

## KK Wind Solutions A/S

Bøgildvej 3  
7430 Ikast  
CVR No. 25746716

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 16.04.2020

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**Allan Gabriel Zandberg**  
Chairman of the General Meeting

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# Entity details

## Entity

KK Wind Solutions A/S

Bøgildvej 3

7430 Ikast

CVR No.: 25746716

Registered office: Ikast-Brande

Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Søren Bæk Just, Chairman

Chlinton Arendahl Nielsen

Thomas Rosenkrands Olsen

Jacob Steffensen

Dorrit Zenner Torp

## Executive Board

Chlinton Arendahl Nielsen, CEO

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

# Statement by Management

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 16. April 2020

**Executive Board**



**Chlinton Arendahl Nielsen**  
CEO

**Board of Directors**



**Søren Bæk Just**  
Chairman



**Thomas Rosenkrands Olsen**



**Chlinton Arendahl Nielsen**



**Jacob Steffensen**



**Dorrit Zenner Torp**

# 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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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, 16. April 2020

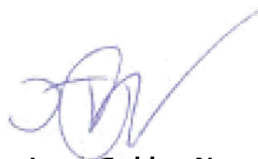
**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556



**Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052



**Jacob Tækker Nørgaard**

State Authorised Public Accountant  
Identification No (MNE) mne40049

# Management commentary

## Financial highlights

	2019 DKK'000	2018 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
<b>Key figures</b>					
Revenue	2,106,580	1,528,972	1,816,434	1,409,432	1,123,563
Gross profit/loss	240,141	194,471	238,950	218,525	207,697
Operating profit/loss	181,934	148,098	160,835	170,626	156,323
Net financials	(5,964)	(8,932)	(1,060)	(693)	(218)
Profit/loss for the year	137,257	106,516	124,545	132,371	148,803
Total assets	940,362	777,603	597,923	605,094	418,693
Investments in property, plant and equipment	8,509	4,158	11,113	6,667	11,742
Equity	205,441	200,897	159,447	194,488	2,974
<b>Ratios</b>					
Gross margin (%)	11.40	12.72	13.15	15.50	18.49
EBIT margin (%)	8.64	9.69	8.85	12.11	13.91
Net margin (%)	6.52	6.97	6.86	9.39	13.24
Return on equity (%)	67.56	59.12	70.38	134.07	131.60
Equity ratio (%)	21.85	25.84	26.67	32.14	0.71

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

### Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

### EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

### Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

### Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity



**Equity ratio (%):**

Equity \* 100

Total assets

### Primary activities

KK Wind Solutions 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 Stettin, Poland and Bangalore, India. The activities are supported by sales and engineering representation in all main markets.

### Development in activities and finances

KK Wind Solutions A/S realized in 2019 a result after tax of DKK 137 m compared to DKK 107 m in 2018.

For the 12 months of 2019, KK Wind Solutions A/S delivered a record revenue of DKK 2,1 bn (DKK 1,5 bn) outgrowing the market significantly by a YoY organic growth of 38%. The growth was driven by high demand on existing products as well as introduction of new technology and products. All business units contributed to the growth.

The impressive growth in 2019 is the effect of KK Wind Solutions strategy towards 2025 starting to materialize, successfully diversifying the customer portfolio with advanced technology solutions and world class electro-mechanical system supply solutions and hereby further solidifying KK Group as a leading system supplier within the Wind Industry.

### Outlook

Before the outbreak of COVID-19, the short-term growth was expected to be moderate in 2020 with earnings continued under pressure as the value chain of the Wind Industry adapts to lower prices. As a result, the group forecasted a single-digit growth of both turnover and earnings in 2020.

For now, it is not possible to make a reliable estimate of the full effects of COVID-19 on KK Wind Solutions and the results for 2020. Please also refer to Note 1 and the Management commentary regarding events after balance sheet date.

Regardless of the short-term uncertainty related to COVID-19, expectations are to further grow over the coming years given the continued drive towards green energy transition and increased deployment of wind turbines all over the world. KK Wind Solutions is well positioned to benefit from the underlying market growth as well as capture market share at the large OEMs both on new and existing platforms. The average annual growth rate for the industry before COVID-19 was estimated as 6,4% for onshore and 19,5% for offshore between 2018 and 2028.

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

### Particular risks

The company has during 2019 continued increasing the customer and product portfolio and hereby reduced the dependency on single customers or products.

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

### 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 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.

#### **Statutory report on corporate social responsibility**

Reference is made to KK Wind Solutions Group' statement on corporate social responsibility included in the annual report for KK Wind Solutions Holding A/S, Business Registration No. 39067048.

#### **Statutory report on the underrepresented gender**

KK Wind Solutions 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 KK Wind Solutions aim to have a balanced split between genders.

The female share on management levels from 1st line managers up to CXO level is by end 2019 on 8.3%. 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 2019, the leadership programme also targeted the underrepresented gender with the aim of increasing the female share of managers.

#### **Events after the balance sheet date**

Since the balance sheet date, the world has been severely hit by the global spreading of the COVID 19 pandemic. The many initiatives done globally to contain, control and minimize the impact of the virus will potentially influence the ability of the KK Group, including KK Wind Solutions A/S, to procure and assemble the systems ordered or forecasted by the customers.

The potential impact of COVID 19 is not possible to assess and highly dependent on the time it takes the world and the different countries to harness the virus and how long before the economy rebounds. The primary risks for KK Wind Solutions are lack of deliveries of critical components from sub suppliers, long term shutdown of KK factories by governmental decree or delay in customer projects.

# Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	2	2,106,580	1,528,972
Production costs		(1,866,439)	(1,334,501)
<b>Gross profit/loss</b>		<b>240,141</b>	<b>194,471</b>
Distribution costs		(13,455)	(13,688)
Administrative expenses	3	(39,210)	(32,685)
Other operating expenses		(5,542)	0
<b>Operating profit/loss</b>		<b>181,934</b>	<b>148,098</b>
Other financial income	5	11,024	7,414
Impairment losses on financial assets		0	(9,015)
Other financial expenses		(16,988)	(7,331)
<b>Profit/loss before tax</b>		<b>175,970</b>	<b>139,166</b>
Tax on profit/loss for the year	6	(38,713)	(32,650)
<b>Profit/loss for the year</b>	7	<b>137,257</b>	<b>106,516</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects	9	10,745	3,256
Development projects in progress	9	23,436	13,401
<b>Intangible assets</b>	8	<b>34,181</b>	<b>16,657</b>
Plant and machinery		1,700	1,871
Other fixtures and fittings, tools and equipment		9,774	10,912
Leasehold improvements		2,344	218
<b>Property, plant and equipment</b>	10	<b>13,818</b>	<b>13,001</b>
Investments in group enterprises		160	160
Receivables from group enterprises		10,494	12,877
Deposits		2,451	2,451
<b>Other financial assets</b>	11	<b>13,105</b>	<b>15,488</b>
<b>Fixed assets</b>		<b>61,104</b>	<b>45,146</b>
Raw materials and consumables		128,808	103,494
Work in progress		44,807	34,479
Manufactured goods and goods for resale		84,665	19,880
<b>Inventories</b>		<b>258,280</b>	<b>157,853</b>
Trade receivables		291,237	283,842
Contract work in progress		20,159	4,292
Receivables from group enterprises		175,717	171,938
Deferred tax	12	0	157
Other receivables		32,232	35,264
Prepayments	13	5,514	4,817
<b>Receivables</b>		<b>524,859</b>	<b>500,310</b>
<b>Cash</b>		<b>96,119</b>	<b>74,294</b>
<b>Current assets</b>		<b>879,258</b>	<b>732,457</b>
<b>Assets</b>		<b>940,362</b>	<b>777,603</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Contributed capital		5,000	5,000
Reserve for development expenditure		30,079	12,991
Retained earnings		20,362	48,406
Proposed dividend		150,000	134,500
<b>Equity</b>		<b>205,441</b>	<b>200,897</b>
Deferred tax	12	2,608	0
Other provisions	14	46,785	27,574
<b>Provisions</b>		<b>49,393</b>	<b>27,574</b>
Finance lease liabilities		3,349	2,855
<b>Non-current liabilities other than provisions</b>	<b>15</b>	<b>3,349</b>	<b>2,855</b>
Current portion of non-current liabilities other than provisions	15	744	1,080
Bank loans		9	50,097
Contract work in progress		5,963	4,839
Trade payables		420,815	344,768
Payables to group enterprises		172,902	65,215
Income tax payable		65,210	29,792
Other payables		16,536	50,486
<b>Current liabilities other than provisions</b>		<b>682,179</b>	<b>546,277</b>
<b>Liabilities other than provisions</b>		<b>685,528</b>	<b>549,132</b>
<b>Equity and liabilities</b>		<b>940,362</b>	<b>777,603</b>
Events after the balance sheet date	1		
Staff costs	4		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Group relations	19		

# Statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	5,000	12,991	48,406	134,500	200,897
Ordinary dividend paid	0	0	0	(134,500)	(134,500)
Fair value adjustments of hedging instruments	0	0	1,787	0	1,787
Transfer to reserves	0	17,088	(17,088)	0	0
Profit/loss for the year	0	0	(12,743)	150,000	137,257
<b>Equity end of year</b>	<b>5,000</b>	<b>30,079</b>	<b>20,362</b>	<b>150,000</b>	<b>205,441</b>

# Notes

## 1 Events after the balance sheet date

Since the balance sheet date, the world has been severely hit by the global spreading of the COVID 19 pandemic. The many initiatives done globally to contain, control and minimize the impact of the virus will potentially influence the ability of the KK Group, including KK Wind Solutions A/S, to procure and assemble the systems ordered or forecasted by the customers.

The potential impact of COVID 19 is not possible to assess and highly dependent on the time it takes the world and the different countries to harness the virus and how long before the economy rebounds. The primary risks for KK are lack of deliveries of critical components from sub suppliers, long term shutdown of KK factories by governmental decree or delay in customer projects.

## 2 Revenue

	2019 DKK'000	2018 DKK'000
Asia	225,288	140,495
Europe	1,768,326	1,307,871
North America	111,486	80,606
Other	1,480	0
<b>Total revenue by geographical market</b>	<b>2,106,580</b>	<b>1,528,972</b>

## 3 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 omitted.

## 4 Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	130,210	114,512
Pension costs	6,675	6,928
Other social security costs	1,396	1,190
	<b>138,281</b>	<b>122,630</b>

## 5 Other financial income

	2019 DKK'000	2018 DKK'000
Financial income from group enterprises	1,690	2,325
Other interest income	42	20
Exchange rate adjustments	9,292	5,069
	<b>11,024</b>	<b>7,414</b>



## 6 Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Current tax	35,948	29,706
Change in deferred tax	2,765	0
	<b>38,713</b>	<b>29,706</b>

## 7 Proposed distribution of profit and loss

	2019 DKK'000	2018 DKK'000
Ordinary dividend for the financial year	150,000	134,500
Retained earnings	(12,743)	(27,986)
	<b>137,257</b>	<b>106,514</b>

## 8 Intangible assets

	Completed development projects DKK'000	Development projects in progress DKK'000
Cost beginning of year	5,652	13,401
Additions	14,461	24,496
Disposals	(1,227)	(14,461)
<b>Cost end of year</b>	<b>18,886</b>	<b>23,436</b>
Amortisation and impairment losses beginning of year	(2,396)	0
Amortisation for the year	(6,817)	0
Reversal regarding disposals	1,072	0
<b>Amortisation and impairment losses end of year</b>	<b>(8,141)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>10,745</b>	<b>23,436</b>

## 9 Development projects

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 Group's customers.

## 10 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	11,745	85,728	1,454
Additions	309	5,959	2,241
Disposals	0	(2,778)	0
<b>Cost end of year</b>	<b>12,054</b>	<b>88,909</b>	<b>3,695</b>
Depreciation and impairment losses beginning of year	(9,872)	(74,816)	(1,234)
Depreciation for the year	(482)	(6,073)	(117)
Reversal regarding disposals	0	1,754	0
<b>Depreciation and impairment losses end of year</b>	<b>(10,354)</b>	<b>(79,135)</b>	<b>(1,351)</b>
<b>Carrying amount end of year</b>	<b>1,700</b>	<b>9,774</b>	<b>2,344</b>

## 11 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	160	12,877	2,451
Disposals	0	(2,383)	0
<b>Cost end of year</b>	<b>160</b>	<b>10,494</b>	<b>2,451</b>
<b>Carrying amount end of year</b>	<b>160</b>	<b>10,494</b>	<b>2,451</b>

For hedging purposes, KK Wind Solutions has entered into financial contracts covering 1-12 month. As per balance date, the currency contract only contain hedging in PLN. In total, PLN 66m is hedged, corresponding positive value of the currency contracts of DKK 2,1m. Reference is made to the group policy on use of financial instruments.

## 12 Deferred tax

	2019 DKK'000	2018 DKK'000
Intangible assets	(7,007)	(2,948)
Property, plant and equipment	1,481	269
Financial assets	(1,263)	0
Inventories	(439)	(198)
Receivables	(510)	(987)
Provisions	4,204	3,154
Liabilities other than provisions	926	867
<b>Deferred tax</b>	<b>(2,608)</b>	<b>157</b>

	<b>2019</b>	<b>2018</b>
<b>Changes during the year</b>	<b>DKK'000</b>	<b>DKK'000</b>
Beginning of year	157	3,101
Recognised in the income statement	(2,765)	(2,944)
<b>End of year</b>	<b>(2,608)</b>	<b>157</b>

### 13 Prepayments

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

### 14 Other provisions

Other provisions includes provisions for expected liabilities on delivered products.

### 15 Non-current liabilities other than provisions

	<b>Due within 12</b>	<b>Due within 12</b>	<b>Due after</b>
	<b>months</b>	<b>months</b>	<b>more than 12</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
Finance lease liabilities	744	1,080	3,349
	<b>744</b>	<b>1,080</b>	<b>3,349</b>

### 16 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where A.P. MØLLER HOLDING A/S 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 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 investments in subsidiaries for all balances with banks. The book value of debt to banks in the KKWSH ApS Group amounts to DKK 1.094.029 k.

### **18 Related parties with controlling interest**

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

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 largest group: A.P. MØLLER OG HSTRU CHASTINE MC-KINNEY MØLLERS FOND TIL ALMENE FORMAAL, København K, Business Registration No. 11666779 .

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: KK Wind Solutions Holding A/S, Ikast, Business Registration No 39067048.

# 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.

## Non-comparability

The presentation of certain figures in the income statement and in the balance sheet has been changed in 2019 and the presentation of the comparable figures has been changed as well.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## 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.

## 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.

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, and 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, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

**Administrative expenses**

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

**Other operating expenses**

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

**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, and tax relief under the Danish Tax Prepayment Scheme etc.

**Impairment losses on 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, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**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, and 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.

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.

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, and 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.

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, and 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 carry forwards, 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.

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.

**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 A/S, Ikast, Business Registration No. 39067048.