KK Wind Solutions A/S

Bøgildvej 3, DK-7430 Ikast

Annual Report for 1 January - 31 December 2022

CVR No 25 74 67 16

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/4 2023

Allan Gabriel Zandberg
Chairman of the General Meeting

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Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KK Wind Solutions A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Ikast, 20 April 2023

Executive Board

Mauricio Fernando Quintana
CEO

Board of Directors

Søren Bæk Just Chairman	Mauricio Fernando Quintana	Thomas Rosenkrands Olsen

Independent Auditor’s Report

To the Shareholder of KK Wind Solutions A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company’s operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KK Wind Solutions A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

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

Statement on Management’s Review
Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, 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 Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management’s Review 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 in Management’s Review.

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 misstate-

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company 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:

- 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 Company's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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.

Aarhus, 20 April 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lyngsø Sørensen
State Authorisered Public Accountant
mne34539

Thomas Bernth Jensen
State Authorisered Public Accountant
mne47814

Company Information

The Company	KK Wind Solutions A/S Bøgildvej 3 DK-7430 Ikast CVR No: 25 74 67 16 Financial period: 1 January - 31 December Municipality of reg. office: Ikast-Brande
Board of Directors	Søren Bæk Just, Chairman Mauricio Fernando Quintana Thomas Rosenkrands Olsen
Executive Board	Mauricio Fernando Quintana
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	2.200.394	2.312.695	2.327.569	2.137.409	1.528.972
Gross profit/loss	239.272	438.583	378.699	302.744	194.471
Operating profit/loss	7.869	246.451	239.460	187.475	148.098
Net financials	-14.327	-11.147	-5.839	-5.962	-8.932
Net profit/loss for the year	3.353	187.475	179.945	137.258	106.516
Balance sheet					
Balance sheet total	1.469.259	1.115.669	1.219.714	940.363	777.603
Equity	296.331	376.326	231.308	205.442	200.897
Investment in property, plant and equipment	53.300	6.837	8.010	-13.674	4.158
Number of employees	205	220	173	149	159
Ratios					
Gross margin	10,9%	19,0%	16,3%	14,2%	12,7%
EBIT margin	0,4%	10,5%	10,3%	9,7%	8,9%
Net margin	0,2%	7,0%	10,3%	8,8%	9,7%
Return on equity	1,0%	61,7%	82,4%	67,6%	59,1%
Solvency ratio	20,2%	33,7%	19,0%	21,8%	25,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In the financial year 2022 the Company was part of a merger, as the continuing company. The Financial Highlights for 2021 and 2022 have been restated however comparative figures to 2020 have not been restated.

Management's Review

Key activities

KK Wind Solutions A/S is a market leading system manufacturer and developer of electro-mechanicalsystems and advanced technology solutions for on- and offshore wind including full range services across supply chain, manufacturing, installation, operations and maintenance.

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

In 2022 there has been a merger between KK Wind Solutions A/S and KK Wind Solutions Vojens A/S with KK Wind Solutions A/S as the continuing part. The merger has been completed under the pooling-of-interest method and the effect on equity as of 1 January 2022 is 92,404 kDKK.

Development in the year

KK Wind Solutions A/S realized a revenue of 2,200 mDKK in 2022 representing a 8.5% decline compared to 2021 which is not in line with expectations stated in the Financial Statement as of 2021. Besides the decrease in revenue, rapidly increasing cost levels on freight, electricity and heating, transaction costs related to acquisitions and costs to mitigate supply chain issues resulted in a profit of -3 mDKK compared to 187 mDKK in 2021.

Under the leadership of our new CEO Mr. Mauricio Quintana, KK Group continued our acquisition strategy, including KK Wind Solutions A/S acquiring the R&D department and IP portfolio of ConverterTec Deutchland GmbH, further strengthening our offerings within power conversion in June 2022, and signing an agreement to acquire Vestas' converter and controls business in August 2022 (with transaction closed on 28 February 2023).

Despite the declining results, KK Wind Solutions A/S showed a solid resilience in a difficult business environment.

Operating risks

The company's primary activities are within the Wind Industry which is characterized by few large Original Equipment Manufacturers of wind turbines. KK Wind Solutions A/S has during the last years increased the customer and product portfolio including own developed technology to improve the levelized cost ofenergy of customer products and de-risk our business model.

KK Wind Solutions A/S' products contain a number of electronic or mechanical components from pre-qualified suppliers that during the last two years have seen increasing material shortages. To reduce this risk, the company has together with our customers and suppliers expanded the list of alternative components, materials and prequalified suppliers as well as engaging in longer-term commitments.

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

Management's Review

Foreign exchange risks

The reporting currency is Danish Krone, however, a large part of the company's costs are in Polish Zloty (PLN).

The expected net PLN exposure for the upcoming 12 months is evaluated on an ongoing basis and hedged according to the treasury policy.

The FX risk related to other currencies is considered low.

Interest rate risks

The company is exposed to a limited interest rate risk, as the company's mortgage loan has variable rates of interest.

The risk is monitored and hedging is applied when relevant.

Targets and expectations for the year ahead

The market outlook for 2023 includes an expected lower number of installed turbines from KK Wind Solutions A/S' key customers which combined with our customers preparing for next generation of off-shore platforms negatively impacts the overall activity level.

However, due to a very strong order backlog, delivery of new products and a growing aftermarket business, KK Wind Solutions A/S expects a revenue between 2,200-2,300 mDKK excluding the impact of the Vestas' converter and controls business, representing an organic growth of 0-5% in 2023. Gross profit is expected to improve in 2023, however offset by increasing interests, depreciation and amortization and as a result the company forecasts profit after tax before acquisitions at the level of 2022.

Research and development

Development activities are carried out within the company and in some cases in corporation with a number of clients. Development activities both includes improvements and changes to existing products as well as development of new products.

Intellectual capital resources

KK Wind Solutions A/S works with development, production and maintenance of advanced and reliablesystems for wind turbines. This generates high demands for knowledge resources and innovation withinkey domains. The company works dedicated on attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and advanced electro-mechanical solutions. KK WindSolutions A/S has defined key competency areas within Electrical Power, Data Driven Business andIntegrated Supply Chain Networks that are the lighthouses for training and development of ouremployees. It is also endeavored that employees are continuously trained via continued education andcooperation with universities, so that the latest knowledge is constantly present in the organization.

Management's Review

Statement of corporate social responsibility according to the Danish Financial Statements Act, section 99a

Reference is made to the Group's statement on corporate social responsibility included in the annual report for KK Wind Solutions Holding A/S, Business Registration No. / CVR-no. 39 06 70 48.

Statement on gender composition according to the Danish Financial Statements Act, section 99b

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

In the Board of Directors in KK Wind Solutions A/S, the target is that a minimum of 33 % of the shareholder elected board members should be female by the annual general assembly 2024. By the end of 2022 the actual number of shareholder elected female board members was 0 out of 3 in total elected board members and therefore the target was not met. The composition of genders in the Board of Directors is unchanged in 2022 due to no changes in shareholder elected members.

The female share on management levels from 1st line managers up to CXO level is by end 2022 on 10%. The target is to seek to improve the female share via internal promotions and when recruiting. To bring more females into managerial positions, a mandate and focus to always include qualified female candidates in managerial recruitments has been put in place. In 2022, KK Wind Solutions A/S has tried to get both genders represented in the completed stages of employment, when this has been possible. Despite the work done, the company still hasn't reached the 2030 target.

Approach to data ethics

KK Group is not using advanced technologies such as artificial intelligence or machine learning. The group is handling normal data related to customers and employees. Data which is handled in accordance with the GDPR legislation, our privacy policy and procedures for classification and management of documents and data. With the limited data processing it is the company's assessment that it does not need to have a data ethics policy. The company will continuously monitor the need of such a policy.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities of the Company for the financial year for 2022 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2022	2021
		kDKK	kDKK
Revenue	1	**2.200.394**	**2.312.695**
Cost of sales	2	-1.961.122	-1.874.112
Gross profit/loss		**239.272**	**438.583**
Distribution expenses		-59.815	-45.061
Administrative expenses		-104.848	-91.521
Development expenditure		-66.740	-55.550
Operating profit/loss		**7.869**	**246.451**
Other operating income		407	0
Other operating expenses		-274	-2.914
Profit/loss before financial income and expenses		**8.002**	**243.537**
Financial income	3	3.900	17.123
Financial expenses	4	-18.227	-28.270
Profit/loss before tax		**-6.325**	**232.390**
Tax on profit/loss for the year	5	9.678	-44.915
Net profit/loss for the year		**3.353**	**187.475**

Balance Sheet 31 December

Assets

	Note	2022	2021
		kDKK	kDKK
Completed development projects		66.864	6.107
Acquired intangible assets		46.474	0
Development projects in progress		90.335	104.443
Intangible assets	6	**203.673**	**110.550**
Land and buildings		52.800	9.378
Plant and machinery		3.198	2.332
Other fixtures and fittings, tools and equipment		12.262	9.668
Leasehold improvements		0	4.339
Property, plant and equipment	7	**68.260**	**25.717**
Investments in subsidiaries	8	346	346
Receivables from group enterprises	9	20.657	25.467
Deposits	9	5	2.639
Fixed asset investments		**21.008**	**28.452**
Fixed assets		**292.941**	**164.719**
Inventories	10	**503.438**	**293.701**
Trade receivables		263.425	175.486
Contract work in progress	11	2.993	6.855
Receivables from group enterprises		224.272	217.934
Other receivables	17	27.069	37.502
Corporation tax		12.749	0
Prepayments	12	35.772	6.657
Receivables		**566.280**	**444.434**
Cash at bank and in hand		**106.600**	**212.815**
Currents assets		**1.176.318**	**950.950**
Assets		**1.469.259**	**1.115.669**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		kDKK	kDKK
Share capital		5.100	5.000
Reserve for development costs		118.669	86.229
Reserve for hedging transactions		3.112	-3.440
Retained earnings		169.450	198.537
Proposed dividend for the year		0	90.000
Equity		**296.331**	**376.326**
Provision for deferred tax	14	35.872	15.425
Other provisions	15	40.720	41.850
Provisions		**76.592**	**57.275**
Mortgage loans		27.692	2.526
Lease obligations		297	2.580
Long-term debt	16	**27.989**	**5.106**
Mortgage loans	16	1.133	368
Credit institutions		0	12
Lease obligations	16	488	1.465
Prepayments received from customers		8.650	8.204
Trade payables		496.932	368.074
Contract work in progress, liabilities	11	10.044	645
Payables to group enterprises		469.501	200.491
Corporation tax		0	53.729
Other payables	17	34.575	40.904
Deferred income	18	47.024	3.070
Short-term debt		**1.068.347**	**676.962**
Debt		**1.096.336**	**682.068**
Liabilities and equity		**1.469.259**	**1.115.669**
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	19		
Subsequent events	20		
Related parties	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	5.000	86.229	-3.440	146.133	50.000	283.922
Net effect from merger and acquisition under the pooling of interests method	0	0	0	52.404	40.000	92.404
Adjusted equity at 1 January	5.000	86.229	-3.440	198.537	90.000	376.326
Cash capital increase	100	0	0	0	0	100
Ordinary dividend paid	0	0	0	0	-90.000	-90.000
Fair value adjustment of hedging instruments, end of year	0	0	8.400	0	0	8.400
Tax on adjustment of hedging instruments for the year	0	0	-1.848	0	0	-1.848
Development costs for the year	0	52.599	0	-52.599	0	0
Depreciation, amortisation and impairment for the year	0	-20.159	0	20.159	0	0
Net profit/loss for the year	0	0	0	3.353	0	3.353
Equity at 31 December	**5.100**	**118.669**	**3.112**	**169.450**	**0**	**296.331**

Notes to the Financial Statements

		2022	2021
		kDKK	kDKK
1	**Revenue**		
	Geographical segments		
	Asia	116.946	270.028
	Europe	2.006.836	1.980.895
	North America	38.279	55.975
	Other	38.333	5.797
		2.200.394	**2.312.695**
2	**Staff**		
	Wages and Salaries	165.837	176.176
	Pensions	10.867	12.681
	Other social security expenses	3.257	978
		179.961	**189.835**
	Average number of employees	**205**	**220**

The Board of Directors has not received any remuneration.

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

A.P. Møller Holding A/S has introduced a cash-settled co-investment programme which is determined by the development in the value creation of KK Wind Solutions Group. The Board of Directors and the Executive Board are part of the programme. The purchase price corresponds to fair value for the shares on the grant day.

Notes to the Financial Statements

		2022	2021
		kDKK	kDKK
3	**Financial income**		
	Interest received from group enterprises	2.746	2.089
	Other financial income	1.154	4.732
	Exchange gains	0	10.302
		3.900	**17.123**

		2022	2021
4	**Financial expenses**		
	Interest paid to group enterprises	3.799	3.154
	Other financial expenses	12.069	5.344
	Exchange loss	2.359	19.772
		18.227	**28.270**

		2022	2021
5	**Tax on profit/loss for the year**		
	Current tax for the year	-11.882	51.123
	Deferred tax for the year	13.521	0
	Adjustment of tax concerning previous years	-16.395	-6.208
	Adjustment of deferred tax concerning previous years	6.926	0
		-7.830	**44.915**
	which breaks down as follows:		
	Tax on profit/loss for the year	-9.678	44.915
	Tax on changes in equity	1.848	0
		-7.830	**44.915**

Notes to the Financial Statements

6 Intangible assets

	Completed development projects	Acquired intangible assets	Development projects in progress
	kDKK	kDKK	kDKK
Cost at 1 January	30.240	0	104.443
Additions for the year	0	49.324	72.493
Transfers for the year	90.486	0	-86.601
Cost at 31 December	120.726	49.324	90.335
Impairment losses and amortisation at 1 January	24.133	0	0
Amortisation for the year	25.844	2.850	0
Transfers for the year	3.885	0	0
Impairment losses and amortisation at 31 December	53.862	2.850	0
Carrying amount at 31 December	**66.864**	**46.474**	**90.335**

Development activities comprise internal salaries as well as purchased goods and consultancy services. The development projects serve as a basis for forward-looking product deliveries to the company's customers.

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	kDKK	kDKK	kDKK	kDKK
Cost at 1 January	12.337	14.121	99.285	6.341
Additions for the year	43.813	1.529	7.218	589
Disposals for the year	0	0	-9.466	0
Transfers for the year	0	571	6.359	-6.930
Cost at 31 December	56.150	16.221	103.396	0
Impairment losses and depreciation at 1 January	2.959	11.789	89.617	2.002
Depreciation for the year	391	663	4.792	1.083
Reversal of impairment and depreciation of sold assets	0	0	-5.789	0
Transfers for the year	0	571	2.514	-3.085
Impairment losses and depreciation at 31 December	3.350	13.023	91.134	0
Carrying amount at 31 December	**52.800**	**3.198**	**12.262**	**0**
Including assets under finance leases amounting to	0	0	941	0

Notes to the Financial Statements

	2022	2021
	kDKK	kDKK

8 Investments in subsidiaries

	2022 kDKK	2021 kDKK
Cost at 1 January	5.953	5.953
Disposals for the year	-5.607	0
Cost at 31 December	346	5.953
Value adjustments at 1 January	-5.607	-5.607
Disposals for the year	5.607	0
Value adjustments at 31 December	0	-5.607
Carrying amount at 31 December	**346**	**346**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
KK-Electronic Denmark ApS	Ikast, Denmark	100%	129	-17
KK Wind Solutions International ApS	Ikast, Denmark	100%	-532	49
KK Wind Solutions GmbH	Oldenburg, Germany	100%	1.187	-292

9 Other fixed asset investments

	Receivables from group enterprises	Deposits
	kDKK	kDKK
Cost at 1 January	25.467	2.639
Disposals for the year	-4.810	-2.634
Cost at 31 December	20.657	5
Carrying amount at 31 December	**20.657**	**5**

Notes to the Financial Statements

		2022	2021
		kDKK	kDKK
10	**Inventories**		
	Raw materials and consumables	370.733	190.006
	Work in progress	97.141	59.770
	Finished goods and goods for resale	35.564	43.925
		503.438	**293.701**

		2022	2021
11	**Contract work in progress**		
	Selling price of work in progress	153.388	150.526
	Payments received on account	-160.439	-144.316
		-7.051	**6.210**
	Recognised in the balance sheet as follows:		
	Contract work in progress recognised in assets	2.993	6.855
	Prepayments received recognised in debt	-10.044	-645
		-7.051	**6.210**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

		2022	2021
13	**Distribution of profit**		
	Proposed dividend for the year	0	90.000
	Retained earnings	3.353	97.475
		3.353	**187.475**

Notes to the Financial Statements

	2022	2021
	kDKK	kDKK

14 Provision for deferred tax

	2022	2021
Provision for deferred tax at 1 January	15.425	15.870
Amounts recognised in the income statement for the year	18.599	0
Amounts recognised in equity for the year	1.848	-445
Provision for deferred tax at 31 December	**35.872**	**15.425**

15 Other provisions

Other provisions includes provisions for expected liabilities on delivered products.

	2022	2021
Other provisions	40.720	41.850
	40.720	**41.850**

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
Mortgage loans		
After 5 years	22.076	1.109
Between 1 and 5 years	5.616	1.417
Long-term part	27.692	2.526
Within 1 year	1.133	368
	28.825	**2.894**
Lease obligations		
Between 1 and 5 years	297	2.580
Long-term part	297	2.580
Within 1 year	488	1.465
	785	**4.045**

Notes to the Financial Statements

17 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2022	2021
	kDKK	kDKK
Other receivables	5.539	0
Other payables	0	4.411

Forward exchange contracts have been concluded to hedge future purchase of goods in PLN. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK 5.539. The forward exchange contracts have a term of 1-9 months for an amount of kPLN 108,000.

18 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	2022	2021
	kDKK	kDKK

19 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	2022	2021
Land and buildings with a carrying amount totalling:	52.800	9.378

KK Wind Solutions A/S has issued a joint and unlimited surety guarantee for all bank debt in KK Wind Solutions Service A/S, KK-Group A/S and KK Wind Solutions Polska Sp. Z.o.o. The net book value of bank debt amount to DKK 0 million at 31. December 2022. KK Wind Solutions A/S has issued a surety guarantee for bank debt in KKWSH ApS limited to DKK 517 million. The net book value of bank debt amounts to DKK 1.700 million at 31 December 2022.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2022	2021
Within 1 year	3.203	8.532
Between 1 and 5 years	2.631	25.443
After 5 years	0	7.921
	5.834	**41.896**

Other contingent liabilities

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 significant impact on the company's financial position beyond what have been recognized and stated in the financial statements.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of A.P. MØLLER HOLDING A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

20 Subsequent events

On 28 February 2023 the Company was part in the acquisition of Vestas' converter & controls business which for the company includes production facilities in Denmark.

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

21 Related parties

	Basis

Controlling interest

A.P. MØLLER OG HUSTRU CHASTINE MCKINNEYMØLLERSFOND TIL ALMENE FORMAAL,Esplanaden 50, 1263 København K	Ultimate Parent Company
KK-Group A/S, Bøgildvej 3, 7430 Ikast, Denmark	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. Transactions between KK Wind Solutions A/S and related parties are on arm's length terms.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

Name	Place of registered office
A.P. MØLLER HOLDING A/S, København K, Business Registration No. 25 67 92 88	Copenhagen, Denmark
KK Wind Solutions Holding A/S, business registration no. 39 06 70 48	Ikast, Denmark

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of KK Wind Solutions A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2022 are presented in kDKK.

Accounting policies are unchanged from last year.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of KK Wind Solutions Holding A/S, business registration no. 39 06 70 48 and A.P. MØLLER HOLDING A/S, København K, Business Registration No. 25 67 92 88, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of KK Wind Solutions Holding A/S, business registration no. 39 06 70 48, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in

22 Accounting Policies (continued)

equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Notes to the Financial Statements

22 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

22 Accounting Policies (continued)

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Development expenditure

Development expenditure indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with A.P. MØLLER HOLDING A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

22 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 1-5 year.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years. determined on the basis of Management's experience with the individual business areas.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equip-

22 Accounting Policies (continued)

ment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at kDKK 5.000.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indi-

Notes to the Financial Statements

22 Accounting Policies (continued)

rect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

22 Accounting Policies (continued)

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-6 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Operating Profit x 100}}{\text{Revenue}}$
Net margin	$\frac{\text{Net profit for the year x 100}}{\text{Revenue}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$