005	2,233	0
91,273	81,701	5	Prepayments received from customers	81,701	91,909
114,108	49,879		Trade creditors	51,209	115,146
87,563	11,362		Amounts owed to related undertakings	10,894	86,386
0	0		Corporate tax	4,712	1,243
77,297	77,925	9	Other creditors	84,400	80,701
370,241	**223,100**		**Current liabilities**	**235,149**	**375,385**
370,241	**274,207**		**Total long-term and current liabilities**	**286,256**	**375,385**
664,881	**599,700**		**TOTAL EQUITY AND LIABILITIES**	**611,414**	**669,761**

Pembroke Power Station, Bermuda.

EQUITY STATEMENT

Parent Company

The share capital is divided into 150 shares of DKK 1 million each. In 2003, the share capital was increased by DKK 130 million to a total of DKK 150 million.

	Share capital	Net revaluation reserve	Financial instruments	Retained earnings	Dividend proposed	Total
Balance at 1 January 2004	150,000	0	3,527	81,015	15,000	249,542
Dividends paid	0	0	0	0	-15,000	-15,000
Profit for the year	0	13,913	0	20,680	0	34,593
Proposed dividend for 2004	0	0	0	-25,000	25,000	0
Changes in financial instruments	0	0	-2,522	0	0	-2,522
Tax on changes in equity	0	0	758	0	0	758
Currency retranslation adjustment of opening net assets and currency translation of the accounts of associated undertakings	0	-2,109	0	0	0	-2,109
Equity at 31 December 2004	**150,000**	**11,804**	**1,763**	**76,695**	**25,000**	**265,262**

The Group

	Share capital	Net revaluation reserve	Financial instruments	Retained earnings	Dividend proposed	Total
Balance at 1 January 2004	150,000	0	3,527	81,015	15,000	249,542
Dividends paid	0	0	0	0	-15,000	-15,000
Net profit for the year	0	2,109	0	32,484	0	34,593
Proposed dividend for 2004	0	0	0	-25,000	25,000	0
Changes in financial instruments	0	0	-2,522	0	0	-2,522
Tax on changes in equity	0	0	758	0	0	758
Currency retranslation adjustment of opening net assets and currency translation of the accounts of associated undertakings	0	-2,109	0	0	0	-2,109
Equity at 31 December 2004	**150,000**	**0**	**1,763**	**88,499**	**25,000**	**265,262**

CASH FLOW STATEMENT (IN DKK THOUSANDS)

The Group	Note	2004	2003
Operating profit		49,643	51,063
Adjustments	15	11,724	53
Changes in working capital	16	134,406	-148,700
Cash flows from operating activities before net financials		195,773	-97,584
Interest received and similar income		5,167	7,622
Interest paid		-8,064	-11,862
Cash flows from ordinary activities		192,876	-101,824
Income taxes paid		-613	-30,914
Cash flows from operating activities		**192,263**	**-132,738**
Additions of new building, fixtures and fittings, tools and equipment		-25,286	-28,592
Disposals of fixtures and fittings, tools and equipment		667	102
Dividends received from associates		1,787	1,695
Payment of subordinate loan capital		-674	-477
Additions of securities		224	0
Cash flows from investing activities		**-23,282**	**-27,272**
Incurrence of mortgage debt		55,000	0
Proceeds from long-term borrowing		-1,660	-22,917
Change in equity		0	130,000
Dividends distributed		-15,000	-133,000
Cash flows from financing activities		**38,340**	**-25,917**
Changes in cash and cash equivalents		207,321	-185,927
Cash and cash equivalents at beginning of year		140,062	325,989
Cash and cash equivalents at year-end		**347,383**	**140,062**

The cash flow statement cannot directly be derived from the Profit and Loss and Balance Sheets.

Roof Wetting Ceremony, November 2004,
Pembroke Power Station, Bermuda

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 are consistent with those of last year.

The principles for classification of provisions for liabilities and other debts in the Balance Sheet, and the principles for classification of foreign exchange adjustments in the Profit and Loss Account have been adjusted for the year 2004. The comparative figures for the year 2003 have also been adjusted.

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 is 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.

Loading of engine for Belo Jardim Power Station, Terceira, the Azores, Portugal.

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
35,610	85,890	Cost at 1 January 2004	39,467	85,890
1,962	22,895	Additions in the year	2,391	22,895
-1,512	0	Disposals in the year	-2,274	0
36,060	108,785	Cost at 31 December 2004	39,584	108,785
29,535	18,317	Depreciation at 1 January 2004	31,781	18,317
3,017	2,442	Depreciation in the year	3,629	2,442
-1,099	0	Depreciation of disposals	-1,798	0
31,453	20,759	Depreciation at 31 December 2004	33,612	20,759
4,607	**88,026**	**Book value at 31 December 2004**	**5,972**	**88,026**
6,075	*67,573*	*Book value at 31 December 2003*	*7,686*	*67,573*

Depreciation in the year is included in:

Parent Company			*The Group*	
2003	**2004**		**2004**	**2003**
812	848	Production costs	1,191	1,277
40	112	Sales costs	112	40
4,838	4,499	Administrative expenses	4,768	5,118
5,690	5,459		6,071	6,435

According to the public assessment at 1 October 2004, the Group's property was stated at DKK 50 million, of which the land value totals DKK 6.6 million.

Engine Hall, Belo Jardim Power Station, Terceira, the Azores, Portugal.

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 10,800 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 affiliated 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 revaluation of investments in subsidiary and associated undertakings 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 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' comprise listed bonds 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, 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 2005.

Analysis of the ratios included in the below financial high-lights:

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

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

Transport of engine for Belo Jardim Power Station, Terceira, the Azores, Portugal

NOTES (IN DKK THOUSANDS)

Note 1. Net turnover

Parent Company			The Group	
2003	2004		2004	2003
649,503	599,918	Final invoicing	700,875	673,535
305,890	209,330	Changes in contract work in progress	178,990	319,579
955,393	809,248		879,865	993,114

Note 2. Taxes

Parent Company			The Group	
21,690	1,020	Income tax payable	8,120	23,741
-11,313	10,047	Deferred tax	9,976	-11,474
1,063	-1,479	Adjustment of income tax concerning previous years	-1,479	1,076
11,440	9,588		16,617	13,343

View from Belo Jardim Power Station, Terceira, the Azores, Portugal.

NOTES (IN DKK THOUSANDS)

Note 4. Financial fixed assets

Parent Company: Investments Subsidiary undertakings	Parent Company: Investments Associated undertakings	Parent Company: Other securities		The Group: Investments Associated undertakings	The Group: Other securities
5,853	26,323	1,837	Costs at 1 January 2004	26,323	1,837
503	0	674	Additions in the year	0	674
0	-232	-16	Disposals in the year	-232	-16
6,356	26,091	2,495	Costs at 31 December 2004	26,091	2,495
3,389	-1,807	-15	Revaluations/write-downs at 1 January 2004	-1,807	-15
11,594	2,937	0	Profit share in 2004	2,937	0
0	-2,109	0	Currency retranslation adjustments in 2004	-2,109	0
-345	-1,787	0	Distribution of dividend to Parent Company	-1,787	0
-92	24	0	Transferred to receivables/payables	24	0
14,546	-2,742	-15	Revaluations/write-downs at 31 December 2004	-2,742	-15
20,902	**23,349**	**2,480**	**Book value at 31 December 2004**	**23,349**	**2,480**
9,242	*24,516*	*1,822*	*Book value at 31 December 2003*	*24,516*	*1,822*

Note 5. Work in progress

Parent Company 2003	Parent Company 2004		The Group 2004	The Group 2003
719,373	928,703	Market value of production in progress	977,594	798,604
-785,680	-996,892	Invoiced on account	-1,045,783	-863,824
-66,307	-68,189	Contract work in progress, net	-68,189	-65,220
		Classified as follows:		
24,966	13,512	Receivables	13,512	26,689
-91,273	-81,701	Prepayments received from customers	-81,701	-91,909
-66,307	-68,189		-68,189	-65,220

NOTES (IN DKK THOUSANDS)

Note 6. Deferred tax

Parent Company			*The Group*	
2003	**2004**		**2004**	**2003**
29,101	19,299	Deferred tax at 1 January 2004	19,035	28,998
-11,313	10,047	Deferred tax	9,976	-11,474
1,511	-758	Tax on changes in equity	-750	1,511
19,299	28,588		28,253	19,035
		Deferred tax can be specified as follows:		
3,625	4,555	Tangible fixed assets	4,555	3,625
30,878	32,141	Contract work in progress a. o.	32,141	30,878
-499	-2,381	Current assets	-2,716	-763
-14,711	-6,435	Provisions	-6,435	-14,711
-1,505	-1,294	Liabilities other than provisions	-1,294	-1,505
1,511	2,002	Financial instruments concerning future cash flow	2,002	1,511
19,299	28,588		28,253	19,035

Note 7. Other provisions
Provisions made for debts are estimated remaining liabilities in connection with finalized contracts, other than provisions.

Note 8. Mortgage debt
Long-term debts maturing after 5 years from the end of the fiscal year amount to DKK 41.6 million.

Transport of engine for ACC, Port Sudan, the Sudan.

Note 9. Other creditors

Parent Company			The Group	
2003	2004		2004	2003
14,405	14,730	Due holiday pay	14,730	14,405
1,712	4,353	Forward contracts concerning future cash flows	4,353	1,712
37,587	24,197	Residual cost, completed projects	24,197	37,587
23,593	34,645	Other accrued expenses, etc.	41,120	26,997
77,297	77,925		84,400	80,701

Note 10. Audit fee

1,072	-	Total fee, Ernst & Young	-	1,684
130	681	Total fee, KPMG	743	130
1,202	681		743	1,814
		Fees, other services than audit		
647	-	Ernst & Young	-	1,148
55	246	Fees, other services than audit	308	55
702	246	KPMG	308	1,203

Ground Breaking Event, October 2004, Grand Bahama, the Bahamas.

NOTES

Note 11. Staff
Analysis of staff costs:

Parent Company			*The Group*	
2003	**2004**		**2004**	**2003**
132,285	136,473	Wages and salaries	155,068	148,300
463	507	Social security cost	2,886	2,936
132,748	136,980		157,954	151,236
		Including remuneration for:		
4,679	4,870	Executive Management of Parent Company	4,870	4,679
831	630	Board of Directors of Parent Company	630	831
5,510	5,500		5,500	5,510
252	247	Average number of employees	491	479

Note 12. Financial instruments

It is company policy to account for a net cash flow hedge per currency of individual projects, primarily through forward contracting. The net cash flow per currency is made up as the difference between the total foreign exchange earnings and the foreign exchange losses during the life of a project.

Open foreign exchange transactions and options as of 31 December 2004:

	Principal amount in DKK '000			
	Sold	**Bought**	**Net market value**	**Maturity**
USD	84,187	17,564	7,671	0-12 months
JPY	21,584	0	1,446	0-12 months

The Company has made interest swaps to hedge payment of interest on a mortgage loan with variable interest. The principal of the loan is DKK 55 milion with a maturity of 20 years. The market value of the interest swaps as per 31 December 2004, amounted to DKK -4.2 million which has been accounted for on the equity.

Atherinolakkos Power Station under construction, Crete, Greece, January 2004.

Note 13. 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 has 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, Affiliated 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 14. Contingency liabilities, security for loans, etc.

Guarantees totalling DKK 230 million have been provided for ongoing and completed projects, including DKK 86 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.

In connection with a contract for a power plant project in Portugal, the Company has received a demand for payment of local tax, and on behalf of a Consortium, the Company has also received a demand for payment of local tax in connection with a maintenance contract in Asia - cf. remarks in Management's report.

Asia Power Station, Sri Lanka.

NOTES (IN DKK THOUSANDS)

Note 15. Adjustments	The Group	
	2004	**2003**
Amortization/depreciation	6,071	6,435
Changes in performance guarantee	5,844	-6,337
Profit/loss on the sale of fixed assets	-191	-45
	11,724	53

Note 16. Changes in working capital		
Changes in inventories	-302	-45
Changes in contract work in progress	2,969	- 17,929
Changes in trade receivables	278,990	-311,199
Changes in receivables from group enterprises and associates	219	22
Changes in other receivables	-8,669	6,018
Changes in prepayments and deferred income	-3,071	2,611
Changes in trade payables	-63,937	77,901
Changes in payables to group enterprises	-75,492	74,831
Changes in other payables	3,699	19,090
	134,406	-148,700

View down from top of stack, Asia Power Station, Sri Lanka.

View from top of stack, Asia Power Station, Sri Lanka.

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