Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Phone 89 41 41 41
Fax 89 41 42 43
www.deloitte.dk

KK WIND SOLUTIONS A/S
Bøgildvej 3
7430 Ikast
Business Registration No
25746716

Annual report 2018

The Annual General Meeting adopted the annual report on 04.04.2019

Chairman of the General Meeting

Name: Allan Gabriel Zandberg

Contents

	Page
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	11
Balance sheet at 31.12.2018	12
Statement of changes in equity for 2018	14
Notes	15
Accounting policies	21

Entity details

Entity

KK WIND SOLUTIONS A/S
Bøgildvej 3
7430 Ikast

Central Business Registration No (CVR): 25746716
Registered in: Ikast-Brande
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Søren Bæk Just, chairman
Dorrit Zenner Torp
Chlinton Arendahl Nielsen
Jacob Steffensen
Thomas Rosenkrands Olsen

Executive Board

Chlinton Arendahl Nielsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of KK WIND SOLUTIONS A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ikast, 04.04.2019

Executive Board

Chlinton Arendahl Nielsen
CEO

Board of Directors

Søren Bæk Just
chairman

Dorrit Zenner Torp

Chlinton Arendahl Nielsen

Jacob Steffensen

Thomas Rosenkrands Olsen

Independent auditor's report

To the shareholders of KK WIND SOLUTIONS A/S

Opinion

We have audited the financial statements of KK WIND SOLUTIONS A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 04.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Jacob Tækker Nørgaard
State Authorised Public Accountant
Identification No (MNE) mne40049

Management commentary

	2018 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights				
Key figures				
Revenue	1.528.972	1.816.433	1.409.433	1.123.563
Gross profit/loss	194.471	238.949	218.526	207.694
Operating profit/loss	148.098	160.833	170.619	156.314
Net financials	(8.932)	(1.059)	(692)	24.771
Profit/loss for the year	106.516	124.544	132.365	148.796
Total assets	777.603	597.924	605.094	418.690
Investments in property, plant and equipment	4.158	11.113	0	0
Equity	200.897	159.447	194.487	2.974
Ratios				
Gross margin (%)	12,7	13,2	15,5	18,5
Net margin (%)	7,0	6,9	9,4	13,2
Return on equity (%)	59,1	70,4	134,1	5.003,2
Equity ratio (%)	25,8	26,7	32,1	0,7

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Figures for 2016/17 covers 15 months hence are not comparable.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

KK Wind Solutions A/S is a market leading manufacturer and developer of systems and technology for on- and offshore wind turbines including supply chain and manufacturing solutions.

The activities are driven from the headquarters in Ikast, Denmark as well from the main sites in Szczecin, Poland, Bangalore, India. The activities are supported by sales representation in all main markets.

Development in activities and finances

KK Wind Solutions A/S realized in 2018 a result before tax of DKK 139,166k compared to DKK 159,774k in 2016/17.

KK Group's strategy towards 2025 was approved in April 2018 and the year has been spent on rooting and implementing the new strategy in the organization. The strategy goals in 2025 is diversification of customers, creating and selling advanced technology solutions and securing world class electro-mechanical system supply solutions in the supply chain with superior competitiveness, quality and safety.

During 2018, a number of activities related to the first phase of the strategy called Best Shape have been launched to secure the competitive advantage needed 3 years from now. Among others, during 2018, KK Wind Solutions A/S structurally changed its organizational footprint as well as increased the activity level in our Indian facility and continued the efforts within industry 4.0, robots and digitalization of the entire company. Furthermore, a range of new technologies were developed within new converter systems and controls, algorithms, electrical pitch, uninterruptable power supplies and storage, which brings KK Wind Solutions on the forefront of newest wind turbine technologies.

Outlook

Despite the continued price pressure in the entire value chain of the Wind industry, the company expects a significant growth in 2019. The positive expectations is built on the strong results of KK Group's Best Shape program, where the increased competitiveness has generated many new customers and orders. Furthermore, there is a high growth in installations of wind turbines combined with an increasing number of wind turbine OEMs that wish to outsource more activities to system suppliers, such as KK Wind Solutions, to capture the gains from stronger competitiveness on price and to further lower the LCOE of the wind turbines.

KK Wind Solutions A/S also anticipates that the ongoing need to reduce LCOE will drive further consolidation of OEM's and sub-suppliers, providing further opportunities that KK Wind Solutions A/S is actively pursuing.

As a result, KK Wind Solutions A/S forecast a double-digit growth of turnover in 2019, further solidifying KK Group as a leader within advanced wind turbine systems.

Particular risks

KK Wind Solutions A/S have during 2018 continued to increase the customer base and product portfolio and hereby reduced the dependency on single customers.

Besides the above, KK Wind Solutions A/S has no specific risks besides what is common to the industry.

Management commentary

Intellectual capital resources

KK Wind Solutions A/S works with development, production and maintenance of advanced and reliable systems for wind turbines. This generates high demands for knowledge resources and innovation within our domain. The group works dedicated on attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and advanced electro-mechanical solutions. KK Wind Solutions A/S has defined key competency areas that are the lighthouses for training and development of our employees. It is also endeavored that employees are continuously trained via continued education and cooperation with universities, such that the latest knowledge is constantly present in the organization.

Staff

It is our goal to remain a company that encourages and supports the development of our employees and creates attractive jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meet the highest standards.

In 2018 we focused on:

• Aiming at achieving zero working accidents. Our short-term target was to have less than 4 accidents per 1 million work hours. Furthermore, we focused on increasing safety awareness and behavior by launching an internal global 'Safety First' campaign for all employees including: safety seminars, safety walk training, digital mobile solutions for safety registrations, safety principles and guidelines.

• Building a unique global leadership paradigm to improve the organization's ability to execute the growth strategy effectively. We strongly believe that by focusing even more on leadership, we will be able to tap on a significant pool of so far unutilized and hidden resources in our organization.

In 2019 we will focus on:

• Continuing our effort to embed a strong safety awareness mindset with focus on safety walks; corrective actions for any near-miss must be performed within one day. The target is less than 3 accidents per 1 million working hours in 2019.

Environmental performance

As part of the renewable energy industry, we aim at maximizing our positive impact on the environment, not only through the products and solutions we develop, but also through our actions aimed at managing the business in an ever more responsible manner.

In 2018 we focused on:

• Improving our products and operations across the product lifecycle and the supply chain.

• Minimizing waste and increased recycling. In 2018, we succeeded in recycling 81,8 % of our waste. Moreover, we have recycled and partially recycled 95.7% of our waste.

In 2019 we will focus on:

• Ensuring that 100% of our global electricity consumption will be covered by wind power or other renewable energy sources.

• Further reducing the environmental impact of the company's operations.

• Developing global supply chain solutions to support customers locally and globally in a more sustainable manner.

Management commentary

Statutory report on corporate social responsibility

KK Wind Solutions A/S is a dedicated wind company in the renewable energy industry – and as such sustainability is the core of our company.

With a strong company vision of 'Enable a Wind Powered Future', sustainability and dedication towards the UN Sustainable Development Goals is fundamental in the way we operate and govern our company.

Developing and manufacturing solutions for the wind industry, the most positive impact we have on sustainability is obtained through our own and our customers' solutions. Our core competencies, technology and solutions contribute to sustainable energy production, and together with the rest of the wind industry, we are continuously innovating to lower the cost of wind energy making it even more competitive compared to fossil fuels.

To further reduce the environmental impact of our operations, we are continuously assessing and improving the environmental impacts of our operations. We do this through a product lifetime approach to development, continuous waste reduction in our supply chain and innovative logistics solutions that are both better for the environment and for our customers.

We remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees, environment, anti-corruption and society in general. Below we have listed the four areas, our risk mitigation activities and results for 2018 and planned risk mitigation activities and focus areas for 2019.

Human rights

We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization's declaration on fundamental principles and rights at work.

In 2018 we focused on:

- Ensuring that all employees in our Indian facility and Global strategic sourcing signed our Code of Conduct.
- Implementing a sexual harassment policy in India and established a sexual harassment committee.
- Evaluating and revising our Code of Conduct.
- Suppliers in the medium or high risk categories were asked to sign our Code of Conduct or prove that they live up to the same high standards.
- New suppliers delivering components in the low to high risk category have signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments.

In 2019 we will focus on:

- Initiating a new global HR process to ensure that all employees understand and sign our Code of Conduct. Furthermore, we will have all suppliers to sign the Code of Conduct already during our quoting process to proactively ensure that all suppliers have understood and accepted the requirements before quoting on new opportunities within KK Wind Solutions.

Management commentary

Anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion, embezzlement or any illegal method to influence public officials, the judiciary or any other private parties. In 2018, we focused on securing that all employees understand the importance of following company ethical guidelines and on having zero corruption incidents. In 2019, we will focus on ensuring that all new contracts with agents, intermediaries and consultants includes a section on anti-corruption.

Statutory report on the underrepresented gender

KK Wind Solutions A/S want to be an inclusive workplace without discrimination. We hire new employees solely based our best evaluation of their competencies and experiences. Gender, belief, age, nationality, ethnicity or sexual orientation are not relevant criteria's when recruiting.

The female share on management levels from 1st line managers up to CXO level is by end 2018 on 10%. The target is to seek to improve the female share via internal promotions and when recruiting.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK'000	2016/17 DKK'000
Revenue	1	1.528.972	1.816.433
Production costs	3	(1.334.501)	(1.577.484)
Gross profit/loss		**194.471**	**238.949**
Distribution costs		(13.688)	(22.536)
Administrative expenses	2	(32.685)	(55.580)
Operating profit/loss		**148.098**	**160.833**
Other financial income	4	7.414	7.821
Impairment losses on financial assets		(9.015)	0
Other financial expenses		(7.331)	(8.880)
Profit/loss before tax		**139.166**	**159.774**
Tax on profit/loss for the year	5	(32.650)	(35.230)
Profit/loss for the year	6	**106.516**	**124.544**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Completed development projects		3.256	0
Development projects in progress		13.401	6.289
Intangible assets	7	**16.657**	**6.289**
Plant and machinery		1.871	3.278
Other fixtures and fittings, tools and equipment		10.912	12.835
Leasehold improvements		218	139
Property, plant and equipment	8	**13.001**	**16.252**
Investments in group enterprises		160	9.175
Receivables from group enterprises		12.877	16.475
Deposits		2.451	2.392
Fixed asset investments	9	**15.488**	**28.042**
Fixed assets		**45.146**	**50.583**
Raw materials and consumables		103.494	99.762
Work in progress		34.479	33.887
Manufactured goods and goods for resale		19.880	28.060
Inventories		**157.853**	**161.709**
Trade receivables		283.842	213.340
Contract work in progress	10	4.292	4.588
Receivables from group enterprises		171.938	56.559
Deferred tax	11	157	3.101
Other receivables		35.264	9.970
Prepayments	12	4.817	4.268
Receivables		**500.310**	**291.826**
Cash		**74.294**	**93.806**
Current assets		**732.457**	**547.341**
Assets		**777.603**	**597.924**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Contributed capital		5.000	5.000
Reserve for development expenditure		12.991	4.905
Retained earnings		48.406	84.542
Proposed dividend		134.500	65.000
Equity		**200.897**	**159.447**
Other provisions	13	27.574	30.724
Provisions		**27.574**	**30.724**
Finance lease liabilities		2.855	681
Non-current liabilities other than provisions	14	**2.855**	**681**
Current portion of long-term liabilities other than provisions	14	1.080	3.588
Bank loans		50.097	19.114
Contract work in progress	10	4.839	2.214
Trade payables		344.768	249.202
Payables to group enterprises		65.215	97.378
Income tax payable		29.792	0
Other payables		50.486	35.576
Current liabilities other than provisions		**546.277**	**407.072**
Liabilities other than provisions		**549.132**	**407.753**
Equity and liabilities		**777.603**	**597.924**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Group relations	19		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	5.000	4.905	84.542	65.000
Ordinary dividend paid	0	0	0	(65.000)
Fair value adjustments of hedging instruments	0	0	(66)	0
Transfer to reserves	0	8.086	(8.086)	0
Profit/loss for the year	0	0	(27.984)	134.500
Equity end of year	**5.000**	**12.991**	**48.406**	**134.500**

	Total DKK'000
Equity beginning of year	159.447
Ordinary dividend paid	(65.000)
Fair value adjustments of hedging instruments	(66)
Transfer to reserves	0
Profit/loss for the year	106.516
Equity end of year	**200.897**

Notes

	2018 DKK'000	2016/17 DKK'000
1. Revenue		
Asia	140.495	109.793
Europe	1.307.871	1.485.268
North America	80.606	221.372
	1.528.972	**1.816.433**

2. Fees to the auditor appointed by the Annual General Meeting

According to section 96 (3) of the Danish Financial Statement Act, information on Audit fees has been ommitted.

	2018 DKK'000	2016/17 DKK'000
3. Staff costs		
Wages and salaries	94.856	133.659
Pension costs	6.588	9.428
Other social security costs	1.347	2.247
Other staff costs	2.815	2.807
	105.606	**148.141**
Average number of employees	**159**	**183**

According to section 98B (3) of the Danish Financial Staement Act, information on salaries to the management has been ommitted.

	2018 DKK'000	2016/17 DKK'000
4. Other financial income		
Financial income arising from group enterprises	2.325	1.629
Other interest income	20	25
Exchange rate adjustments	5.069	6.167
	7.414	**7.821**

	2018 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Current tax	29.706	36.062
Change in deferred tax	2.944	(832)
	32.650	**35.230**

Notes

	2018 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	134.500	65.000
Extraordinary dividend distributed in the financial year	0	159.500
Retained earnings	(27.984)	(99.956)
	106.516	**124.544**

	Completed develop-ment projects DKK'000	Develop-ment projects in progress DKK'000
7. Intangible assets		
Cost beginning of year	0	6.289
Additions	5.652	11.918
Disposals	0	(4.806)
Cost end of year	**5.652**	**13.401**
Amortisation for the year	(2.396)	0
Amortisation and impairment losses end of year	**(2.396)**	**0**
Carrying amount end of year	**3.256**	**13.401**

Development projects

Development projects includes internal salaries as well as purchased goods and consulting services. The development projects form the basis for future product deliveries to the company's customers.

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
8. Property, plant and equipment			
Cost beginning of year	11.695	85.066	1.322
Additions	50	3.976	132
Disposals	0	(3.314)	0
Cost end of year	**11.745**	**85.728**	**1.454**
Depreciation and impairment losses beginning of year	(8.417)	(72.231)	(1.183)
Depreciation for the year	(1.457)	(5.415)	(53)
Reversal regarding disposals	0	2.830	0
Depreciation and impairment losses end of year	**(9.874)**	**(74.816)**	**(1.236)**
Carrying amount end of year	**1.871**	**10.912**	**218**
Recognised assets not owned by entity	**1.141**	**3.535**	**-**

	Invest-ments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000
9. Fixed asset investments			
Cost beginning of year	9.175	16.475	2.392
Additions	0	0	59
Disposals	0	(3.598)	0
Cost end of year	**9.175**	**12.877**	**2.451**
Impairment losses for the year	(9.015)	0	0
Impairment losses end of year	**(9.015)**	**0**	**0**
Carrying amount end of year	**160**	**12.877**	**2.451**

Notes

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK'000	Profit/loss DKK'000
Investments in group enterprises comprise:					
KK-ELECTRONIC DENMARK ApS	Ikast-Brande	ApS	100,0	162	(2)
KK Wind Solutions International ApS	Ikast-Brande	ApS	100,0	(288)	(141)

10. Contract work in progress

	2018 DKK'000	2016/17 DKK'000
Sales value of work in progress	33.063	34.278
Invoiced on account	(33.610)	(31.904)
	(547)	**2.374**
Contract work in progress as		
Assets	4.292	4.588
Liabilities	(4.839)	(2.214)
Net	**(547)**	**2.374**

	2018 DKK'000	2016/17 DKK'000
11. Deferred tax		
Intangible assets	(2.948)	(1.383)
Property, plant and equipment	269	(48)
Inventories	(198)	(215)
Receivables	(987)	(780)
Provisions	3.154	4.588
Liabilities other than provisions	867	939
	157	**3.101**

Changes during the year	
Beginning of year	3.101
Recognised in the income statement	(2.944)
End of year	**157**

Notes

12. Prepayments

Prepayments comprise prepaid expenses for rent, insurance, subscriptions and leases.

13. Other provisions

Other provisions includes provisions for expected liabilities on delivered products.

	Due within 12 months 2018 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2018 DKK'000
14. Liabilities other than provisions			
Finance lease liabilities	1.080	3.588	2.855
	1.080	**3.588**	**2.855**

	2018 DKK'000	2016/17 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**35.852**	**36.371**

16. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Stormgade II ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The company is party to a small numbers of disputes, lawsuits and legal actions, including tax disputes. It is the view of the management that the outcome of these legal actions will have no other significant impact on the company's financial position beyond what have been recognized and stated in the financial statements.

17. Assets charged and collateral

KK Wind Solutions A/S has issued a surety guarantee and pledged investment in subsidiaries for all balances with banks in KK Wind Solutions Holding ApS Group. The book value of debt to banks in the Group amounts to DKK 664,100k. The book value of investments in group enterprises comprise DKK 160k.

18. Related parties with controlling interest

Related parties of KK Wind Solutions A/S comprise the parent company, KK Wind Solutions Holding ApS, and its subsidiaries and the Board of Directors of KK Wind Solutions A/S and the registered Group Management in Stormgade II ApS.

Notes

Transactions with related parties are only disclosed in the financial statements if they are not on arm's length terms. Transactions between KK Wind Solutions A/S and related parties are on arm's length terms.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: KK Wind Solutions Holding ApS, Ikast, Business Registration No 37173766.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. Consolidated financial statement are prepared by KK Wind Solutions Holding ApS, Business Registration No 38173766.

Non-comparability

The comparable figures comprise 15 months and the figures for the current year consist of 12 months hence the figures are not comparable.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs
Production: Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories. Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs
Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment of financial assets
Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are normally 3 years.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Accounting policies

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period. Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Accounting policies

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Accounting policies

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
According to section 86 of the Danish Financial Statements Act the company has omitted to prepare a cash flow statement, as this is included in the cash flow statement for KK Wind Solutions Holding ApS, Ikast, Business Registration No 38173766.