Deloitte.

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

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

KK Wind Solutions Holding ApS

Bøgildvej 3
7430 Ikast
Central Business Registration No 38173766

Annual report 2018

The Annual General Meeting adopted the annual report on 04.04.2019

Chairman of the General Meeting

Name: Allan Gabriel Zandberg

Contents

Entity details

Entity
KK Wind Solutions Holding ApS
Bøgildvej 3
7430 Ikast

Central Business Registration No (CVR): 38173766
Registered in: Ikast-brande
Financial year: 01.01.2018 - 31.12.2018

Executive Board
Denis Jean Jørgen Viet-Jacobsen
Michael Pontoppidan Frost
Johan Olof Cervin

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of KK Wind Solutions Holding ApS for the financial year 01.01.2018 - 31.12.2018.

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

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

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

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

Ikast, 04.04.2019

Executive Board

Denis Jean Jørgen Viet-Jacobsen	Michael Pontoppidan Frost	Johan Olof Cervin

Independent auditor's report

To the shareholders of KK Wind Solutions Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of KK Wind Solutions Holding ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 04.04.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

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

Management commentary

	2018 DKK'000	2016/17 DKK'000
Financial highlights		
Key figures		
Revenue	1.605.625	1.735.120
Gross profit/loss	213.691	192.760
Operating profit/loss	108.317	73.199
Net financials	(52.399)	(50.792)
Profit/loss for the year	25.029	(6.392)
Profit/loss excl minority interests	25.029	(6.392)
Total assets	1.795.017	1.662.135
Investments in property, plant and equipment	30.172	(42.011)
Equity	570.626	543.672
Cash flows from (used in) operating activities	129.816	179.489
Cash flows from (used in) investing activities	(42.230)	(1.361.125)
Cash flows from (used in) financing activities	(96.184)	1.224.730
Ratios		
Gross margin (%)	13,3	11,1
Net margin (%)	1,6	(0,4)
Return on equity (%)	4,5	(1,2)
Equity ratio (%)	31,8	32,7

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

Figures for 2016/17 covers 14 months hence are not comparable.

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

Management commentary

Primary activities

KK Group's main activities are primarily conducted in the companies, KK Wind Solutions A/S, KK Wind Solutions Service A/S, KK Wind Solutions Polska Sp. Z.o.o and KK Wind Solutions India Pvt. Ltd.

KK Group is a market leading manufacturer and developer of systems and technology for on- and offshore wind turbines including full range services across supply chain, manufacturing, installation, operations and maintenance.

KK Group's activities are driven from the headquarters in Ikast, Denmark as well from the main sites in Szczecin, Poland, Bangalore, India and Kansas, USA. The activities are supported by sales representation in all main markets.

Development in activities and finances

KK Wind Solutions Holding ApS realized in 2018 a result after tax of DKK 25,029k compared to DKK -6,392k in 2016/17.

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

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

Outlook

Despite the continued price pressure in the entire value chain of the Wind industry, KK Group expects a significant growth in 2019. The positive expectations are built on the strong results of KK Group's Best Shape program, where the increased competitiveness has generated many new customers and orders. Furthermore, there is a high growth in installations of wind turbines combined with an increasing number of wind turbine OEMs that wish to outsource more activities to system suppliers, such as KK Group, to capture the gains from stronger competitiveness on price and to further lower the LCOE[1] of the wind turbines.

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[1] LCOE: Levelized Cost of Energy

Management commentary

KK Group also anticipates that the ongoing need to reduce LCOE will drive further consolidation of OEMs and sub-suppliers, providing further opportunities that KK Group is actively pursuing.
As a result, KK Group forecast a double-digit growth of turnover in 2019, further solidifying KK Group as a leader within advanced wind turbine systems and to increase the profits from below 2% to just above 2%.

Particular risks

KK Group have during 2018 continued to increase the customer base and product portfolio and hereby reduced the dependency on single customers.

Besides the above, KK Group has no specific risks besides what is common to the industry.

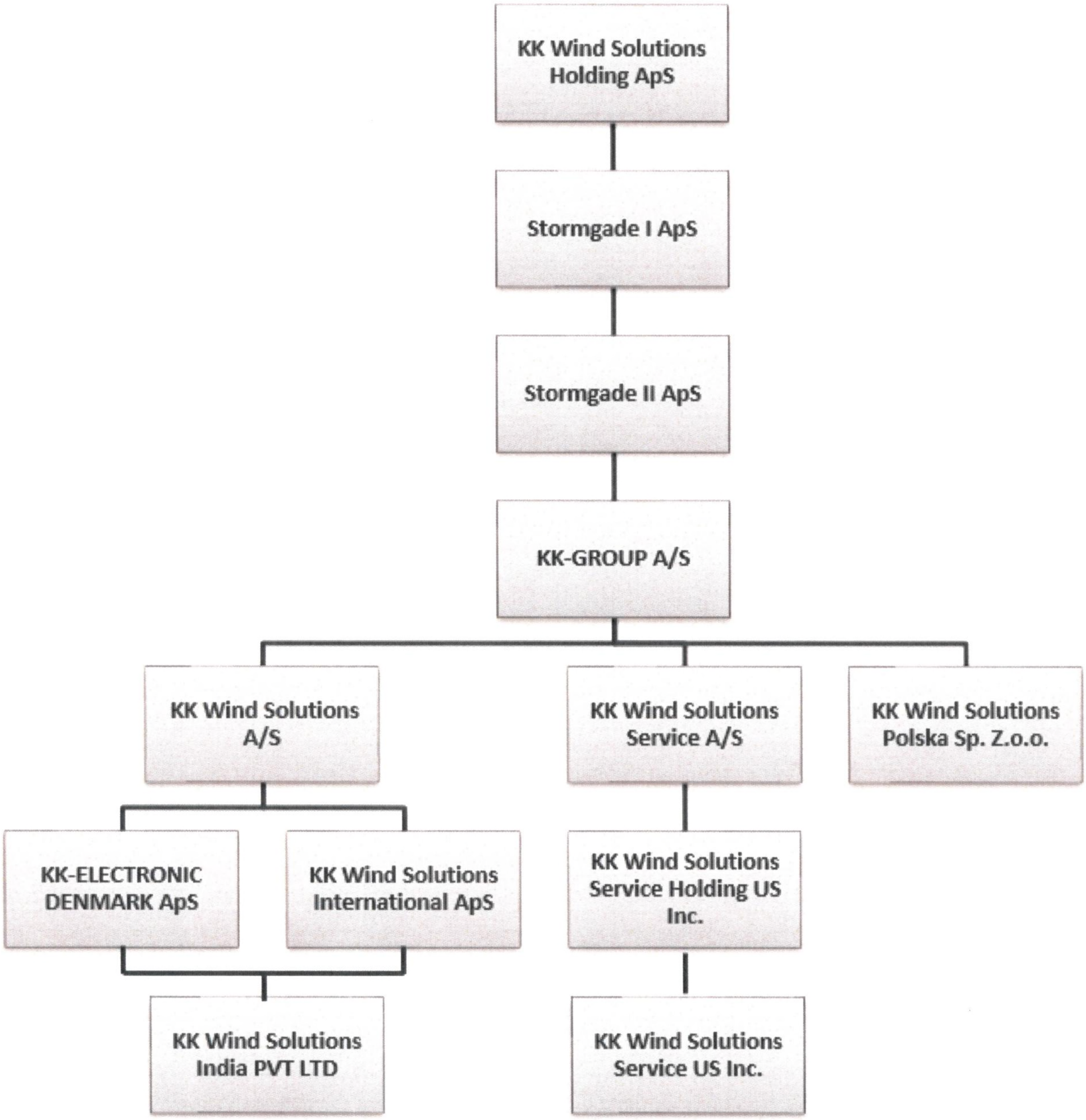
Intellectual capital resources

KK Group 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 Group 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.

Management commentary

Group relations

The Group's relations is composed as follows:



Management commentary

Statutory report on corporate social responsibility

KK Group is a dedicated wind company in the renewable energy industry – and as such sustainability is the core of our company.

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

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

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

We remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees, environment, anti-corruption and society in general. Regarding human rights and employees, the primary risks KK Group addresses are related to forced and compulsory labour and discrimination and the risk of work related accidents of our employees. As KK Group is doing business in multiple countries where bribery or corruption is more customary, the primary risks related to corruption is considered in relation to these countries. KK Group manufactures and distributes products across the globe and the impact from this on the environment in terms of waste and Co2 emissions are the primary risks to be addressed.

Below we have listed the four focus areas within corporate social responsibility, KK Group's risk mitigation activities, results for 2018 and the planned activities for 2019.

Human rights

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

In 2018 we focused on:

- Ensuring that all employees in our Indian facility and Global strategic sourcing signed our Code of Conduct.
- Implementing a sexual harassment policy in India and established a sexual harassment committee.
- Evaluating and revising our Code of Conduct.
- Suppliers in the medium or high risk categories were asked to sign our Code of Conduct or prove that they live up to the same high standards.

Management commentary

- New suppliers delivering components in the low to high risk category have signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments.

In 2019 we will focus on:

- Initiating a new global HR process to ensure that all employees understand and sign our Code of Conduct.

Furthermore, we will have all suppliers to sign the Code of Conduct already during our quoting process to proactively ensure that all suppliers have understood and accepted the requirements before quoting on new opportunities within KK Group.

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

In 2018 we focused on:

- Aiming at achieving zero working accidents. Our short term target was to have less than 4 accidents per 1 million work hours. Furthermore, we focused on increasing safety awareness and behavior by launching an internal global 'Safety First' campaign for all employees including: safety seminars, safety walk training, digital mobile solutions for safety registrations, safety principles and guidelines.
- Despite the above efforts 3.6 accidents per 1 million work hours was registered in 2018. Building a unique global leadership paradigm to improve the organization's ability to execute the growth strategy effectively. We strongly believe that by focusing even more on leadership, we will be able to tap on a significant pool of so far unutilized and hidden resources in our organization.

In 2019 we will focus on:

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

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

In 2018 we focused on:

- Improving our products and operations across the product lifecycle and the supply chain.
- Minimizing waste and increased recycling. In 2018, we succeeded in recycling 81,8% of our waste. Moreover, we have recycled and partially recycled 95.7% of our waste.

Management commentary

In 2019 we will focus on:

- Ensuring that 100% of our global electricity consumption will be covered by wind power or other renewable energy sources.
- Further reducing the environmental impact of the company's operations.
- Developing global supply chain solutions to support customers locally and globally in a more sustainable manner.

Anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion, embezzlement or any illegal method to influence public officials, the judiciary or any other private parties. In 2018, we focused on securing that all employees understand the importance of following company ethical guidelines and on having zero corruption incidents. During 2018, no breaches of KK's Code of Conduct were related to corruption. In 2019, we will focus on ensuring that all new contracts with agents, intermediaries and consultants includes a section on anti-corruption.

Statutory report on the underrepresented gender

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

KK Group's target is that minimum 20% of the shareholder elected board members should be female by the annual general assembly 2020. By the end of 2018 the actual number of shareholder elected female board members were 0 and there was 1 female board member out of the three employee elected board members. The minimum target of 20% was not met as no shareholder elected members were up for election. The female share on management levels from 1st line managers up to CXO level is by end 2018 on 20%. 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.

Events after the balance sheet date

Subsequent to 31 December 2018, no events have occurred which materially can affect the group's financial position.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2016/17 DKK'000
Revenue	1	1.605.625	1.735.120
Production costs	3	(1.391.934)	(1.542.360)
Gross profit/loss		**213.691**	**192.760**
Distribution costs		(18.235)	(33.167)
Administrative expenses	2	(87.139)	(86.394)
Operating profit/loss		**108.317**	**73.199**
Other financial income		76	9.289
Other financial expenses		(52.475)	(60.081)
Profit/loss before tax		**55.918**	**22.407**
Tax on profit/loss for the year	4	(30.889)	(28.799)
Profit/loss for the year	5	**25.029**	**(6.392)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Completed development projects		3.256	0
Goodwill		988.451	1.043.783
Development projects in progress		13.401	6.289
Intangible assets	6	**1.005.108**	**1.050.072**
Land and buildings		48.341	37.392
Plant and machinery		48.385	39.181
Other fixtures and fittings, tools and equipment		15.653	17.781
Leasehold improvements		4.440	4.361
Property, plant and equipment in progress		6.722	19.154
Property, plant and equipment	7	**123.541**	**117.869**
Other investments		326	264
Deposits		4.394	4.394
Fixed asset investments	8	**4.720**	**4.658**
Fixed assets		**1.133.369**	**1.172.599**
Raw materials and consumables		119.740	97.263
Work in progress		40.802	33.887
Manufactured goods and goods for resale		14.068	29.048
Inventories		**174.610**	**160.198**
Trade receivables		315.695	241.095
Contract work in progress	9	7.576	5.158
Deferred tax		274	2.440
Other receivables	10	52.763	17.987
Prepayments	11	4.817	4.658
Receivables		**381.125**	**271.338**
Cash		**105.913**	**58.000**
Current assets		**661.648**	**489.536**
Assets		**1.795.017**	**1.662.136**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Contributed capital		50.376	50.376
Retained earnings		520.250	493.296
Equity		**570.626**	**543.672**
Deferred tax		0	403
Other provisions	12	35.852	31.450
Provisions		**35.852**	**31.853**
Bank loans		549.458	629.261
Finance lease liabilities		3.130	1.334
Non-current liabilities other than provisions	13	**552.588**	**630.595**
Current portion of long-term liabilities other than provisions	13	122.968	111.779
Bank loans		71.417	14.906
Contract work in progress	9	5.017	2.753
Trade payables		362.057	276.405
Income tax payable		26.019	16.563
Other payables		48.473	33.610
Current liabilities other than provisions		**635.951**	**456.016**
Liabilities other than provisions		**1.188.539**	**1.086.611**
Equity and liabilities		**1.795.017**	**1.662.136**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50.376	493.296	543.672
Increase of capital	202	2.000	2.202
Purchase of treasury shares	0	(200)	(200)
Fair value adjustments of hedging instruments	0	409	409
Value adjustments	0	(1.164)	(1.164)
Other entries on equity	0	678	678
Profit/loss for the year	0	25.029	25.029
Equity end of year	**50.578**	**520.048**	**570.626**

KK Wind Solutions Holding ApS has in 2018 acquired 15,141 shares and 45,423 warrants in KK Wind Solutions Holding ApS hence treasury shares at 31 December 2018 are 15,141.
Number of shares is 15,141 with the nominel value of DKK 1,000.

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2016/17 DKK'000
Operating profit/loss		108.317	73.198
Amortisation, depreciation and impairment losses		78.792	78.745
Other provisions		7.135	4.116
Working capital changes	14	(23.588)	98.671
Cash flow from ordinary operating activities		**170.656**	**254.730**
Financial income received		14	0
Financial expenses paid		(20.609)	(22.761)
Income taxes refunded/(paid)		(20.245)	(52.480)
Cash flows from operating activities		**129.816**	**179.489**
Acquisition etc of intangible assets		(12.764)	(6.289)
Acquisition etc of property, plant and equipment		(30.172)	(42.011)
Sale of property, plant and equipment		706	2.907
Acquisition of enterprises		0	(1.316.574)
Disposal of enterprises		0	680
Other cash flows from investing activities		0	162
Cash flows from investing activities		**(42.230)**	**(1.361.125)**
Loans raised		0	763.230
Repayments of loans etc		(98.684)	(76.540)
Reduction of lease commitments		0	(3.066)
Acquisition of treasury shares		(200)	0
Cash increase of capital		2.700	549.168
Other cash flows from financing activities		0	(8.062)
Cash flows from financing activities		**(96.184)**	**1.224.730**
Increase/decrease in cash and cash equivalents		**(8.598)**	**43.094**
Cash and cash equivalents beginning of year		43.094	0
Cash and cash equivalents end of year		**34.496**	**43.094**

	Notes	2018 DKK'000	2016/17 DKK'000
Cash and cash equivalents at year-end are composed of:			
Cash		105.913	58.000
Short-term debt to banks		(71.417)	(14.906)
Cash and cash equivalents end of year		**34.496**	**43.094**

Notes to consolidated financial statements

	2018 DKK'000	2016/17 DKK'000
1. Revenue		
Revenue by geographical market		
Europe	1.359.020	1.404.668
Asia	118.557	97.644
North America	126.753	232.661
Other countries	1.295	147
	1.605.625	**1.735.120**
Revenue by activity		
Products	1.482.645	1.607.375
Services	122.980	127.745
	1.605.625	**1.735.120**

	2018 DKK'000	2016/17 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	1.142	597
Other assurance engagements	75	80
Tax services	84	15
Other services	73	269
	1.374	**961**

	2018 DKK'000	2016/17 DKK'000
3. Staff costs		
Wages and salaries	190.245	211.896
Pension costs	8.361	11.163
Other social security costs	17.045	19.829
	215.651	**242.888**
Average number of employees	**923**	**777**

	Remuneration of management 2018 DKK'000	Remuneration of management 2016/17 DKK'000
Total amount for management categories	5.739	5.837
	5.739	**5.837**

Notes to consolidated financial statements

Special incentive programmes

Bonus incentive agreements for the executive management and other management has been granted, and can be triggered by achievement of a split between the groups financial performance, and personal KPI.

Certain key employees and members of management have in 2017 and 2018 acquired warrants and shares in KK Wind Solutions Holding ApS at the fair value of the warrants and shares at the date of acquisition. The warrants and shares are fully vested. The warrants outstanding at 31 December 2018 are exercisable in the period of 1 June 2023 to 30 June 2023 or if certain events occur. However, exercise also requires that certain thresholds for increase in the fair value of the shares in KK Wind Solutions ApS are achieved.

As the warrants and shares are purchased by the employees at their fair value, and are equity instruments in KK Wind Solutions Holding ApS, no amounts related to the warrants or shares are recognized in KK Wind Solutions Holding ApS Group.

	2018 **DKK'000**	**2016/17** **DKK'000**
4. Tax on profit/loss for the year		
Current tax	27.242	27.716
Change in deferred tax	3.611	1.083
Adjustment concerning previous years	36	0
	30.889	**28.799**

	2018 **DKK'000**	**2016/17** **DKK'000**
5. Proposed distribution of profit/loss		
Retained earnings	25.029	(6.392)
	25.029	**(6.392)**

Notes to consolidated financial statements

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
6. Intangible assets			
Cost beginning of year	0	1.103.381	6.289
Additions	5.652	0	12.764
Disposals	0	0	(5.652)
Cost end of year	**5.652**	**1.103.381**	**13.401**
Amortisation and impairment losses beginning of year	0	(59.598)	0
Exchange rate adjustments	0	(76)	0
Amortisation for the year	(2.396)	(55.256)	0
Amortisation and impairment losses end of year	**(2.396)**	**(114.930)**	**0**
Carrying amount end of year	**3.256**	**988.451**	**13.401**

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.

Notes to consolidated financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
7. Property, plant and equipment				
Cost beginning of year	39.452	45.142	28.627	4.494
Exchange rate adjustments	(999)	(276)	8	0
Additions	15.120	18.143	8.668	132
Disposals	0	(781)	(5.161)	0
Cost end of year	**53.573**	**62.228**	**32.142**	**4.626**
Depreciation and impairment losses beginning of year	(2.060)	(5.961)	(10.846)	(133)
Exchange rate adjustments	(150)	(483)	(216)	0
Depreciation for the year	(3.022)	(8.534)	(9.530)	(53)
Reversal regarding disposals	0	1.135	4.103	0
Depreciation and impairment losses end of year	**(5.232)**	**(13.843)**	**(16.489)**	**(186)**
Carrying amount end of year	**48.341**	**48.385**	**15.653**	**4.440**
Recognised assets not owned by entity	**0**	**0**	**5.066**	**0**

Notes to consolidated financial statements

	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment	
Cost beginning of year	19.154
Exchange rate adjustments	(541)
Additions	13.914
Disposals	(25.805)
Cost end of year	**6.722**
Depreciation and impairment losses beginning of year	0
Exchange rate adjustments	0
Depreciation for the year	0
Reversal regarding disposals	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**6.722**
Recognised assets not owned by entity	-

	Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments		
Cost beginning of year	264	4.394
Additions	62	0
Cost end of year	**326**	**4.394**
Carrying amount end of year	**326**	**4.394**

	2018 DKK'000	2016/17 DKK'000
9. Contract work in progress		
Contract work in progress	7.576	2.406
	7.576	2.406

Notes to consolidated financial statements

	2018 DKK'000	2016/17 DKK'000
Sales value of work in progress	88.160	105.976
Invoiced on account	(85.601)	(103.570)
	2.559	**2.406**
Contract work in progress is distributed as:		
Assets	7.576	5.159
Liabilities	(5.017)	(2.753)
Net	**2.559**	**2.406**

10. Other receivables

Other receivables include receivable from the Danish tax authorities, which are expected to be paid one year after the balance sheet date at the earliest. The receivable amounts to DKK 12,556k. Please see description under contingent liabilities.

11. Prepayments

Prepayments consist of prepaid costs relating to rent, insurance, subscriptions and leasing.

12. Other provisions

Other provisions comprise provisions for anticipated commitments on product deliverables etc.

	Due within 12 months 2018 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2018 DKK'000
13. Liabilities other than provisions			
Bank loans	121.775	108.000	549.458
Finance lease liabilities	1.193	3.779	3.130
	122.968	**111.779**	**552.588**

	2018 DKK'000	2016/17 DKK'000
14. Change in working capital		
Increase/decrease in inventories	(14.412)	(24.209)
Increase/decrease in receivables	(111.954)	106.574
Increase/decrease in trade payables etc	102.778	16.306
	(23.588)	**98.671**

Notes to consolidated financial statements

	2018 DKK'000	2016/17 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**50.100**	**47.132**

16. Contingent liabilities

The Group is party to a tax case relating to transfer pricing, which is unsettled at 31 December 2018. A settlement of the case is expected within one year. The Group disagrees on the views taken by the Danish Tax Administration. The case is fully provided for in the consolidated financial statements and awaits the Danish and Polish authorities' mutual agreement procedure.

The Group is a partner in Middelgrundens Vindmøllelaug I/S, in which the partners are jointly and severally liable. The partnership's equity amounts to DKK 9,157k at 31.12.2018. The carrying amount thereof is DKK 21k recognised under other investments.

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

Parent income statement for 2018

	Notes	2018 DKK'000	2016/17 DKK'000
Administrative expenses		(359)	(215)
Operating profit/loss		**(359)**	**(215)**
Other financial income		27.275	26.959
Other financial expenses		(28.535)	(24.700)
Profit/loss before tax		**(1.619)**	**2.044**
Tax on profit/loss for the year		206	(450)
Profit/loss for the year	1	**(1.413)**	**1.594**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Investments in group enterprises		544.750	544.750
Receivables from group enterprises		294.234	266.959
Fixed asset investments	2	**838.984**	**811.709**
Fixed assets		**838.984**	**811.709**
Income tax receivable		206	0
Receivables		**206**	**0**
Cash		**6.687**	**4.400**
Current assets		**6.893**	**4.400**
Assets		**845.877**	**816.109**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2016/17 DKK'000
Contributed capital		50.578	50.376
Retained earnings		501.271	500.386
Equity		**551.849**	**550.762**
Bank loans		293.233	264.700
Non-current liabilities other than provisions		**293.233**	**264.700**
Payables to group enterprises		598	0
Income tax payable		0	450
Other payables		197	197
Current liabilities other than provisions		**795**	**647**
Liabilities other than provisions		**294.028**	**265.347**
Equity and liabilities		**845.877**	**816.109**
Contingent liabilities	3		
Assets charged and collateral	4		
Related parties with controlling interest	5		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50.376	0	500.386	550.762
Increase of capital	202	2.000	0	2.202
Transferred from share premium	0	(2.000)	2.000	0
Purchase of treasury shares	0	0	(200)	(200)
Other entries on equity	0	0	498	498
Profit/loss for the year	0	0	(1.413)	(1.413)
Equity end of year	**50.578**	**0**	**501.271**	**551.849**

KK Wind Solutions Holding ApS has in 2018 acquired 15,141 shares and 45,423 warrants in KK Wind Solutions Holding ApS hence treasury shares at 31 December 2018 are 15,141.
Number of shares is 15,141 with the nominel value of DKK 1,000.

The Company's share capital is DKK 50,578k. The nominel value of each share is DKK 1.

Notes to parent financial statements

	2018 DKK'000	2016/17 DKK'000
1. Proposed distribution of profit/loss		
Retained earnings	(1.413)	1.594
	(1.413)	**1.594**

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000
2. Fixed asset investments		
Cost beginning of year	544.750	266.959
Additions	0	27.275
Cost end of year	**544.750**	**294.234**
Carrying amount end of year	**544.750**	**294.234**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

3. Contingent liabilities

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

4. Assets charged and collateral

KK Wind Solutions Holding ApS has issued a surety guarantee and pledged investments in subsidiaries for all balances with banks. The book value of debt to banks in the Group amounts to DKK 664,100k. The book value of investments in group enterprises comprise DKK 544,750k.

5. Related parties with controlling interest

Related parties of KK Wind Solutions Holding ApS comprise the parent company Stormgatan Holding AB, and its subsidiaries and the Board of Executive of KK Wind Solutions Holding ApS and the registered Executive Board in Stormgade II 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 Holding ApS and related parties are on arm's length terms.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

Non-comparability
The comparable figures comprise 14 months and the current year consist of 12 months hence the figures are not comparable.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition

Accounting policies

date, with net assets having been calculated at fair value.

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.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

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

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

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 as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of

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inventories.

Distribution costs

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

Administrative expenses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial income

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

Other financial expenses

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

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

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 periods used are 20 years.

Accounting policies

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects in progress.

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 on 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. The amortisation periods used are 3 years.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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-manufactured 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.

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:

Buildings	22-40 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

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.

Other investments
Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

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 on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

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

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.

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

Costs of sales work and of securing contracts as well as financecosts 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

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asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acqusition 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.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments and returns.

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.

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

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

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

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

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

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

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash with an insignificant price risk less short-term bank loans.