
LM Wind Power A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2022

CVR No 76 49 05 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1 /8 2023

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 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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 2023

Executive Board

Olivier Gaston René Fontan
CEO

Board of Directors

Bjarne Sandager Nielsen
Chairman

Olivier Gaston René Fontan

Ignazio Alessandro Imburgia

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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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's Review

Management is responsible for the Management's Review.

Our opinion on the financial statements does not cover the Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's 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's 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's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 1 August 2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Lars Siggaard Hansen
State Authorised Public Accountant
mne32208

Maartin Pieper
State Authorised Public Accountant
mne44063

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
Ignazio Alessandro Imburgia
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:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	4,768,901	5,579,671	4,937,431	4,796,662	1,984,773
Gross profit/loss	-1,054,555	-410,003	12,661	390,809	-184,498
Operating profit/loss	-1,379,828	-693,658	-456,435	2,467	-570,858
Net financials	5,178	-119,235	-109,344	172,546	-137,887
Net profit/loss for the year	-1,356,954	-1,249,832	-506,176	146,756	-611,012
Balance sheet					
Balance sheet total	4,631,090	4,938,437	4,810,266	6,476,399	4,776,104
Equity	-1,495,523	-167,697	1,082,135	1,417,524	1,270,768
Investment in property, plant and equipment	8,741	17,584	56,767	91,025	44,266
Number of employees	269	279	418	501	481
Ratios					
Gross margin	-22.1%	-7.3%	0.3%	8.1%	-9.3%
Profit margin	-29.1%	-13.9%	-9.7%	-0.1%	-29.3%
Return on assets	-30.0%	-15.7%	-10.0%	-0.1%	-12.2%
Solvency ratio	-32.3%	-3.4%	22.5%	21.9%	26.6%
Return on equity	N/A	-273.4%	-40.5%	10.9%	-41.1%

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

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 2018 - 2019 remain unchanged.

Management's Review

Key activities

LM Wind Power is one of 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 2022 shows a loss of TDKK 1,356,954, and at 31 December 2022 the balance sheet of the Company shows negative equity of TDKK 1,495,523.

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

The company did not meet last year expectations for the 2022 result.

The result for 2022 is negatively impacted by the decrease in revenue, increased warranty expenses and costs rising from our affiliated contract manufacturers facing inflationary pressures.

Capital resources

On 23 June 2023 the Company received a group contribution from the Parent entity LM Group Holding A/S in the amount of TDKK 2,520,000 securing a positive equity.

Further the Company's ability to continue to finance business operations is ensured by having continued access to financing from the parent cash pool in 2023.

The Company's short-term liabilities exceed the current assets by TDKK 3,467,773. 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 184,283.

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 2023, Management expect a loss in the range from DKK 500 - 1000 million and a revenue in the range from DKK 3,500 - 4,000 million.

Management's Review

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.

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 cf. Danish Financial Statements Act section 99a

The statutory statement of corporate social responsibility is included in our Sustainability Report 2022 and is available at:

www.lmwindpower.com/sites/default/files/related_documents/LM_Sustainability_Report_2022.pdf

Statement on gender composition of management cf. Danish Financial Statements Act section 99b

The statutory statement on gender composition in management is included in our Sustainability Report 2022 and is available at:

www.lmwindpower.com/sites/default/files/related_documents/LM_Sustainability_Report_2022.pdf

Statement on data ethics policy cf. Danish Financial Statements Act section 99d

At LM Wind Power, all data are business critical, and we will not consider sharing, selling or otherwise use the data for anything but the purpose of their existence. As such, we do not currently see a need to author and maintain a policy, but we will re-evaluate on an annual basis.

While we do not have a data ethics policy, we maintain a well-structured information security and data protection scheme which is described in our Sustainability Report 2022 available at:

www.lmwindpower.com/sites/default/files/related_documents/LM_Sustainability_Report_2022.pdf

Management's Review

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

As mentioned above, on 23 June 2023 the Company received a group contribution from the Parent entity LM Group Holding A/S in the amount of TDKK 2,520,000 securing a positive equity. No other event which is materially affecting the assessment of the Annual Report has occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
Revenue	2	4,768,901	5,579,671
Expenses for raw materials and consumables		-3,892,483	-4,464,422
Other external expenses		-1,930,973	-1,525,252
Gross profit/loss		-1,054,555	-410,003
Staff expenses	3	-218,309	-215,852
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-106,964	-67,803
Other operating expenses		-9,118	-80,422
Loss before financial income and expenses		-1,388,946	-774,080
Result from investments in subsidiaries	5	0	-206,982
Financial income	6	74,545	102,412
Financial expenses	7	-69,367	-14,665
Profit/loss before tax		-1,383,768	-893,315
Tax on profit/loss for the year	8	26,814	-356,517
Net profit/loss for the year		-1,356,954	-1,249,832

Balance Sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		333,734	159,175
Software		3,294	7,866
Development projects in progress		469,828	459,714
Intangible assets	9	806,856	626,755
Land and buildings		0	0
Plant and machinery		39,573	14,992
Other fixtures and fittings, tools and equipment		3,022	1,844
Leasehold improvements		8,193	12,174
Property, plant and equipment in progress		14,533	37,905
Property, plant and equipment	10	65,321	66,915
Investments in subsidiaries	11	1,313,192	1,237,679
Receivables from group enterprises	12	1,285,000	1,285,000
Fixed asset investments		2,598,192	2,522,679
Fixed assets		3,470,369	3,216,349
Raw materials and consumables		1,370	2,197
Work in progress		45,171	27,764
Inventories		46,541	29,961
Trade receivables		225,004	230,415
Receivables from group enterprises		579,070	1,182,762
Other receivables	13,18	202,544	275,514
Corporation tax		11,000	0
Prepayments	15	13,847	3,283
Receivables		1,031,465	1,691,974
Cash at bank and in hand		82,715	153
Currents assets		1,160,721	1,722,088
Assets		4,631,090	4,938,437

Balance Sheet 31 December

Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital		10,000	10,000
Reserve for development costs		626,778	482,134
Retained earnings		-2,132,301	-659,831
Equity		-1,495,523	-167,697
Other provisions	16	775,624	916,313
Provisions		775,624	916,313
Prepayments received from customers		127,621	124,414
Deferred income		594,874	608,285
Long-term debt	17	722,495	732,699
Prepayments received from customers	17	10,963	70,883
Trade payables		196,627	153,077
Payables to group enterprises		3,983,812	2,799,077
Corporation tax		0	9,412
Other payables	18	189,778	205,325
Deferred income	17,19	247,314	219,348
Short-term debt		4,628,494	3,457,122
Debt		5,350,989	4,189,821
Liabilities and equity		4,631,090	4,938,437
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	18		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
2022				
Equity at 1 January	10,000	482,134	-659,831	-167,697
Contribution from group	0	0	29,128	29,128
Development costs for the year	0	144,644	-144,644	0
Net profit/loss for the year	0	0	-1,356,954	-1,356,954
Equity at 31 December	10,000	626,778	-2,132,301	-1,495,523
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

Notes to the Financial Statements

1 Going concern

LM Wind Power A/S has realized a loss of TDKK 1,356,954 during 2022, which has caused the Company's equity to be negative by TDKK 1,495,523 as of 31 December 2022. On 23 June 2023 the Company received a group contribution from the Parent entity LM Group Holding A/S in the amount of TDKK 2,520,000 securing a positive equity.

Further the Company's ability to continue to finance business operations is ensured by having continued access to financing from the parent cash pool in 2023.

The Company's short-term liabilities exceed the current assets by TDKK 3,467,773. 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 184,283.

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>2022</u> TDKK	<u>2021</u> TDKK
Revenue from sale of blades and other products	3,931,863	4,543,814
Revenue from sale of services	837,038	1,035,857
	<u>4,768,901</u>	<u>5,579,671</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
3 Staff expenses		
Wages and salaries	201,843	201,840
Pensions	14,932	13,916
Other social security expenses	1,534	96
	<u>218,309</u>	<u>215,852</u>
Including remuneration to the Executive Board and Board of Directors	<u>8,522</u>	<u>16,145</u>
Average number of employees	<u>269</u>	<u>279</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.		
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	97,862	56,688
Depreciation of property, plant and equipment	9,102	11,115
	<u>106,964</u>	<u>67,803</u>
5 Result from investments in subsidiaries		
Impairment of investments in subsidiaries	0	-206,982
	<u>0</u>	<u>-206,982</u>
6 Financial income		
Interest received from group enterprises	7,532	53
Other financial income	67,013	102,359
	<u>74,545</u>	<u>102,412</u>

Notes to the Financial Statements

	2022 <u>TDKK</u>	2021 <u>TDKK</u>	
7 Financial expenses			
Interest paid to group enterprises	9,337	161	
Other financial expenses	<u>60,030</u>	<u>14,504</u>	
	<u>69,367</u>	<u>14,665</u>	
8 Tax on profit/loss for the year			
Current tax for the year	-362	70,591	
Deferred tax for the year	0	299,689	
Adjustment of tax concerning previous years	<u>-26,452</u>	<u>-13,763</u>	
	<u>-26,814</u>	<u>356,517</u>	
9 Intangible assets			
	Completed development projects <u>TDKK</u>	Software <u>TDKK</u>	Development projects in progress <u>TDKK</u>
Cost at 1 January	680,966	122,172	459,714
Additions for the year	16,641	0	269,461
Disposals for the year	-22,606	0	-2,119
Transfers for the year	<u>257,228</u>	<u>0</u>	<u>-257,228</u>
Cost at 31 December	<u>932,229</u>	<u>122,172</u>	<u>469,828</u>
Impairment losses and amortisation at 1 January	521,791	114,306	0
Amortisation for the year	93,290	4,572	0
Reversal of amortisation of disposals for the year	<u>-16,586</u>	<u>0</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>598,495</u>	<u>118,878</u>	<u>0</u>
Carrying amount at 31 December	<u>333,734</u>	<u>3,294</u>	<u>469,828</u>

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	42,328	63,460	39,321	37,907
Additions for the year	0	0	0	0	8,741
Disposals for the year	0	-2,217	0	0	-255
Transfers for the year	0	29,590	2,270	0	-31,860
Cost at 31 December	1,179	69,701	65,730	39,321	14,533
Impairment losses and depreciation at 1 January	1,179	27,336	61,615	27,147	0
Depreciation for the year	0	4,029	1,093	3,981	0
Reversal of impairment and depreciation of sold assets	0	-1,237	0	0	0
Impairment losses and depreciation at 31 December	1,179	30,128	62,708	31,128	0
Carrying amount at 31 December	0	39,573	3,022	8,193	14,533

11 Investments in subsidiaries

	2022 TDKK	2021 TDKK
Cost at 1 January	1,684,242	1,602,509
Additions for the year	75,513	81,733
Cost at 31 December	1,759,755	1,684,242
Value adjustments at 1 January	-446,563	-239,581
Impairments for the year	0	-206,982
Value adjustments at 31 December	-446,563	-446,563
Carrying amount at 31 December	1,313,192	1,237,679

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. (2021)	China	100%	1,471,947	152,185
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2021)	China	100%	617,667	63,281
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	114,553	-11,069
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2021)	China	100%	80,264	-65,155
LM Wind Power Blades (Fujian) Co., Ltd. (*) (2021)	China	100%	-55,583	-31,537
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2021)	China	100%	4,545	-172,961
LM Wind Power Blades (India) Private Ltd. (2022)	India	100%	582,421	136,768
LM Wind Power R&D (Holland) B.V. (2021)	Netherlands	100%	-68,445	2,496
LM Wind Power Blades (France) S.A (2021)	France	100%	153,589	80,330
LM Wind Power do Brasil S.A. (2020)	Brazil	100%	-23,654	-115,282
LM Wind Power Blades (Poland) Sp. z o.o. (2021)	Poland	100%	556,795	46,413
LM Wind Power Turkey San. VE TIC.A.S. (*) (2021)	Turkey	2%	265,174	-1,647
LM Wind Power Blades (Canada) Inc. (**)	Canada	100%	0	0
4305825 Canada Inc. (**)	Canada	100%	0	0
LM Wind Power UK Ltd. (*) (2021)	UK	100%	59,914	2,516
Blades Dynamics Tidal Energy Ltd. (*) (2020)	UK	100%	1	0
Blades Dynamics Limited Liability Limited Partnership (*) (**)	US	100%	0	0
LM Wind Power Blades Mexico, S. de R.L. de C.V. (**)		99%	0	0

The voting rights in LM Wind Power Turkey San. VE TIC.A.S. are 100% even though ownership is 2%.

Year figures in brackets indicate the year for the most recent published annual report.

Subsidiaries marked with a * are indirectly owned by LM Wind Power A/S.

For subsidiaries marked with ** there are no published annual reports.

Notes to the Financial Statements

12 Other fixed asset investments

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

The loan matures in 2024.

13 Other receivables

Other receivables amounts to TDKK 202,628 (2021: TDKK 275,514). Of this TDKK 0 (2021: TDKK 13,699) are expected to be settled after 12 months.

14 Deferred tax asset

	2022	2021
	TDKK	TDKK
Deferred tax asset at 1 January	0	-299,688
Amounts recognised in the income statement for the year	0	299,688
Deferred tax asset at 31 December	<u>0</u>	<u>0</u>

The Company has a contingent asset in form of a deferred tax asset that has not been capitalised. The calculated amount of the deferred tax asset is DKK 760 million before impairment. The deferred tax asset is considered impaired as the deferred tax asset is not expected to be realized in the near future.

15 Prepayments

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

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
16 Other provisions		
<p>TDKK 500,831 (TDKK 628,821 in 2021) of other provisions relate to warranty provision. TDKK 245,677 (TDKK 254,050 in 2021) relate to ongoing tax inquiries. TDKK 27,566 (TDKK 31,888 in 2021) relate to onerous contracts, and TDKK 1,551 (TDKK 1550 in 2021) relate to other provision.</p> <p>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.</p> <p>As for the ongoing tax inquiry provision, Management has made an assessment of the outcome and provided for this.</p>		
Other provisions	<u>775,624</u>	<u>916,313</u>
	<u>775,624</u>	<u>916,313</u>
17 Long-term debt		
Prepayments received from customers		
Between 1 and 5 years	<u>127,621</u>	<u>124,414</u>
Long-term part	<u>127,621</u>	<u>124,414</u>
Other prepayments from customers	<u>10,963</u>	<u>70,883</u>
	<u>138,584</u>	<u>195,297</u>
Deferred income		
Between 1 and 5 years	<u>594,874</u>	<u>608,285</u>
Long-term part	<u>594,874</u>	<u>608,285</u>
Within 1 year	0	0
Other deferred income	<u>247,314</u>	<u>219,348</u>
	<u>842,188</u>	<u>827,633</u>

Deferred income consists of payments from customers for setting up the production of blades to be delivered in subsequent years.

Notes to the Financial Statements

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:

	<u>2022</u> TDKK	<u>2021</u> TDKK
Other receivables	131,755	188,469
Other payables	114,813	142,270

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.

19 Deferred income

Deferred income consists of payments from customers for setting up the production of blades to be delivered in subsequent years.

	<u>2022</u> TDKK	<u>2021</u> TDKK
20 Profit appropriation/distribution of loss		
Retained earnings	<u>-1,356,954</u>	<u>-1,249,832</u>
	-1,356,954	-1,249,832

21 Contingent liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	20,286	21,536
Between 1 and 5 years	27,048	32,542
After 5 years	<u>2,613</u>	<u>5,706</u>
	<u>49,947</u>	<u>59,784</u>

Notes to the Financial Statements

21 Contingent liabilities and other financial obligations (continued)

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 2022, the Company issued bank guarantees for customers for a total of DKK 41 million.

As at 31 December 2022, the Company issued guarantees towards trading partners for subsidiary entities for a total of DKK 184 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.

22 Related parties

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

Notes to the Financial Statements

22 Related parties (continued)

Transactions

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

Sale of goods to group enterprises amounts to TDKK 2,533,465 (TDKK 3,142,097 in 2021).

Sale of services to group enterprises amounts to TDKK 806,872 (TDKK 821,675 in 2021).

Purchase of goods from group enterprises amounts to TDKK 3,989,570 (TDKK 3,661,642 in 2021).

Purchase of services from group enterprises amounts to TDKK 1,623,058 (TDKK 1,410,988 in 2021).

Group contribution from parent entity amounts to TDKK 29,128 (TDKK 0 in 2021).

Refer to note 3 for reference to remuneration to Management.

Refer to note 11 for reference to additions in subsidiaries in 2022 and 2021.

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.

23 Fee to auditors appointed at the general meeting

Deloitte

Audit fee

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
	1,475	1,475
	<u>1,475</u>	<u>1,475</u>

Notes to the Financial Statements

24 Accounting Policies

The Annual Report of LM Wind Power A/S for 2022 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.

The Financial Statements for 2022 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)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$