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KK Wind Solutions Holding A/S

Bøgildvej 3
7430 Ikast
Central Business Registration
No 39067048

Annual report 2019

The Annual General Meeting adopted the annual report on 16.04.2020

Chairman of the General Meeting

Name: Allan Gabriel Zandberg

Contents

Entity details

Entity
KK Wind Solutions Holding A/S
Bøgildvej 3
7430 Ikast

Central Business Registration No (CVR): 39067048
Registered in: Ikast-brande
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Jan Thorsgaard Nielsen, Chairman
Morten Stakroge
Simon Krogsgaard Ibsen

Executive Board
Chlinton Arendahl Nielsen, CEO
Søren Bæk Just, Director

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 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 and cash flows 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, 16.04.2020

Executive Board

Chlinton Arendahl Nielsen	Søren Bæk Just
CEO	Director

Board of Directors

Jan Thorsgaard Nielsen	Morten Stakroge	Simon Krogsgaard Ibsen
Chairman		

Independent auditor's report

To the shareholders of KK Wind Solutions Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of KK Wind Solutions Holding 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, 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 31.12.2019, and of the results of their operations and the consolidated cash flows 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 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, 16.04.2020

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

	2019 DKK'000
Financial highlights	
Key figures	
Revenue	671.551
Gross profit/loss	13.550
Operating profit/loss	(85.740)
Net financials	(12.594)
Profit/loss for the year	(74.187)
Total assets	3.354.854
Investments in property, plant and equipment	30.172
Equity	1.396.534
Cash flows from (used in) operating activities	104.450
Cash flows from (used in) investing activities	(1.808.944)
Cash flows from (used in) financing activities	1.825.810
Ratios	
Gross margin (%)	2,0
Net margin (%)	(11,0)
Return on equity (%)	(5,3)
Equity ratio (%)	41,6

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

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

Management commentary

Primary activities

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

Development in activities and finances

As a result of A.P. Moeller Holding A/S acquisition of KK Group in September 2019, the consolidated figures of the group are reported in KK Wind Solutions Holding A/S from the date of the acquisition.

KK Wind Solutions Holding A/S realized in 2019 a loss after tax of 74,2 mDKK for the 4-month period. Impacted negatively by one-off effect from acquisition accounting and and integration cost totalling 104,6mDKK. Adjusted for these one-off items the result was a profit of 9.6 mDKK in 2019.

The new owners have established a new capital structure with an equity of DKK 1.3bn, representing a 41% equity ratio and new bank facility agreements enabling KK Group to fund future growth.

For the 12 months of 2019, KK Group delivered a record revenue of DKK 2.3bn (DKK 1.6bn) outgrowing the market significantly by a YoY organic growth of 40%. 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 Group and the results for 2020. Please also refer to Note 1 and the Management commentary regarding events after balance sheet date.

Management commentary

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 Group is well positioned to benefit from the underlying market growth as well as capture market share at the large Original Equipment Manufacturers 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 Group anticipates that the ongoing need to reduce levelized cost of energy (LCOE) will drive further consolidation of OEM's and sub-suppliers, providing further opportunities that KK Group is actively pursuing.

Particular risks

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

Besides the above, the 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 endeavoured 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

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.

It's in our DNA that we continuously assess and improve the environmental impact 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 our customers.

Management commentary

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 our four focus areas within corporate social responsibility, KK Group's risk mitigation activities, results for the past year and goals for the coming period.

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 2019 we focused on:

- Ensuring that all employees signed our Code of Conduct.
- Reinforcing our Code of Conduct towards suppliers, to ensure human rights are protected and decent work conditions are provided throughout our supply chain.
- Suppliers in the medium or high-risk categories were asked to sign our Code of Conduct or prove that they live up to the same high standards.
- New suppliers delivering components in the low to high risk category have signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments.

In 2020 we will focus on:

- Ensuring all employees understand and sign our Code of Conduct.
- Ensuring all suppliers sign the Code of Conduct during our supplier introduction process.

As we continue and expect future growth and globalisation, we persistently focus on safety and human rights, both in regards to our own and collaboration partners' employees. We are not aware of any breaches concerning human rights in KK Group in 2019.

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 2019 we focused on:

- Achieving less than 3 accidents per 1 million work hours. Unfortunately, 7.2 working accidents per 1 million work hours were registered in 2019. We continuously use risk analysis to prevent accidents,

Management commentary

and during 2019 many corrective actions were performed, and safety awareness further intensified. As a result, we achieved 100 consecutive days without accidents in October.

- Continuing our internal 'Safety First' campaign for all employees, to further increase safety awareness and behaviour.
- Building team resilience as a part of our leadership development programme to reduce employee absence and increase employee well-being.

In 2020 we will focus on:

- Achieving less than 3 accidents per 1 million work hours, working towards zero.
- Implementing 'Vision Zero' to improve the health, safety and well-being of our employees.
- Continuously improving our health and safety culture and launch new initiatives to stimulate stronger preventative safety awareness in all employees.

Environment

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

In 2019 we focused on:

- Ensuring that 100% of our global electricity consumption was covered by wind power or other renewable energy sources.
- Minimising waste and increased recycling. In 2019, we succeeded in recycling 87% of our waste. Moreover, we have recycled and partially recycled 97.8% of our waste.
- Improving our products and operations across the product lifecycle and the supply chain.

In 2020 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 our operations. Our target for recyclable waste
- remains at the current high level.
- Developing global supply chain solutions to support customers locally and globally in a more sustainable manner.

We believe that our activities in 2019 have contributed to minimizing our environmental impact.

Anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion or embezzlement, or any illegal method to influence public officials, the judiciary or private parties.

In 2019, we focused on securing that all employees understand the importance of following company ethical guidelines and on having zero corruption incidents. We did not register any form of breach on our Code of

Management commentary

Conduct in connection with corruption, extortion or bribery. During 2019, no breaches of KK's Code of Conduct were related to corruption.

In 2020, we will continue to investigate the best possible ways of keeping a culture with very high ethical standards and zero tolerance towards corruption.

For more information about KK Wind Solutions' progress within corporate social responsibility, we refer to the Sustainability Report 2019, published 21.02.2020.

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 2019 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. However, to further support the global expansion and subsequent to the acquisition from A.P. Moller Holding, a new Board of Directors have been established in Q1 2020. In the new Board 1 out of 5 shareholder elected board members is female, meeting the minimum target.

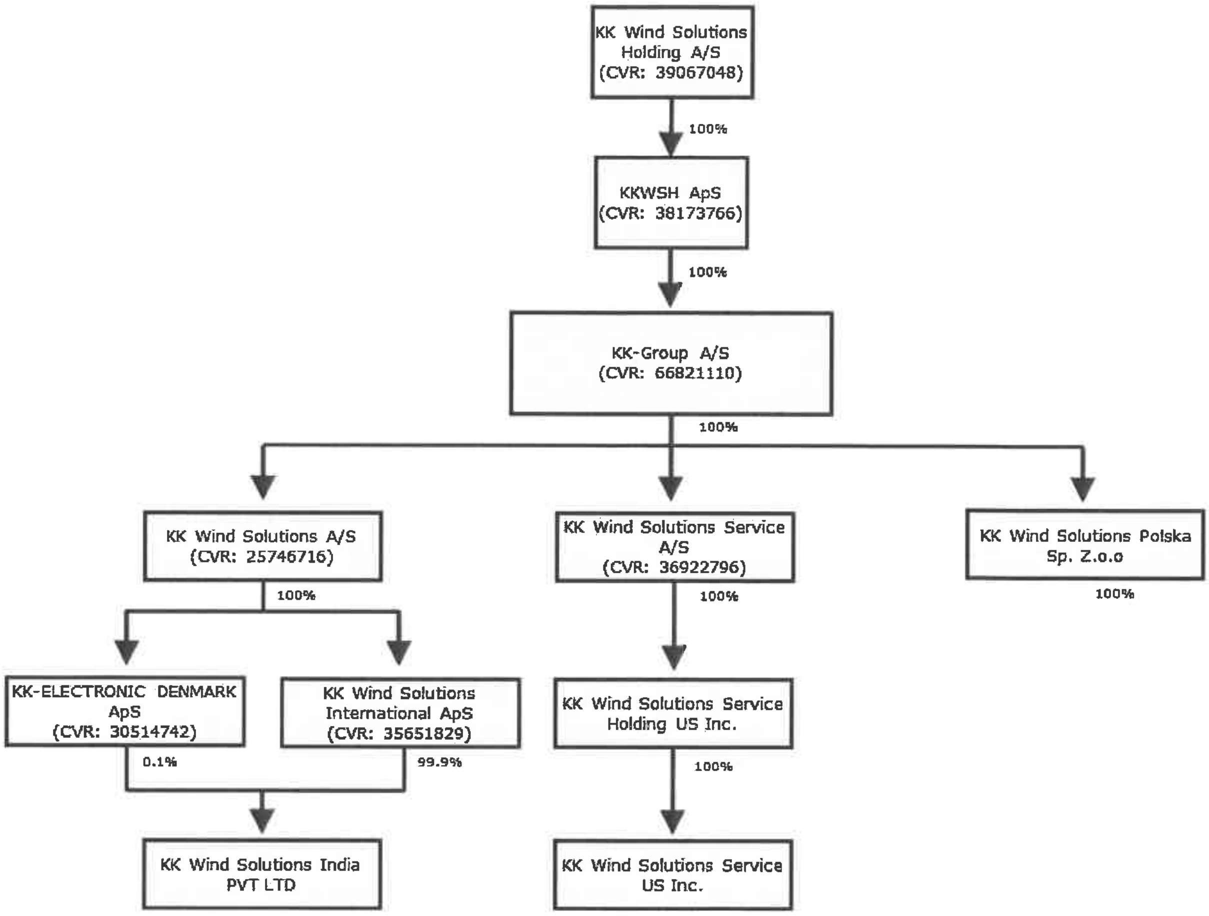
The female share on management levels from 1st line managers up to CXO level is by end 2019 on 18%. The target is to seek to improve the female share via internal promotions and when recruiting. To bring more females into managerial positions, a mandate and focus to always include qualified female candidates 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, 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.

Management commentary



Consolidated income statement for 2019

	Notes	2019 DKK'000
Revenue	2	671.551
Production costs	3	(658.001)
Gross profit/loss		**13.550**
Administrative expenses		(99.290)
Operating profit/loss		**(85.740)**
Other financial income	4	13.949
Other financial expenses	5	(26.543)
Profit/loss before tax		**(98.334)**
Tax on profit/loss for the year	6	24.147
Profit/loss for the year	7	**(74.187)**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000
Completed development projects		10.744
Acquired intangible assets		1.184.500
Goodwill		1.092.761
Development projects in progress		23.436
Intangible assets	8	**2.311.441**
Plant and machinery		112.751
Property, plant and equipment in progress		8.427
Property, plant and equipment	9	**121.178**
Other investments		326
Deposits		4.751
Deferred tax	13	2.110
Fixed asset investments	10	**7.187**
Fixed assets		**2.439.806**
Raw materials and consumables		155.792
Work in progress		69.116
Manufactured goods and goods for resale		90.786
Inventories		**315.694**
Trade receivables		348.294
Contract work in progress		23.867
Other receivables	11	84.578
Income tax receivable		5.877
Prepayments	12	6.856
Receivables		**469.472**
Cash		**129.882**
Current assets		**915.048**
Assets		**3.354.854**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000
Contributed capital		17.733
Other reserves		4.065
Retained earnings		1.374.736
Equity		**1.396.534**
Deferred tax	13	251.893
Other provisions	14	61.424
Provisions		**313.317**
Bank loans		1.098.288
Non-current liabilities other than provisions	15	**1.098.288**
Current portion of long-term liabilities other than provisions	15	8.426
Contract work in progress		6.553
Trade payables		467.800
Other payables		63.936
Current liabilities other than provisions		**546.715**
Liabilities other than provisions		**1.645.003**
Equity and liabilities		**3.354.854**
Events after the balance sheet date	1	
Unrecognised rental and lease commitments	16	
Contingent liabilities	17	
Group relations	18	

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	0	81	131
Increase of capital	17.683	0	1.750.634	1.768.317
Extraordinary dividend paid	0	0	(300.000)	(300.000)
Exchange rate adjustments	0	707	0	707
Value adjustments	0	0	(6)	(6)
Other entries on equity	0	3.358	(1.786)	1.572
Profit/loss for the year	0	0	(74.187)	(74.187)
Equity end of year	**17.733**	**4.065**	**1.374.736**	**1.396.534**

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000
Operating profit/loss		(85.740)
Amortisation, depreciation and impairment losses		96.328
Change in working capital		114.533
Change in provisions, etc.		13.526
Other adjustments		7.273
Cash flow from ordinary operating activities		**145.920**
Income taxes refunded/(paid)		(41.470)
Cash flows from operating activities		**104.450**
Acquisition etc of intangible assets		(24.497)
Acquisition etc of property, plant and equipment		(16.130)
Acquisition of enterprises		(1.768.317)
Cash flows from investing activities		**(1.808.944)**
Loans raised		2.100.000
Repayments of loans etc		(1.733.623)
Dividend paid		(300.000)
Interest received		13.765
Financial expenses paid		(20.679)
Financial expenses paid on lease liabilities		(1.970)
Other equity transactions		1.768.317
Cash flows from financing activities		**1.825.810**
Increase/decrease in cash and cash equivalents		**121.316**
Cash and cash equivalents beginning of year		140
Cash and cash equivalents end of year		**121.456**
Cash and cash equivalents at year-end are composed of:		
Cash		129.882
Short-term debt to banks		(8.426)
Cash and cash equivalents end of year		**121.456**

Notes to consolidated financial statements

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, 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.

	2019 DKK'000
2. Revenue	
Revenue by geographical market	
Europe	476.619
Asia	31.185
North America	160.437
Other countries	3.310
	671.551
Revenue by activity	
Products	639.089
Services	32.462
	671.551

	2019 DKK'000
3. Staff costs	
Wages and salaries	92.205
Pension costs	2.662
Other social security costs	6.412
	101.279
Staff costs classified as assets	(4.787)
	96.492
Average number of employees	**1.139**

Notes to consolidated financial statements

	Remuneration of management 2019 DKK'000
Total amount for management categories	2.140
	2.140

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.

	2019 DKK'000
4. Other financial income	
Other interest income	(40)
Exchange rate adjustments	13.899
Other financial income	90
	13.949

	2019 DKK'000
5. Other financial expenses	
Other interest expenses	10.596
Exchange rate adjustments	15.020
Other financial expenses	927
	26.543

	2019 DKK'000
6. Tax on profit/loss for the year	
Current tax	(4.458)
Change in deferred tax	(18.742)
Adjustment concerning previous years	(947)
	(24.147)

	2019 DKK'000
7. Proposed distribution of profit/loss	
Retained earnings	(74.187)
	(74.187)

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
8. Intangible assets				
Addition through business combinations etc	5.652	1.258.246	1.107.602	13.400
Additions	14.461	0	0	24.497
Disposals	(1.227)	0	0	(14.461)
Cost end of year	**18.886**	**1.258.246**	**1.107.602**	**23.436**
Amortisation and impairment losses beginning of year	(2.396)	0	0	0
Exchange rate adjustments	0	0	(14)	0
Amortisation for the year	(13.008)	(73.746)	(14.827)	0
Reversal regarding disposals	7.262	0	0	0
Amortisation and impairment losses end of year	**(8.142)**	**(73.746)**	**(14.841)**	**0**
Carrying amount end of year	**10.744**	**1.184.500**	**1.092.761**	**23.436**

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

	Plant and machinery DKK'000	Property, plant and equipment in progress DKK'000
9. Property, plant and equipment		
Addition through business combinations etc	110.275	8.807
Exchange rate adjustments	0	105
Additions	9.517	6.613
Disposals	(4.567)	(7.098)
Cost end of year	**115.225**	**8.427**
Exchange rate adjustments	4.104	0
Revaluations end of year	**4.104**	**0**
Exchange rate adjustments	(1.567)	0
Depreciation for the year	(7.753)	0
Reversal regarding disposals	2.742	0
Depreciation and impairment losses end of year	**(6.578)**	**0**
Carrying amount end of year	**112.751**	**8.427**

Carrying amount of finance leased assets amounts to DKK 4,093,000 as per 31 December 2019.

	Other investments DKK'000	Deposits DKK'000	Deferred tax DKK'000
10. Fixed asset investments			
Addition through business combinations etc	326	4.751	2.110
Cost end of year	**326**	**4.751**	**2.110**
Carrying amount end of year	**326**	**4.751**	**2.110**

	2019 DKK'000
11. Other receivables	
Derivative financial instruments	2.180
Other receivables	82.398
	84.578

For hedging purposes, KK Wind Solutions Group 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.

Notes to consolidated financial statements

12. Prepayments

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

	2019 DKK'000
13. Deferred tax	
Intangible assets	261.028
Property, plant and equipment	616
Provisions	(2.968)
Other taxable temporary differences	(8.893)
	249.783
Changes during the year	
Recognised in the income statement	(18.742)
Other changes	268.525
End of year	**249.783**

14. Other provisions

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

	Due within 12 months 2019 DKK'000	Due after more than 12 months 2019 DKK'000
15. Liabilities other than provisions		
Bank loans	8.426	1.098.288
	8.426	**1.098.288**

	2019 DKK'000
16. Unrecognised rental and lease commitments	
Liabilities under rental or lease agreements until maturity in total	**128.989**

17. Contingent liabilities

The Group is party to a tax case relating to transfer pricing, which is unsettled at 31 December 2019. 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

Notes to consolidated financial statements

liable. The partnership's equity amounts to DKK 6,154k at 31.12.2019. 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.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: A.P. MØLLER OG HUSTRU 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: A.P. Møller Holding A/S, København K, Business Registration No. 25679288.

Parent income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Administrative expenses		(300)	0
Operating profit/loss		**(300)**	**0**
Other financial expenses		(11)	(10)
Profit/loss before tax		**(311)**	**(10)**
Tax on profit/loss for the year		(68)	0
Profit/loss for the year	1	**(379)**	**(10)**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Investments in group enterprises		1.463.316	0
Fixed asset investments	2	**1.463.316**	**0**
Fixed assets		**1.463.316**	**0**
Cash		**5.119**	**140**
Current assets		**5.119**	**140**
Assets		**1.468.435**	**140**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		17.733	50
Retained earnings		1.450.334	81
Equity		**1.468.067**	**131**
Income tax payable		68	0
Other payables		300	9
Current liabilities other than provisions		**368**	**9**
Liabilities other than provisions		**368**	**9**
Equity and liabilities		**1.468.435**	**140**
Contingent liabilities	3		
Related parties with controlling interest	4		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	80	130
Increase of capital	17.683	1.750.634	1.768.317
Extraordinary dividend paid	0	(300.000)	(300.000)
Profit/loss for the year	0	(380)	(380)
Equity end of year	**17.733**	**1.450.334**	**1.468.067**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
1. Proposed distribution of profit/loss		
Retained earnings	(380)	(11)
	(380)	**(11)**

	Investments in group enterprises DKK'000
2. Fixed asset investments	
Additions	1.768.316
Disposals	(305.000)
Cost end of year	**1.463.316**
Carrying amount end of year	**1.463.316**

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 A.P. Møller Holding A/S 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. Related parties with controlling interest

Related parties of KK Wind Solutions Holding A/S comprise the parent company A.P. Møller Holding A/S, and its subsidiaries and the Board of Executive of KK Wind Solutions Holding A/S and the registered Executive Board in A.P. MØLLER CHASTINE MCKINNEY MØLLERS FOND TIL ALMENE FORMAAL.

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 A/S 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 parent financial statements are consistent with those applied last year.

Non-comparability

The figures in the income statement for the Group comprise the period from September to December 2019 as the Group was established in September 2019.

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

Accounting policies

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 inventories.

Accounting policies

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 25 years.

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

Acquired intangible assets etc.

Acquired intangible assets etc. comprise acquired intangible assets, completed and development projecs 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

Accounting policies

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.

Acquired intangible assets etc. are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Acquired intangible assets etc. are written down to the lower of recoverable amount and carrying amount.

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 amount.

Accounting policies

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.

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

Accounting policies

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

Cash
Cash comprises cash in hand and bank deposits.

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 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 acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

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.

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.

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.

Accounting policies

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.