
LM Wind Power A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2021

CVR No 76 49 05 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
01/08 2022

Bjarne Sandager Nielsen
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of LM Wind Power A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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

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

Kolding, 1 August 2022

Executive Board

Olivier Gaston René Fontan
CEO

Board of Directors

Bjarne Sandager Nielsen
Chairman

Olivier Gaston René Fontan

Ksenia Valtycheva

Jeppe Bjørn Jørgensen
Staff Representative

Independent Auditor's Report

To the Shareholder of LM Wind Power A/S

Opinion

We have audited the financial statements of LM Wind Power A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management .
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management review

Management is responsible for the management review.

Our opinion on the financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information

Independent Auditor's Report

required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Copenhagen, 1 August 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Lars Siggaard Hansen

State Authorised Public Accountant

mne32208

Company Information

The Company

LM Wind Power A/S
Jupitervej 6
DK-6000 Kolding
Website: www.lmwindpower.com

CVR No: 76 49 05 11
Financial period: 1 January - 31 December
Incorporated: 30 October 1985
Municipality of reg. office: Kolding

Board of Directors

Bjarne Sandager Nielsen, Chairman
Olivier Gaston René Fontan
Ksenia Valtycheva
Jeppe Bjørn Jørgensen

Executive Board

Olivier Gaston René Fontan

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	5,579,671	4,937,431	4,796,662	1,984,773	1,494,416
Gross profit/loss	-410,003	12,661	390,809	-184,498	160,854
Operating profit/loss	-693,658	-456,435	2,467	-570,858	-205,227
Net financials	-119,235	-109,344	172,546	-137,887	521,787
Net profit/loss for the year	-1,249,832	-506,176	146,756	-611,012	271,025
Balance sheet					
Balance sheet total	4,938,437	4,810,266	6,476,399	4,776,104	3,666,515
Equity	-167,697	1,082,135	1,417,524	1,270,768	1,705,274
Investment in property, plant and equipment	17,584	55,767	91,025	44,266	30,222
Number of employees	279	418	501	481	451
Ratios					
Gross margin	-7.3%	0.3%	8.1%	-9.3%	10.8%
Profit margin	-13.9%	-9.7%	-0.1%	-29.3%	-12.4%
Return on assets	-15.7%	-10.0%	-0.1%	-12.2%	-5.1%
Solvency ratio	-3.4%	22.5%	21.9%	26.6%	46.5%
Return on equity	-273.4%	-40.5%	10.9%	-41.1%	18.7%

In 2018, LM Wind Power A/S merged with LM Wind Power International Technology I ApS. Figures for 2018 has been updated accordingly. Comparative figures for 2017 remain unchanged.

In 2021 LM Wind Power A/s merged with LM WP Patent Holding A/S and LM Wind Power International Technology II ApS. Figures for 2020 has been updated accordingly. Comparative figures for 2017 - 2019 remain unchanged.

Management's Review

Key activities

LM Wind Power is the world's leading supplier of components for the wind turbine industry, with its main activity as the development, production and sale of blades to the wind turbine industry.

Development in the year

The income statement of the Company for 2021 shows a loss of TDKK 1,249,832, and at 31 December 2021 the balance sheet of the Company shows negative equity of TDKK 167,697.

The past year and follow-up on development expectations from last year

The company did not meet last year expectations for the 2021 result.

The result for 2021 is negatively impacted by deferred tax impairment, increased warranty reserves, impairment of investment in subsidiaries, increased expenses from Contract Manufacturers. Financial impacts are available in the related notes.

Special risks - operating risks and financial risks

Operating risks

The Company and the group are subject to operating risks in form of risk of warranty claims. The risk is addressed constantly through the Company's quality system and inspections of goods prior to delivery.

Foreign exchange risks

The Company and the group are to some degree exposed towards foreign exchange risks, which are addressed through hedging if deemed necessary.

Targets and expectations for the year ahead

For 2022, Management expect a profit in the range from DKK -200 - 100 million and a revenue in the range from DKK 5,400 - 5,500 million.

Research and development

The Company has research and development activities. Development activities in the group are undertaken by LM Wind Power A/S partially on behalf of intragroup entities holding parts of the connected intellectual property rights.

External environment

Management finds that the Company activities do not impact the external environment materially. As for the activities in the group we refer to the statement on corporate social responsibility.

Management's Review

Intellectual capital resources

As part of the Company activities for the company and the group are to develop, produce and sell highly advanced blades to wind turbines, it is essential that the company can recruit and retain highly qualified personnel, particularly within relevant engineering disciplines.

Statement of corporate social responsibility

The statutory statement of corporate social responsibility is included in our report Sustainability Performance 2021, United Nations Global Compact Principles, Danish Financial Statements Act (DFSA) section 99a, 99b and 99d.

The report is available at:

https://www.lmwindpower.com/sites/default/files/related_documents/LMWP_Sustainability_Report_2021.pdf

Statement on gender composition

The statutory statement on gender composition is included in our report Sustainability Performance 2021, United Nations Global Compact Principles, Danish Financial Statements Act (DFSA) section 99a, 99b and 99d.

The report is available at:

https://www.lmwindpower.com/sites/default/files/related_documents/LMWP_Sustainability_Report_2021.pdf

Data ethics policy

The statutory statement on data ethics policy is included in our report Sustainability Performance 2021, United Nations Global Compact Principles, Danish Financial Statements Act (DFSA) section 99a, 99b and 99d.

The report is available at:

https://www.lmwindpower.com/sites/default/files/related_documents/LMWP_Sustainability_Report_2021.pdf

Uncertainty relating to recognition and measurement

Recognition and measurement in the Financial Statements are subject to uncertainty relating to the connected estimate in the recognition and measurement of warranty provisions as well as ongoing tax inquiries. For further information on the nature of the estimates, refer to note 14 to the Financial Statements. Besides this, no uncertainty exists relating to recognition and measurement in the financial statements.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Revenue	2	5,579,671	4,937,431
Other operating income		0	1,871
Expenses for raw materials and consumables		-4,464,422	-3,379,617
Other external expenses		-1,525,252	-1,547,024
Gross profit/loss		-410,003	12,661
Staff expenses	3	-215,852	-295,894
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-67,803	-171,331
Other operating expenses		-80,422	-26,128
Loss before financial income and expenses		-774,080	-480,692
Result from investments in subsidiaries	5	-206,982	-85,494
Financial income	6	102,412	10,775
Financial expenses	7	-14,665	-34,625
Profit/loss before tax		-893,315	-590,036
Tax on profit/loss for the year	8	-356,517	83,860
Net profit/loss for the year		-1,249,832	-506,176

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Completed development projects		159,175	146,617
Software		7,866	18,076
Goodwill		0	2,940
Development projects in progress		459,714	327,016
Intangible assets	9	626,755	494,649
Land and buildings		0	0
Plant and machinery		14,992	17,202
Other fixtures and fittings, tools and equipment		1,844	17,254
Leasehold improvements		12,174	3,311
Property, plant and equipment in progress		37,905	33,157
Property, plant and equipment	10	66,915	70,924
Investments in subsidiaries	11	1,237,679	1,362,928
Receivables from group enterprises	12	1,285,000	0
Fixed asset investments		2,522,679	1,362,928
Fixed assets		3,216,349	1,928,501
Raw materials and consumables		2,197	3,570
Work in progress		27,764	58,691
Inventories		29,961	62,261
Trade receivables		230,415	220,337
Receivables from group enterprises		1,182,762	2,104,045
Other receivables	13,18	275,514	187,233
Deferred tax asset	14	0	299,688
Prepayments	15	3,283	3,269
Receivables		1,691,974	2,814,572
Cash at bank and in hand		153	4,932
Currents assets		1,722,088	2,881,765
Assets		4,938,437	4,810,266

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		10,000	10,000
Reserve for development costs		482,134	365,142
Retained earnings		-659,831	706,993
Equity		-167,697	1,082,135
Other provisions	16	916,313	633,243
Provisions		916,313	633,243
Prepayments received from customers		124,414	299,721
Deferred income		608,285	675,293
Long-term debt	17	732,699	975,014
Prepayments received from customers	17	70,883	156,769
Trade payables		153,077	66,447
Payables to group enterprises		2,799,077	1,227,178
Corporation tax		9,412	7,357
Other payables	18	205,325	203,937
Deferred income	17,19	219,348	458,186
Short-term debt		3,457,122	2,119,874
Debt		4,189,821	3,094,888
Liabilities and equity		4,938,437	4,810,266
Going concern	1		
Profit appropriation/distribution of loss	20		
Contingent liabilities and other financial obligations	21		
Related parties	22		
Fee to auditors appointed at the general meeting	23		
Accounting Policies	24		
Derivative financial instruments			

Statement of Changes in Equity

	Share capital TDKK	Reserve for development costs TDKK	Retained earnings TDKK	Total TDKK
2021				
Equity at 1 January	10,000	365,142	706,993	1,082,135
Development costs for the year	0	116,992	-116,992	0
Net profit/loss for the year	0	0	-1,249,832	-1,249,832
Equity at 31 December	10,000	482,134	-659,831	-167,697
2020				
Equity 1. januar	10,000	174,533	1,272,166	1,456,699
Net effect from merger and acquisition under the book value method	0	83,495	87,292	170,787
Net effect of correction of material misstatements	0	0	-39,175	-39,175
Adjusted equity at 1 January	10,000	258,028	1,320,283	1,588,311
Development costs for the year	0	107,114	-107,114	0
Net profit/loss for the year	0	0	-506,176	-506,176
Equity at 31 December	10,000	365,142	706,993	1,082,135

Notes to the Financial Statements

1 Going concern

LM Wind Power A/S has realized a loss of TDKK 1,249,832 during 2021, which has caused the Company's equity is in negative position. As of 31 December 2021, the equity had a negative value of TDKK 167,697. The Company expects to recapitalize the equity via future earnings. Further the Company's liquidity is ensured by having continued access to financing from the parent cash pool in 2022, which ultimately also can result in a capital injection if needed to recapitalize the equity.

The Company's short-term liabilities exceed the current assets by TDKK 1,735,034. Excluding the short-term liabilities to group enterprises, current receivables to group enterprises and the deferred income, the current assets exceed the short-term liabilities by TDKK 100,629.

2 Revenue

The revenue can be split into two segments. One segment, where the revenue originates from sale of blades and other products mainly to affiliated entities in the General Electric group and partly to external costumers, and one segment, where the revenue originates from services and royalties received from subsidiaries. There is no major variation in the sales pattern as regards the geographical markets. Therefore, no segment information is disclosed regarding geographical markets with reference to the Danish Financial Statements Act section 96 paragraph 1.

Business segments

	<u>2021</u> TDKK	<u>2020</u> TDKK
Revenue from sale of blades and other products	4,543,814	3,506,801
Revenue from sale of services	1,035,857	1,430,630
	<u>5,579,671</u>	<u>4,937,431</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
3 Staff expenses		
Wages and salaries	201,840	272,738
Pensions	13,916	16,850
Other social security expenses	96	6,306
	<u>215,852</u>	<u>295,894</u>
Including remuneration to the Executive Board and Board of Directors	<u>16,145</u>	<u>8,176</u>
Average number of employees	<u>279</u>	<u>418</u>
According to the Danish Financial Statement's Act section 98B (3), remuneration to the Executive Board and the Board of Directors have been disclosed in total.		
There is no pension obligations for the Executive Board nor the Board of Directors.		
There is no special incentive programmes for the Executive Board nor the Board of Directors.		
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	56,688	100,649
Depreciation of property, plant and equipment	11,115	20,506
Impairment of intangible assets	0	83
Impairment of property, plant and equipment	0	50,093
	<u>67,803</u>	<u>171,331</u>
5 Result from investments in subsidiaries		
Impairment of investments in subsidiaries	-206,982	-85,494
	<u>-206,982</u>	<u>-85,494</u>
6 Financial income		
Interest received from group enterprises	53	1,199
Other financial income	102,359	9,576
	<u>102,412</u>	<u>10,775</u>

Notes to the Financial Statements

	2021 TDKK	2020 TDKK		
7 Financial expenses				
Interest paid to group enterprises	161	683		
Other financial expenses	14,504	33,942		
	14,665	34,625		
8 Tax on profit/loss for the year				
Current tax for the year	70,591	29,802		
Deferred tax for the year	299,689	-105,093		
Adjustment of tax concerning previous years	-13,763	-8,569		
	356,517	-83,860		
9 Intangible assets				
	Completed development projects TDKK	Software TDKK	Goodwill TDKK	Development projects in progress TDKK
Cost at 1 January	694,821	116,758	142,337	327,016
Additions for the year	5,661	5,415	0	247,663
Disposals for the year	-119,828	0	0	-14,653
Transfers for the year	100,312	0	0	-100,312
Cost at 31 December	680,966	122,173	142,337	459,714
Impairment losses and amortisation at 1 January	548,206	98,682	139,398	0
Amortisation for the year	38,124	15,625	2,939	0
Reversal of amortisation of disposals for the year	-64,539	0	0	0
Impairment losses and amortisation at 31 December	521,791	114,307	142,337	0
Carrying amount at 31 December	159,175	7,866	0	459,714

Development projects relate to the development of new versions of Wind Turbine Blades.

Development projects in progress are expected to be completed within 3 years.

Future income from use of the developed technology is assessed to exceed the development costs and the value of a large number of development projects are already supported by customer contracts entered into.

Notes to the Financial Statements

10 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1,179	38,218	82,570	28,085	33,157
Additions for the year	0	827	0	7,966	8,791
Disposals for the year	0	0	-15,828	0	-773
Transfers for the year	0	3,283	-3,283	3,270	-3,270
Cost at 31 December	<u>1,179</u>	<u>42,328</u>	<u>63,459</u>	<u>39,321</u>	<u>37,905</u>
Impairment losses and depreciation at 1 January	1,179	21,016	65,315	24,772	0
Depreciation for the year	0	6,320	2,420	2,375	0
Reversal of impairment and depreciation of sold assets	0	0	-6,120	0	0
Impairment losses and depreciation at 31 December	<u>1,179</u>	<u>27,336</u>	<u>61,615</u>	<u>27,147</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>14,992</u>	<u>1,844</u>	<u>12,174</u>	<u>37,905</u>

11 Investments in subsidiaries

	2021 TDKK	2020 TDKK
Cost at 1 January	1,602,509	1,602,509
Additions for the year	<u>81,733</u>	<u>0</u>
Cost at 31 December	<u>1,684,242</u>	<u>1,602,509</u>
Value adjustments at 1 January	-239,581	-154,087
Impairments for the year	<u>-206,982</u>	<u>-85,494</u>
Value adjustments at 31 December	<u>-446,563</u>	<u>-239,581</u>
Carrying amount at 31 December	<u>1,237,679</u>	<u>1,362,928</u>

Notes to the Financial Statements

11 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows (in TDKK):

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
LM (China) Investment Company Ltd. (2020)	China	100%	1,569,359	479,821
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2018)	China	100%	564,809	134,745
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	116,707	-11,277
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2020)	China	100%	148,178	48,804
LM Wind Power Blades (Fujian) Co., Ltd. (*) (2020)	China	100%	-24,499	-24,072
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2020)	China	100%	232,324	49,434
LM Wind Power Services (Deutschland) GmbH (2020)	Germany	100%	0	0
LM Wind Power Blades (India) Private Ltd. (2020)	India	100%	458,453	147,137
LM Wind Power R&D (Holland) B.V. (2020)	Netherlands	100%	-70,946	3,770
LM Wind Power Blades (France) S.A (2020)	France	100%	73,259	13,621
LM Wind Power do Brasil S.A. (2019)	Brazil	100%	80,449	-33,904
LM Wind Power Blades (Poland) Sp. z o.o. (2020)	Poland	100%	519,795	1,805
LM Wind Power Turkey San. VE TIC.A.S. (*) (2020)	Turkey	2%	222,378	21,560
LM Wind Power Blades (Canada) Inc. (**)	Canada	100%	0	0
4305825 Canada Inc. (**)	Canada	100%	0	0
LM Wind Power UK Ltd. (*) (2020)	UK	100%	56,804	-27
Blades Dynamics Tidal Energy Ltd. (*) (2020)	UK	100%	1	0
Blades Dynamics Limited Liability Limited Partnership (*) (**)	US	100%	0	0

All foreign subsidiaries are recognised and measured as separate entities.

12 Other fixed asset investments

	Receivables from group enterprises TDKK
Cost at 1 January	0
Additions for the year	1,285,000
Cost at 31 December	1,285,000
Carrying amount at 31 December	1,285,000

The loan matures in 2023.

Notes to the Financial Statements

13 Other receivables

Other receivables amounts to TDKK 275,514 (2020: TDKK 187,233). Of this TDKK 13,699 (2020: TDKK 14,652) are expected to be settled after 12 months.

	2021 TDKK	2020 TDKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January	-299,688	-230,104
Amounts recognised in the income statement for the year	299,688	-105,093
Amounts recognised in the Statement of Changes in Equity	0	35,509
Provision for deferred tax at 31 December	0	-299,688

In 2021 the Company's deferred tax asset was impaired as it is not expected to be realized in the near future.

15 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

16 Other provisions

TDKK 628,821 of other provisions relate to warranty provision. TDKK 254,050 relate to ongoing tax inquiries.

TDKK 31,888 relate to onerous contracts. The remaining TDKK 1,550 relate to litigation reserve.

As for the warranty provision, the Company provides warranties of 1 to 5 years on its products and is therefore obliged to repair or replace goods. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

As for the ongoing tax inquiry provision, Management has made an assessment of the outcome and provided for this.

Other provisions	916,313	633,243
	916,313	633,243

Notes to the Financial Statements

17 Long-term debt

	2021	2020
	TDKK	TDKK
Prepayments received from customers		
Between 1 and 5 years	124,414	299,721
Long-term part	124,414	299,721
Other prepayments from customers	70,883	156,769
	195,297	456,490
Deferred income		
Between 1 and 5 years	608,285	675,293
Long-term part	608,285	675,293
Within 1 year	0	0
Other deferred income	219,348	458,186
	827,633	1,133,479

18 Derivative financial instruments

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

	2021	2020
	TDKK	TDKK
Other receivables	188,469	159,067
Other payables	142,270	103,094

Forward contracts have been entered in order to hedge the FX exposures of LM Wind Power A/S. LM Wind Power A/S is exposed to EUR, USD and CNH. On the supply side, LM Wind Power A/S is hedging EUR, USD and CNH disbursements, both to internal and external suppliers. On the collection side, the hedges are for collections from customers. The hedges are placed on a quarterly basis for a rolling 12 months period.

Notes to the Financial Statements

19 Deferred income

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

	2021 TDKK	2020 TDKK
20 Profit appropriation/distribution of loss		
Retained earnings	-1,249,832	-506,176
	-1,249,832	-506,176

21 Contingent liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	21,536	19,478
Between 1 and 5 years	32,542	43,797
After 5 years	5,706	8,658
	59,784	71,933

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. LM Group Holding A/S is the management company of the joint taxation. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

As at 31 December 2021, the Company issued bank guarantees for customers for a total of DKK 162 million.

As at 31 December 2021, the Company issued guarantees towards trading partners for subsidiary entities for a total of DKK 265 million.

The company has ongoing tax inquiries that may lead to future cash outflows. Management has assessed the outcome and provided for this as part of other provisions.

Notes to the Financial Statements

22 Related parties

	<u>Basis</u>
Controlling interest	
LM Group Holding A/S	Holds 100% of the capital

Transactions

During the year, the Company had the following transactions with group entities:

Sale of goods to group enterprises amounts to TDKK 3,142,097 (TDKK 2,622,435 in 2020).

Sale of services to group enterprises amounts to TDKK 821,675 (TDKK 1,196,344 in 2020).

Purchase of goods from group enterprises amounts to TDKK 3,661,642 (TDKK 3,182,683 in 2020).

Purchase of services from group enterprises amounts to TDKK 1,410,988 (TDKK 1,552,624 in 2020).

Write down on investments in group enterprises amounts to TDKK 206,982 in 2021 (TDKK 87,745 in 2020 for write down on investments in group enterprises and receivables from group enterprises), and accumulated TDKK 486,372 as of 31 December 2021 (TDKK 279,390 as of 31 December 2020).

Refer to note 3 for reference to remuneration to Management.

No dividend has been received from subsidiaries in 2021 or 2020.

Refer to note 11 for reference to additions in subsidiaries in 2021. No additions to investments have been recognised in 2020.

Refer to note 6 and 7 for reference to disclosure of financial income and financial expenses to/from group entities.

For reference to balances with group entities, please refer to the balance sheet.

Notes to the Financial Statements

22 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

<u>Name</u>	<u>Place of registered office</u>
General Electric Company	Boston, MA 02210, USA

The Group Annual Report of General Electric Company may be obtained at the following address:

General Electric Company, 41 Farnsworth Street, Boston, Massachusetts, 02210, USA.

General Electric Company prepares consolidated financial statements for the smallest and biggest Group, in which LM Wind Power A/S is a subsidiary.

The Group Annual Report of the parent company is available at www.ge.com.

	<u>2021</u>	<u>2020</u>
	<u>TDKK</u>	<u>TDKK</u>
23 Fee to auditors appointed at the general meeting		
Deloitte		
Audit fee	<u>1,475</u>	<u>0</u>
	<u>1,475</u>	<u>0</u>
KPMG		
Audit fee	<u>0</u>	<u>2,025</u>
	<u>0</u>	<u>2,025</u>
	<u>1,475</u>	<u>2,025</u>

In 2021 the Local audit costs are charged directly to LM Wind Power A/S, while central audit costs impacting the Company (TDKK 602) are charged to GE Renewables Headquarters.

Notes to the Financial Statements

24 Accounting Policies

The Annual Report of LM Wind Power A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

In 2021 LM Wind Power A/S merged with the subsidiaries LM WP Patent Holding A/S and LM Wind Power International Technology II ApS. The merger has effect from 1 January 2021. Comparative figures for 2020 has been updated.

The Financial Statements for 2021 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of General Electric Company, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of General Electric Company, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

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

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

Notes to the Financial Statements

24 Accounting Policies (continued)

Business combinations

Pooling of interests

Intragroup mergers

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Translation policies

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

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

Derivative financial instruments

Interest rate swap, forward exchange contracts and other derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Negative fair values from derivative financial instruments are recognised under liabilities and positive fair values are recognised under assets.

Changes in fair value of interest swaps and other derived financial instruments included to secure future interest payments and acquisition and sales transactions are recognised directly in the equity. Earnings and costs concerning such hedging transactions are transferred from equity upon realisation of the item hedged and recognised in the same accounts entry as the item.

For derived financial instruments which do not fulfill the conditions for hedged instruments, the changes in fair value are recognised periodically into the income statement under financial items.

Notes to the Financial Statements

24 Accounting Policies (continued)

Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments, while geographical segments are not disclosed as there is no major variation in the sales pattern as regards the geographical markets.

Income Statement

Revenue

Revenues from the sale of goods and services are recognised when the risks and rewards relating to the goods and services sold have been transferred to the purchaser, the revenues can be measured reliably and it is probable that the economic benefits relating to the sales will flow to the Company. LM Wind Power A/S is operating as Principal in the LM Group and the factories are operating as contract manufacturers.

Revenues are measured at the fair value of the agreed considerations excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment.

Notes to the Financial Statements

24 Accounting Policies (continued)

Other operating income and expenses

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

Result from investments in subsidiaries

Result from investments in subsidiaries comprises dividends from subsidiaries recognised as income in the income statement when adopted at the General Meeting of the subsidiary and impairment losses on investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years due to the Company's long time customer relationship and product lifetime etc.

Software licences are measured at cost less accumulated amortisation and recoverable amount. Software licences are amortised over the licence period; however not exceeding 5 years.

Development costs are measured at costs which include wages and other costs directly or indirectly

Notes to the Financial Statements

24 Accounting Policies (continued)

attributed to development activities. Clearly defined and identifiable development projects in which the degree of technical utilization rate, sufficient resources and a potential market or potential use can be demonstrated, and when there is an intention to produce, sell or use the project, are recognised as intangible assets, providing the cost price can be reliably established, and if there is sufficient certainty that present value of future earnings can cover production, sales and administration costs, plus development costs.

Recognised development costs are amortized on a straight line basis after completion of the development work over the expected economic life from the time the asset is ready for use. The amortisation period is 3-6 years.

Property, plant and equipment

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

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

When individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

Buildings	25 years
Plant and machinery	2 - 10 years
Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	2 - 10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Impairment of fixed assets

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

Notes to the Financial Statements

24 Accounting Policies (continued)

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

Investments in subsidiaries

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

Other fixed asset investments

Other fixed asset investments consist of long term contract with companies in the group.

Inventories

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

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

The cost of goods for resale, raw materials and consumables covers all direct costs related to purchase, including transport costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

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

Prepayments

Prepayments are measured on the balance sheet at amortised cost. Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions etc.

Equity

Reserve for development costs

A reserve for development costs is established based on capitalized development costs after 1 January 2016 less deferred tax related to these costs. The reserve is reduced through disposals, amortization and impairment of development costs and change in deferred tax related to development costs.

Notes to the Financial Statements

24 Accounting Policies (continued)

Provisions

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty provisions and provisions for ongoing tax inquiries.

Warranty commitments covers obligations to repair blades delivered during their guarantee period. A general provision is made based on actual warranty costs and expected future costs. In addition, individual provisions are made to cover retrofit costs. No discounting of provisions is made for future warranty costs.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Deferred income

Deferred income is measured at amortised cost. Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

24 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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