# KK Wind Solutions Service A/S

Bøgildvej 3, DK-7430 Ikast

# Annual Report for 1 January - 31 December 2020

CVR No 36 92 27 96

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/4 2021

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 Service A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 21 April 2021

#### **Executive Board**

Chlinton Arendahl Nielsen CEO

### **Board of Directors**

Søren Bæk Just Chairman Chlinton Arendahl Nielsen

Kim Wichmann-Hansen



# **Independent Auditor's Report**

To the Shareholder of KK Wind Solutions Service 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KK Wind Solutions Service A/S for the financial year 1 January - 31 December 2020, 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' 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.

#### 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-



# **Independent Auditor's Report**

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



# **Independent Auditor's Report**

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, 21 April 2021 **PricewaterhouseCoopers** Statsautoriseret Revisionspartnerselskab *CVR No 33 77 12 31* 

Mads Melgaard State Authorised Public Accountant mne34354 Claus Lyngsø Sørensen State Authorised Public Accountant mne34539



# **Company Information**

The Company	KK Wind Solutions Service A/S Bøgildvej 3 DK-7430 Ikast
	CVR No: 36 92 27 96 Financial period: 1 January - 31 December Municipality of reg. office: Ikast-Brande
Board of Directors	Søren Bæk Just, Chairman Chlinton Arendahl Nielsen Kim Wichmann-Hansen
Executive Board	Chlinton Arendahl Nielsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C



# Management's Review

### **Key activities**

KK Wind Solutions Service A/S' activities include the sale of spare parts and services related to field services, installation, engineering, retrofit, repairs, technical support etc. within the wind industry.

Activities are managed from the head office in Ikast and Kansas, USA.

The company has been operating since 15 October 2015 where the service activities of the sister company KK Wind Solutions A/S were transferred to KK Wind Solutions Service A/S.

### Development in the year

The income statement of the Company for 2020 shows a profit of kDKK 12,193, and at 31 December 2020 the balance sheet of the Company shows equity of kDKK 38,799.



# Income Statement 1 January - 31 December

	Note	2020 kDKK	2019 кDKK
Gross profit/loss		40.301	37.271
Distribution expenses	1	-9.443	-10.275
Administrative expenses	_	-15.614	-10.237
Operating profit/loss		15.244	16.759
Other operating expenses	_	0	-338
Profit/loss before financial income and expenses		15.244	16.421
Financial income	2	767	555
Financial expenses	3	-324	-461
Profit/loss before tax		15.687	16.515
Tax on profit/loss for the year	4	-3.494	-3.633
Net profit/loss for the year	_	12.193	12.882

# **Distribution of profit**

#### Proposed distribution of profit

Retained earnings	12.193	12.882
	12.193	12.882



# **Balance Sheet 31 December**

### Assets

	Note	2020	2019
		kDKK	kDKK
Goodwill		625	3.125
Development projects in progress		761	0
Intangible assets	5	1.386	3.125
Other fixtures and fittings, tools and equipment		401	947
Property, plant and equipment		401	947
Investments in subsidiaries	6	0	0
Fixed asset investments		0	0
Fixed assets		1.787	4.072
Inventories	7	125	0
Trade receivables		10.034	11.303
Contract work in progress	8	682	2.956
Receivables from group enterprises		39.596	16.304
Other receivables		3.705	3.503
Deferred tax asset		786	117
Receivables		54.803	34.183
Cash at bank and in hand		1.038	4.962
Currents assets		55.966	39.145
Assets		57.753	43.217



# **Balance Sheet 31 December**

# Liabilities and equity

	Note	2020	2019 kDKK
Share capital		1.000	1.000
Reserve for development costs		594	0
Retained earnings		37.205	25.607
Equity	-	38.799	26.607
	-		
Other provisions		1.339	1.321
Provisions	-	1.339	1.321
Lease obligations		334	361
Trade payables		305	518
Payables to group enterprises		6.606	3.340
Corporation tax		5.356	7.198
Other payables	_	5.014	3.872
Short-term debt	-	17.615	15.289
Debt	-	17.615	15.289
Liabilities and equity	-	57.753	43.217
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# **Statement of Changes in Equity**

		Reserve for		
		development	Retained	
	Share capital	costs	earnings	Total
	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	1.000	0	25.606	26.606
Development costs for the year	0	594	-594	0
Net profit/loss for the year	0	0	12.193	12.193
Equity at 31 December	1.000	594	37.205	38.799



	2020	2019
	kDKK	kDKK
1 Staff		
Wages and Salaries	12.932	14.387
Pensions	1.061	1.157
Other social security expenses	-54	261
Other staff expenses	1.282	2.950
	15.221	18.755
Average number of employees	19	22
2 Financial income		
Interest received from group enterprises	489	11
Other financial income	3	3
Exchange gains	275	541
	767	555
3 Financial expenses		
Interest paid to group enterprises	39	0
Other financial expenses	53	72
Exchange loss	232	389
	324	461
4 Tax on profit/loss for the year		
F, F, J_ J		
Current tax for the year	5.356	3.633
Deferred tax for the year	-1.904	0
Adjustment of tax concerning previous years	42	0
	3.494	3.633

### 5 Intangible assets

		Development projects in
	Goodwill	progress
	kDKK	kDKK
Cost at 1 January	12.500	0
Additions for the year	0	761
Cost at 31 December	12.500	761
Impairment losses and amortisation at 1 January	9.375	0
Amortisation for the year	2.500	0
Impairment losses and amortisation at 31 December	11.875	0
Carrying amount at 31 December	625	761

Development activities comprise internal salaries as well as purchased goods and consultancy services. The development projects serve as a basis for forwad-looking product deliveries to KK Wind Solutions Service A/S' customers.

6	Investments in subsidiaries	<u>2020</u> кDКК	2019 кDКК
	Cost at 1 January	1	1
	Cost at 31 December	1	1
	Value adjustments at 1 January	-1	-1
	Value adjustments at 31 December	-1	-1
	Carrying amount at 31 December	0	0

Investments in subsidiaries are specified as follows:

	Place of	Votes and		Net profit/loss
Name	registered office	ownership	Equity	for the year
KK Wind Solutions Holding US Inc.	Delaware, USA	100%	-3.020	0

pwc

7	Inventories	<u>2020</u> кDКК	2019 kDKK
	Raw materials and consumables	125	0
		125	0
8	Contract work in progress		
	Selling price of work in progress	27.388	29.417
	Payments received on account	-26.706	-26.461
		682	2.956

#### 9 Contingent assets, liabilities and other financial obligations

#### Charges and security

KK Wind Solutions Service A/S has issued a joint and unlimited surety guarantee for all bank debt in KK-Group A/S. The net book value of bank debt amounts to DKK 0 million at 31 December 2020.

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments: 68	687 139	9
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#### Other contingent liabilities

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.



#### 10 Related parties

#### **Consolidated Financial Statements**

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

Name

Place of registered office

KK Wind Solutions Holding A/S, Business Registration No. 39067048.

lkast

### **11** Accounting Policies

The Annual Report of KK Wind Solutions Service A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2020 are presented in kDKK.

Accounting policies are unchanged from last year.

#### Changes in classification in the income statement

Comparative figures in the income statement and other items have been restated to match this year's presentation. The adjustment of comparative figures have no effect on operating profit.

### **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. 39067048 and A.P. MØLLER OG HUSTRU CHASTINE MC-KINNEY MØLLERS FOND TIL ALMENE FORMAAL, business registration no. 11666779, the Company has not prepared consolidated financial statements.

#### **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.



### 11 Accounting Policies (continued)

#### 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.

### **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



### 11 Accounting Policies (continued)

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.

### 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.

#### **Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.

#### **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 good-will is also included to the extent that goodwill relates to distribution activities.

### 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.



### 11 Accounting Policies (continued)

### 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

### **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 1-3 year.



### **11** Accounting Policies (continued)

### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If useful lives cannot be estimeted reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 5 years.

### 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 equipment 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:

Other fixtures and fittings, tools and equipment 3-5 years

The fixed assets' residual values are determined at nil.

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.



### 11 Accounting Policies (continued)

#### Investments in subsidiaries

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

#### 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.

#### 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.



### 11 Accounting Policies (continued)

### 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.

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.

