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# ***LM Wind Power A/S***

Jupitervej 6, DK-6000 Kolding

## **Annual Report for 1 January - 31 December 2019**

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CVR No 76 49 05 11

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
1 /10 2020

Peder Toft 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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the result for the year and of the Company's financial position.

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

Kolding, 1 October 2020

## Executive Board

Olivier Gaston René Fontan  
CEO

## Board of Directors

Bjarne Sandager Nielsen  
Chairman

Olivier Gaston René Fontan

Ksenia Valtycheva

Rene Kampen Schröder  
Staff Representative

Jeppé 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 1 January - 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events 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 during 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 Statement Act. We did not identify any material misstatement of the Management's review.

Kolding, 1 October 2020

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Nikolaj Møller Hansen

State Authorised Public Accountant

mne33220

## **Company Information**

### **The Company**

LM Wind Power A/S  
Jupitervej 6  
DK-6000 Kolding  
Website: [www.lmwindpower.com](http://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  
Rene Kampen Schrøder  
Jeppe Bjørn Jørgensen

### **Executive Board**

Olivier Gaston René Fontan

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Jupitervej 4, st.  
DK-6000 Kolding

## Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	4,750,104	1,984,773	1,494,416	1,183,664	675,767
Gross profit/loss	440,281	-184,498	160,854	759,361	424,416
Operating profit/loss	52,692	-570,858	-205,227	342,115	70,717
Net financials	172,546	-137,887	521,787	328,526	270,985
Net profit/loss for the year	185,931	-611,012	271,025	663,873	266,320
<b>Balance sheet</b>					
Balance sheet total	6,382,172	4,776,104	3,666,515	4,039,223	2,609,218
Equity	1,456,699	1,270,768	1,705,274	1,189,050	781,153
Investment in property, plant and equipment	91,025	44,266	30,222	180,946	19,697
Number of employees	501	481	451	399	366
<b>Ratios</b>					
Gross margin	9.3%	-9.3%	10.8%	64.2%	62.8%
Profit margin	1.0%	-29.3%	-12.4%	35.2%	17.5%
Return on assets	0.7%	-12.2%	-5.1%	10.3%	4.5%
Solvency ratio	22.8%	26.6%	46.5%	29.4%	29.9%
Return on equity	13.6%	-41.1%	18.7%	67.4%	42.5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In 2017, a transition to the Danish Financial Statement's Act from IFRS was done. With reference to The Financial Statements Act section 101 part 3 the comparative figures for 2015 have not been restated.

In 2018, LM Wind Power A/S merged with LM Wind Power International Technology I ApS. Figures for 2018 has been updated accordingly to reflect the book-value method applied in measuring the intragroup merger. Comparative figures for 2015 - 2017 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 2019 shows a profit of TDKK 185,931, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 1,456,699.

The increased profitability mainly originates from reversal of warranty provisions and increased revenue, which is though partly offset by increased payment of manufacturing fees to production plants in subsidiaries.

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

The company has met last year expectations for the 2019 result.

The company activities were in line with prior year activities and the group activities were expanded as expected.

## **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.

# Management's Review

## Targets and expectations for the year ahead

For 2020, Management expect a profit in the range from DKK 0 - 50 million.

The commercial success of LM Wind Power 107 meter blade was confirmed in 2020. On 18 June 2020, GE Renewable Energy received a provisional type certificate from DNV-GL for the Haliade-X, the world largest wind turbine. On the same day, LM Wind Power announced hiring another 250 employees for the factory in France to increase production of these very large blades.

On 21 September 2020, GE Renewable Energy announced the finalization of the supply contracts with Dogger Bank Wind Farm to supply 190 Haliade-X units. In total, GE has been selected as the preferred wind turbine for projects in the US and UK totaling 4.8 GW.

The group's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak.

Before the COVID-19 outbreak, Management expected an increase in net profit for the Group and the Company for 2020 as compared to 2019. However, the COVID-19 outbreak has already affected the global markets for wind turbines in 2020 and a number of the subsidiary plants have been partially closed during the spring and summer due to the outbreak.

Even though the plants have been re-opened, this will have a negative impact on both revenue and net profit for 2020 for the Group and the Company.

In addition, Management has announced the closing of production facilities in Denmark to take place in 2020, which will also have a negative impact on the profit for 2020 for the Company, but a positive impact going forward.

For further information, refer to the section Subsequent events.

## 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 does not materially impact the external environment. 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 available at:  
<https://www.lmwindpower.com/en/sustainability/reporting>

## Statement on gender composition

The statutory statement on gender composition is available at:  
<https://www.lmwindpower.com/en/sustainability/reporting>

## 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 16 to the Financial Statements.

## Subsequent events

On 24 February 2020, the Management Team has announced its intention to close the Pilot Plant and Mold Production facilities in Denmark, as well as to reorganize the local Engineering function, transferring some engineering resources to our plants and focus the Technology Center in Denmark around new technologies. Approximately 200 employees in Denmark are potentially affected.

On 11 March 2020, COVID-19 has been declared a pandemic by the World Health Organization, and most governments are taking restrictive measures to contain its further spread affecting free movement of people and goods.

These events, which occurred subsequent to the balance sheet date, together are material without requiring any adjustments in these Financial Statements.

As for the estimated impact for the financial year 2020, please refer to the section "Targets and expectations for the year ahead" in the Management's Review.

Refer to note 1 for disclosure related to subsequent events.

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

## Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
<b>Revenue</b>	2	<b>4,750,104</b>	<b>1,984,773</b>
Other operating income		598	16,880
Expenses for raw materials and consumables		-3,018,068	-811,346
Other external expenses		-1,292,353	-1,374,805
<b>Gross profit/loss</b>		<b>440,281</b>	<b>-184,498</b>
Staff expenses	3	-310,423	-290,697
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-76,568	-78,783
Other operating expenses		-7,289	-27,097
<b>Profit/loss before financial income and expenses</b>		<b>46,001</b>	<b>-581,075</b>
Result from investments in subsidiaries	5	200,718	-124,696
Financial income	6	10,205	28,638
Financial expenses	7	-38,377	-41,829
<b>Profit/loss before tax</b>		<b>218,547</b>	<b>-718,962</b>
Tax on profit/loss for the year	8	-32,616	107,950
<b>Net profit/loss for the year</b>		<b>185,931</b>	<b>-611,012</b>

# Balance Sheet 31 December

## Assets

	Note	2019 TDKK	2018 TDKK
Completed development projects		128,125	195,238
Software		27,310	41,613
Goodwill		9,998	17,056
Development projects in progress		107,325	33,450
<b>Intangible assets</b>	9	<b>272,758</b>	<b>287,357</b>
Land and buildings		336	350
Plant and machinery		23,421	32,645
Other fixtures and fittings, tools and equipment		37,221	3,558
Leasehold improvements		5,147	6,893
Property, plant and equipment in progress		77,850	23,837
<b>Property, plant and equipment</b>	10	<b>143,975</b>	<b>67,283</b>
Investments in subsidiaries	11	1,911,594	1,703,372
Other investments	12	7,623	0
<b>Fixed asset investments</b>		<b>1,919,217</b>	<b>1,703,372</b>
<b>Fixed assets</b>		<b>2,335,950</b>	<b>2,058,012</b>
Raw materials and consumables		26,190	13,515
Work in progress		181,843	359,143
Finished goods and goods for resale		193,077	7,228
<b>Inventories</b>		<b>401,110</b>	<b>379,886</b>
Trade receivables		163,070	153,464
Receivables from group enterprises		3,187,061	1,892,429
Other receivables	13	62,847	50,083
Deferred tax asset	14	219,054	225,872
Prepayments	15	1,745	12,402
<b>Receivables</b>		<b>3,633,777</b>	<b>2,334,250</b>
<b>Cash at bank and in hand</b>		<b>11,335</b>	<b>3,956</b>
<b>Currents assets</b>		<b>4,046,222</b>	<b>2,718,092</b>
<b>Assets</b>		<b>6,382,172</b>	<b>4,776,104</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		10,000	10,000
Reserve for development costs		174,533	150,790
Retained earnings		1,272,166	1,109,978
<b>Equity</b>		<b>1,456,699</b>	<b>1,270,768</b>
Other provisions	16	604,109	1,012,242
<b>Provisions</b>		<b>604,109</b>	<b>1,012,242</b>
Other payables		11,499	0
<b>Long-term debt</b>	17	<b>11,499</b>	<b>0</b>
Prepayments received from customers		816,668	85,162
Trade payables		125,556	97,971
Payables to group enterprises		1,583,726	970,486
Corporation tax		11,176	10,538
Other payables	17	156,499	163,369
Deferred income	18	1,616,240	1,165,568
<b>Short-term debt</b>		<b>4,309,865</b>	<b>2,493,094</b>
<b>Debt</b>		<b>4,321,364</b>	<b>2,493,094</b>
<b>Liabilities and equity</b>		<b>6,382,172</b>	<b>4,776,104</b>
Subsequent events	1		
Profit appropriation/distribution of loss	19		
Contingent liabilities and other financial obligation	20		
Related parties	21		
Fee to auditors appointed at the general meeting	22		
Derivative financial instruments	23		
Accounting Policies	24		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	10,000	150,790	1,109,978	1,270,768
Development costs for the year	0	23,743	-23,743	0
Net profit/loss for the year	0	0	185,931	185,931
<b>Equity at 31 December</b>	<b><u>10,000</u></b>	<b><u>174,533</u></b>	<b><u>1,272,166</u></b>	<b><u>1,456,699</u></b>

# Notes to the Financial Statements

## 1 Subsequent events

On 24 February 2020, the Management Team has announced its intention to close the Pilot Plant and Mold Production facilities in Denmark, as well as to reorganize the local Engineering function, transferring some engineering resources to our plants and focus the Technology Center in Denmark around new technologies. Approximately 200 employees in Denmark are potentially affected.

On 11 March 2020, COVID-19 has been declared a pandemic by the World Health Organization, and most governments are taking restrictive measures to contain its further spread affecting free movement of people and goods.

These events, which occurred subsequent to the balance sheet date, together are material without requiring any adjustments in these Financial Statements.

Refer to commentary in management's Review.

As for the estimated impact for the financial year 2020, please refer to the section "Targets and expectations for the year ahead" in the Management's Review.

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

## 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 informations are disclosed regarding geographical markets with reference to the Danish Financial Statements Act section 96 paragraph 1.

### Business segments

	2019 TDKK	2018 TDKK
Revenue from sale of blades and other products	3,813,326	1,297,557
Revenue from sale of services	936,778	687,216
	<u>4,750,104</u>	<u>1,984,773</u>



## Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
<b>3 Staff expenses</b>		
Wages and salaries	286,182	263,444
Pensions	17,904	20,294
Other social security expenses	6,337	6,959
	<u><b>310,423</b></u>	<u><b>290,697</b></u>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<u><b>1,441</b></u>	<u><b>2,140</b></u>
<b>Average number of employees</b>	<u><b>501</b></u>	<u><b>481</b></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.		
<b>4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	62,235	55,301
Depreciation of property, plant and equipment	14,333	10,859
Impairment of intangible assets	0	12,623
	<u><b>76,568</b></u>	<u><b>78,783</b></u>
<b>5 Result from investments in subsidiaries</b>		
Impairment of investments in subsidiaries	0	-124,696
Dividend from investments in subsidiaries	200,718	0
	<u><b>200,718</b></u>	<u><b>-124,696</b></u>
<b>6 Financial income</b>		
Interest received from group enterprises	3,347	3,058
Other financial income	6,858	25,580
	<u><b>10,205</b></u>	<u><b>28,638</b></u>

## Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
<b>7 Financial expenses</b>		
Interest paid to group enterprises	328	1,854
Other financial expenses	38,049	39,975
	<b>38,377</b>	<b>41,829</b>

### 8 Tax on profit/loss for the year

Current tax for the year	22,645	41,104
Deferred tax for the year	6,818	-113,324
Adjustment of current tax concerning previous years	3,153	-35,730
	<b>32,616</b>	<b>-107,950</b>

### 9 Intangible assets

	Completed development projects	Software	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	494,192	106,467	142,338	33,450
Additions for the year	2,663	0	0	110,109
Disposals for the year	-67,856	0	0	0
Transfers for the year	36,233	0	0	-36,234
Cost at 31 December	<b>465,232</b>	<b>106,467</b>	<b>142,338</b>	<b>107,325</b>
Impairment losses and amortisation at 1 January	298,954	64,854	125,282	0
Amortisation for the year	40,875	14,303	7,058	0
Reversal of amortisation of disposals for the year	-2,722	0	0	0
Impairment losses and amortisation at 31 December	<b>337,107</b>	<b>79,157</b>	<b>132,340</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>128,125</b>	<b>27,310</b>	<b>9,998</b>	<b>107,325</b>

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.

# 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	1,505	207,474	34,880	72,652	23,837
Additions for the year	0	417	6,921	22	83,665
Disposals for the year	-327	-158,356	-3,397	-39,461	0
Transfers for the year	0	584	29,068	0	-29,652
Cost at 31 December	1,178	50,119	67,472	33,213	77,850
Impairment losses and depreciation at 1 January	1,155	174,829	31,322	65,759	0
Depreciation for the year	14	7,446	5,105	1,768	0
Reversal of impairment and depreciation of sold assets	-327	-158,356	-3,397	-39,461	0
Transfers for the year	0	2,779	-2,779	0	0
Impairment losses and depreciation at 31 December	842	26,698	30,251	28,066	0
<b>Carrying amount at 31 December</b>	<b>336</b>	<b>23,421</b>	<b>37,221</b>	<b>5,147</b>	<b>77,850</b>

## 11 Investments in subsidiaries

	2019 TDKK	2018 TDKK
Cost at 1 January	1,857,459	1,714,649
Net effect from merger and acquisition	0	-218,833
Additions for the year	215,845	361,643
Transfers for the year	-7,623	0
Cost at 31 December	2,065,681	1,857,459
Value adjustments at 1 January	-154,087	-29,391
Revaluations for the year, net	0	-124,696
Value adjustments at 31 December	-154,087	-154,087
<b>Carrying amount at 31 December</b>	<b>1,911,594</b>	<b>1,703,372</b>

# Notes to the Financial Statements

## 11 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
LM WP Patent Holding A/S (2019)	Denmark	100%	753,574	13,652
LM Wind Power International Technology II ApS (*) (2019)	Denmark	100%	172,870	13,408
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2019)	China	100%	398,774	112,642
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	141,986	-126,215
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2019)	China	100%	92,255	50,775
LM (China) Investment Company Ltd. (2019)	China	100%	1,011,478	201,978
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2019)	China	100%	169,787	30,794
LM Wind Power Services (Deutschland) GmbH (2017)	Germany	100%	0	0
LM Wind Power Blades (India) Private Ltd. (2019)	India	100%	250,310	-142,030
LM Wind Power R&D (Holland) B.V. (2018)	Netherlands	100%	-76,665	-175
LM Wind Power Blades (France) S.A (2018)	France	100%	32,356	2,204
LM Wind Power do Brasil S.A. (2017)	Brazil	100%	66,078	180,176
LM Wind Power Blades (Poland) Sp. z o.o. (2018)	Poland	100%	500,315	59,335
LM Wind Power Blades (Canada) Inc. (**)	Canada	100%	0	0
4305825 Canada Inc. (**)	Canada	100%	0	0
LM Wind Power Blades (Fujian) Co., Ltd. (*) (**)	China	100%	0	0

All foreign subsidiaries are recognised and measured as separate entities.

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

	Other investments 2019 TDKK
Cost at 1 January	0
Transfers for the year	7,623
Cost at 31 December	7,623
<b>Carrying amount at 31 December</b>	<b>7,623</b>

Investments have been transferred from Investments in subsidiaries to Other fixed asset investments due to dilution in shares.

### 13 Other receivables

Other receivables amounts to TDKK 62,847. Of this TDKK 48,195 are expected to be settled within 12 months and TDKK 14,652 after 12 months.

### 14 Deferred tax asset

	2019 TDKK	2018 TDKK
Deferred tax asset at 1 January	225,872	124,667
Amounts recognised in the income statement for the year	-6,818	113,324
Change due to merger and movement from payable corporation tax*	0	-12,119
<b>Deferred tax asset at 31 December</b>	<b>219,054</b>	<b>225,872</b>

\*The change in 2018 relates to change due to merger TDKK -42,086 and movement from payable corporation tax TDKK 29,967.

The deferred tax asset relates to timing variances mainly related to carrying forward losses, fixed assets and provisions. The company is expecting positive taxable income and is expecting to realize the deferred tax asset within one to three years.

### 15 Prepayments

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

## Notes to the Financial Statements

	<u>2019</u> TDKK	<u>2018</u> TDKK
<b>16 Other provisions</b>		
<p>TDKK 461,203 of other provisions relate to warranty provision. The remaining TDKK 142,906 relate to ongoing tax inquiries.</p> <p>As for the warranty provision, the Company provides warranties of 1 to 5 years on some of 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> <p>The main reason for the decline in Other provisions is decline in warranty provision partly due to settlements with customers.</p>		
Other provisions	<u>604,109</u>	<u>1,012,242</u>
	<b><u>604,109</u></b>	<b><u>1,012,242</u></b>
<b>17 Long-term debt</b>		
<b>Other payables</b>		
Between 1 and 5 years	<u>11,499</u>	<u>0</u>
Long-term part	<u>11,499</u>	<u>0</u>
Other short-term payables	<u>156,499</u>	<u>163,369</u>
	<b><u>167,998</u></b>	<b><u>163,369</u></b>
<b>18 Deferred income</b>		
<p>Deferred income consists of payments in respect of income in subsequent years.</p>		
	<u>2019</u> TDKK	<u>2018</u> TDKK
<b>19 Profit appropriation/distribution of loss</b>		
Retained earnings	<u>185,931</u>	<u>-611,012</u>
	<b><u>185,931</u></b>	<b><u>-611,012</u></b>

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>20 Contingent liabilities and other financial obligation</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	22,112	27,003
Between 1 and 5 years	68,481	35,069
After 5 years	33,577	0
	<b>124,170</b>	<b>62,072</b>

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. GE Global Holding Denmark ApS 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 2019, the Company issued guarantees for customers in LM Brazil for a total of DKK 26 million jointly with LM Group Holding A/S and other LM entities.

As at 31 December 2019, the Company issued guarantees towards customers for a total of DKK 117 million and guarantees towards customers and trading partners for subsidiary entities for a total of DKK 182 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.

In 2017 the company transferred its intellectual property rights to one new and one existing subsidiary. The existing subsidiary then transferred the rights to two new subsidiaries and sold one of the subsidiaries to another subsidiary of General Electric Company. In conjunction with the transfer, the entities entered into a mutual agreement where LM Wind Power A/S is committed to provide development services for the new entities, and the new entities are committed to hold the intellectual property rights available for the LM Wind Power A/S. This agreement cannot be terminated before 30 April 2020. In 2018 LM Wind Power A/S merged with LM Wind Power International Technology I ApS, hence the contractual obligation remains with the two remaining entities.

# Notes to the Financial Statements

## 21 Related parties

### Basis

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#### Controlling interest

LM Wind Power Blades (Spain) S.A. 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 2,916,261 (TDKK 641,261 in 2018).

Sale of services to group enterprises amounts to TDKK 936,778 (TDKK 687,216 in 2018).

Purchase of goods from group enterprises amounts to TDKK 2,824,543 (TDKK 901,081 in 2018).

Purchase of services from group enterprises amounts to TDKK 1,519,359 (TDKK 432,896 in 2018).

Group contribution from parent entity amounts to TDKK 0 (TDKK 229,056 in 2018).

Write down on receivables and investments in group enterprises amounts to TDKK 0 in 2019 (TDKK 124,696 in 2018), and accumulated TDKK 191,645 as of 31 December 2019 (TDKK 191,645 as of 31 December 2018).

Refer to note 3 for reference to remuneration to Management.

Refer to note 5 for reference to dividend received from subsidiaries, to note 6 and 7 for reference to disclosure of financial income and financial expenses to/from group entities and to note 11 for reference to additions to investments in subsidiaries.

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



# Notes to the Financial Statements

## 21 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](http://www.ge.com).

## 22 Fee to auditors appointed at the general meeting

### KPMG

	<u>2019</u> TDKK	<u>2018</u> TDKK
Audit fee	2,725	2,125
Other assurance engagements	156	69
	<u>2,881</u>	<u>2,194</u>

# Notes to the Financial Statements

## 23 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>2019</u> TDKK	<u>2018</u> TDKK
Other receivables	27,923	24,964
Other payables	56,980	39,666

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

## 24 Accounting Policies

The Annual Report of LM Wind Power A/S for 2019 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 2019 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.

### **Business combinations**

#### ***Intragroup mergers***

Intragroup mergers are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. The book value method is applied at the date of acquisition, and comparative figures are not restated.

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

### 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 fulfil the conditions for hedged instruments, the changes in fair value are recognised periodically into the income statement under financial items.

### 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.

# Notes to the Financial Statements

## **24 Accounting Policies** (continued)

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 entity'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.

### **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.

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

### 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 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

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

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

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.

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.

### Fixed asset investments

Fixed asset investments, which are not traded in an active market, are measured at the lower of cost and recoverable amount.

### 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

## Notes to the Financial Statements

### 24 Accounting Policies (continued)

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

#### 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.

#### Prepayments

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

#### 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.

### 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.

## 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	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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