
LM Wind Power A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2020

CVR No 76 49 05 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /7 2021

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 2020.

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 2020 of the Company and of the results of the Company's operations for 2020.

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, 8 July 2021

Executive Board

Olivier Gaston René Fontan
CEO

Board of Directors

Bjarne Sandager Nielsen
Chairman

Olivier Gaston René Fontan

Ksenia Valtycheva

Jeppe Bjørn Jørgensen
Staff Representative

Independent Auditor's Report

To the Shareholder of LM Wind Power A/S

Opinion

We have audited the financial statements of LM Wind Power A/S for the financial year 1 January - 31 December 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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's 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.

Fredericia, 8 July 2021

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

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

Board of Directors

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

Executive Board

Olivier Gaston René Fontan

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Vesterballevej 27, 2.
DK-7000 Fredericia

Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Revenue	5,025,236	4,796,662	1,984,773	1,494,416	1,183,664
Gross profit/loss	-48,987	390,809	-184,498	160,854	759,361
Operating profit/loss	-492,761	2,467	-570,858	-205,227	342,115
Net financials	-106,021	172,546	-137,887	521,787	328,526
Net profit/loss for the year	-533,250	146,756	-611,012	271,025	663,873
Balance sheet					
Balance sheet total	4,653,693	6,476,399	4,776,104	3,666,515	4,039,223
Equity	884,274	1,417,524	1,270,768	1,705,274	1,189,050
Investment in property, plant and equipment	55,767	91,025	44,266	30,222	180,946
Number of employees	414	501	481	451	399
Ratios					
Gross margin	-1.0%	8.1%	-9.3%	10.8%	64.2%
Profit margin	-10.3%	-0.1%	-29.3%	-12.4%	35.2%
Return on assets	-11.1%	-0.1%	-12.2%	-5.1%	10.3%
Solvency ratio	19.0%	21.9%	26.6%	46.5%	29.4%
Return on equity	-46.3%	10.9%	-41.1%	18.7%	67.4%

The ratios have been prepared in accordance with accounting policies.

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 2016 - 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 2020 shows a loss of TDKK 533,250, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 884,274.

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

The company did not meet last year expectations for the 2020 result.

The result for 2020 is negatively impacted by impairment of investment in subsidiaries, completed restructuring of Pilot Plant & Mold Production and other operational activities mainly driven by increased expenses from Contract Manufacturers.

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 2021, Management expect a profit in the range from DKK 0 - 100 million and a revenue in the range from DKK 5,100 - 5,200 million.

Research and development

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

External environment

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

Management's Review

Intellectual capital resources

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

Statement of corporate social responsibility

The statutory statement of corporate social responsibility is available at:

https://www.lmwindpower.com/sites/default/files/LM_Sustainability_Report_2020_FINAL/index.html

Statement on gender composition

The statutory statement on gender composition is available at:

https://www.lmwindpower.com/sites/default/files/LM_Sustainability_Report_2020_FINAL/index.html

Uncertainty relating to recognition and measurement

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

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Revenue	1	5,025,236	4,796,662
Other operating income		1,871	598
Expenses for raw materials and consumables		-3,378,978	-3,195,323
Other external expenses		-1,697,116	-1,211,128
Gross profit/loss		-48,987	390,809
Staff expenses	2	-292,573	-310,423
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-149,330	-77,321
Other operating expenses		-26,128	-7,289
Loss before financial income and expenses		-517,018	-4,224
Result from investments in subsidiaries	4	-85,494	200,718
Financial income	5	10,775	10,205
Financial expenses	6	-31,302	-38,377
Profit/loss before tax		-623,039	168,322
Tax on profit/loss for the year	7	89,789	-21,566
Net profit/loss for the year		-533,250	146,756

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Completed development projects		103,114	129,732
Software		18,076	27,310
Goodwill		2,940	9,998
Development projects in progress		229,989	142,337
Intangible assets	8	354,119	309,377
Land and buildings		0	336
Plant and machinery		17,202	23,421
Other fixtures and fittings, tools and equipment		17,254	37,221
Leasehold improvements		3,311	5,147
Property, plant and equipment in progress		33,157	77,850
Property, plant and equipment	9	70,924	143,975
Investments in subsidiaries	10	1,833,723	1,919,217
Fixed asset investments		1,833,723	1,919,217
Fixed assets		2,258,766	2,372,569
Raw materials and consumables		3,570	26,190
Work in progress		58,691	181,843
Finished goods and goods for resale		0	193,077
Inventories		62,261	401,110
Trade receivables		220,337	163,070
Receivables from group enterprises		1,590,492	3,233,619
Other receivables	11	187,233	62,847
Deferred tax asset	12	328,951	230,104
Prepayments	13	721	1,745
Receivables		2,327,734	3,691,385
Cash at bank and in hand		4,932	11,335
Currents assets		2,394,927	4,103,830
Assets		4,653,693	6,476,399

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		10,000	10,000
Reserve for development costs		255,529	174,533
Retained earnings		618,745	1,232,991
Equity		884,274	1,417,524
Other provisions	14	614,503	604,109
Provisions		614,503	604,109
Prepayments received from customers		299,721	669,346
Other payables		0	11,499
Deferred income		675,293	551,870
Long-term debt	15	975,014	1,232,715
Prepayments received from customers	15	156,769	147,322
Trade payables		58,745	125,556
Payables to group enterprises		1,296,408	1,717,128
Corporation tax		6,927	11,176
Other payables	15	202,867	156,499
Deferred income	15,16	458,186	1,064,370
Short-term debt		2,179,902	3,222,051
Debt		3,154,916	4,454,766
Liabilities and equity		4,653,693	6,476,399
Profit appropriation/distribution of loss	17		
Contingent liabilities and other financial obligations	18		
Related parties	19		
Fee to auditors appointed at the general meeting	20		
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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	174,533	1,272,166	1,456,699
Net effect of correction of material misstatements	<u>0</u>	<u>0</u>	<u>-39,175</u>	<u>-39,175</u>
Adjusted equity at 1 January	10,000	174,533	1,232,991	1,417,524
Development costs for the year	0	80,996	-80,996	0
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>-533,250</u>	<u>-533,250</u>
Equity at 31 December	<u>10,000</u>	<u>255,529</u>	<u>618,745</u>	<u>884,274</u>

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
1 Revenue		
<p>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.</p>		
Business segments		
Revenue from sale of blades and other products	3,506,801	3,813,326
Revenue from sale of services	1,518,435	983,336
	5,025,236	4,796,662
2 Staff expenses		
Wages and salaries	269,647	286,182
Pensions	16,641	17,904
Other social security expenses	6,285	6,337
	292,573	310,423
Including remuneration to the Executive Board and Board of Directors	8,176	1,441
Average number of employees	414	501

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.

Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	78,648	62,988
Depreciation of property, plant and equipment	20,506	14,333
Impairment of intangible assets	83	0
Impairment of property, plant and equipment	50,093	0
	<u>149,330</u>	<u>77,321</u>
4 Result from investments in subsidiaries		
Impairment of investments in subsidiaries	-85,494	0
Dividend from investments in subsidiaries	0	200,718
	<u>-85,494</u>	<u>200,718</u>
5 Financial income		
Interest received from group enterprises	1,199	3,347
Other financial income	9,576	6,858
	<u>10,775</u>	<u>10,205</u>
6 Financial expenses		
Interest paid to group enterprises	643	328
Other financial expenses	30,659	38,049
	<u>31,302</u>	<u>38,377</u>
7 Tax on profit/loss for the year		
Current tax for the year	17,627	22,645
Deferred tax for the year	-98,847	-4,232
Adjustment of tax concerning previous years	-8,569	3,153
	<u>-89,789</u>	<u>21,566</u>

Notes to the Financial Statements

8 Intangible assets

	Completed development projects	Software	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	467,065	106,467	142,338	142,337
Additions for the year	19,130	10,290	0	124,608
Disposals for the year	-35,533	0	0	-3,875
Transfers for the year	33,081	0	0	-33,081
Cost at 31 December	<u>483,743</u>	<u>116,757</u>	<u>142,338</u>	<u>229,989</u>
Impairment losses and amortisation at 1 January	337,333	79,157	132,340	0
Impairment losses for the year	0	83	0	0
Amortisation for the year	52,149	19,441	7,058	0
Reversal of amortisation of disposals for the year	-8,854	0	0	0
Reversal for the year of previous years' impairment losses	1	0	0	0
Impairment losses and amortisation at 31 December	<u>380,629</u>	<u>98,681</u>	<u>139,398</u>	<u>0</u>
Carrying amount at 31 December	<u>103,114</u>	<u>18,076</u>	<u>2,940</u>	<u>229,989</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.

9 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	1,178	50,120	67,472	33,213	77,850
Additions for the year	0	4,892	1,873	934	48,068
Disposals for the year	0	-33,300	-19,222	-6,233	-43,637
Transfers for the year	0	16,507	32,447	170	-49,124
Cost at 31 December	<u>1,178</u>	<u>38,219</u>	<u>82,570</u>	<u>28,084</u>	<u>33,157</u>

Notes to the Financial Statements

9 Property, plant and equipment (continued)

	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
Impairment losses and depreciation at 1 January	842	26,698	30,251	28,065	0
Impairment losses for the year	332	10,456	37,644	1,661	0
Depreciation for the year	4	6,420	12,803	1,279	0
Reversal of impairment and depreciation of sold assets	0	-22,557	-15,382	-6,232	0
Impairment losses and depreciation at 31 December	<u>1,178</u>	<u>21,017</u>	<u>65,316</u>	<u>24,773</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>17,202</u>	<u>17,254</u>	<u>3,311</u>	<u>33,157</u>

10 Investments in subsidiaries

	2020 TDKK	2019 TDKK
Cost at 1 January	2,073,304	1,857,459
Additions for the year	<u>0</u>	<u>215,845</u>
Cost at 31 December	<u>2,073,304</u>	<u>2,073,304</u>
Value adjustments at 1 January	-154,087	-154,087
Revaluations for the year, net	<u>-85,494</u>	<u>0</u>
Value adjustments at 31 December	<u>-239,581</u>	<u>-154,087</u>
Carrying amount at 31 December	<u>1,833,723</u>	<u>1,919,217</u>

Notes to the Financial Statements

10 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
LM WP Patent Holding A/S (2020)	Denmark	100%	762,538	8,964
LM Wind Power International Technology II ApS (*) (2020)	Denmark	100%	184,596	11,726
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2019)	China	100%	387,793	109,409
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	141,896	-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 (2020)	Germany	100%	0	-1,218
LM Wind Power Blades (India) Private Ltd. (2020)	India	100%	290,267	76,776
LM Wind Power R&D (Holland) B.V. (2020)	Netherlands	100%	-70,973	3,771
LM Wind Power Blades (France) S.A (2019)	France	100%	59,660	27,442
LM Wind Power do Brasil S.A. (2018)	Brazil	100%	103,718	21,476
LM Wind Power Blades (Poland) Sp. z o.o. (2019)	Poland	100%	522,696	55,703
LM Wind Power Turkey San. VE TIC.A.S. (*) (2019)	Turkey	2%	255,304	70,742
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

The voting rights are 100% in all subsidiaries.

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.

11 Other receivables

Other receivables amounts to TDKK 187,233 (2019: TDKK 62,847). Of this TDKK 14,652 (2019: TDKK 14,652) are expected to be settled after 12 months.

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
12 Deferred tax asset		
Deferred tax asset at 1 January	230,104	225,872
Amounts recognised in the income statement for the year	98,847	4,232
Deferred tax asset at 31 December	328,951	230,104

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.

13 Prepayments

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

14 Other provisions

TDKK 399,396 of other provisions relate to warranty provision. TDKK 179,189 relate to ongoing tax inquiries. The remaining TDKK 35,918 relate to onerous contracts.

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

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

Other provisions	614,503	604,109
	614,503	604,109

15 Long-term debt

Prepayments received from customers

Between 1 and 5 years	299,721	669,346
	299,721	669,346
Within 1 year	156,769	147,322
	456,490	816,668

Notes to the Financial Statements

15 Long-term debt (continued)

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
Other payables		
Between 1 and 5 years	0	11,499
	<u>0</u>	<u>11,499</u>
Within 1 year	202,867	156,499
	<u>202,867</u>	<u>167,998</u>
Deferred income		
Between 1 and 5 years	675,293	551,870
	<u>675,293</u>	<u>551,870</u>
Within 1 year	458,186	1,064,370
	<u>1,133,479</u>	<u>1,616,240</u>

16 Deferred income

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

17 Profit appropriation/distribution of loss

Retained earnings	<u>-533,250</u>	<u>146,756</u>
	<u>-533,250</u>	<u>146,756</u>

Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
18 Contingent liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	19,478	22,112
Between 1 and 5 years	43,797	68,481
After 5 years	8,658	33,577
	<u>71,933</u>	<u>124,170</u>

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 2020, the Company issued guarantees towards trading partners for a total of DKK 196 million and guarantees towards customers and trading partners for subsidiary entities for a total of DKK 322 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 Eletric 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 LM Wind Power A/S. This agreement cannot be terminated before 30 April 2021. 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

19 Related parties

Basis

Controlling interest

LM Group Holding A/S Holds 100% of the capital

Transactions

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

Sale of goods to group enterprises amounts to TDKK 2,622,435 (TDKK 2,916,261 in 2019).

Sale of services to group enterprises amounts to TDKK 1,284,149 (TDKK 983,336 in 2019).

Purchase of goods from group enterprises amounts to TDKK 3,182,683 (TDKK 2,824,543 in 2019).

Purchase of services from group enterprises amounts to TDKK 1,675,936 (TDKK 1,652,761 in 2019).

Write down on receivables and investments in group enterprises amounts to TDKK 87,745 in 2020 (TDKK 0 in 2019), and accumulated TDKK 279,390 as of 31 December 2020 (TDKK 191,645 as of 31 December 2019).

Refer to note 2 for reference to remuneration to Management.

No dividend has been received from subsidiaries in 2020. Refer to note 4 for reference to dividend received from subsidiaries in 2019.

No additions to investments have been recognised in 2020. Refer to note 10 for reference to additions in subsidiaries in 2019.

Refer to note 5 and 6 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

19 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.

20 Fee to auditors appointed at the general meeting

KPMG

	<u>2020</u> TDKK	<u>2019</u> TDKK
Audit fee	2,025	2,725
Other assurance engagements	0	156
	<u>2,025</u>	<u>2,881</u>

Notes to the Financial Statements

21 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>2020</u> TDKK	<u>2019</u> TDKK
Other receivables	159,067	27,923
Other payables	103,094	56,980

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

22 Accounting Policies

The Annual Report of LM Wind Power A/S for 2020 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 2020 are presented in TDKK.

Correction of material misstatements

A material misstatement regarding transactions with group enterprises was noted and corrected impacting the 2019 figures as follows:

Revenue TDKK 46,558 increase.

Other external expenses TDKK 96,030 increase.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment TDKK 753 increase.

Profit before tax TDKK 50,225 decrease.

Tax on profit for the year TDKK 11,050 decrease.

Net profit TDKK 39,175 decrease.

Completed development projects TDKK 1,607 increase.

Development projects in progress TDKK 35,012 increase.

Receivables from group enterprises TDKK 46,558 increase.

Deferred tax asset TDKK 11,050 increase.

Equity DKK 39,175 decrease.

Payables to group enterprises TDKK 133,402 increase.

The total assets TDKK 94,227 increase.

Reclassifications:

In 2019, all prepayments received from customers and all deferred income were included as short-term debt, but not all amounts were expected to be settled within 12 month. Do to this, the 2019 figures have been corrected as follows:

TDKK 669,346 of Prepayments received from customers have been reclassified from short-term debt to long-term debt.

TDKK 551,870 of Deferred income have been reclassified from short-term to long-term debt.

In 2019, the investment in the subsidiary LM Wind Power Turkey San. VE TIC.A.S. was included in the line Other investments with TDKK 7,623 based on the 2% ownership. This has been reclassified to Investments in subsidiaries based on the 100% voting rights.

TDKK 177,255 have been reclassified from Other external expenses to Expenses for raw materials and consumables in the 2019 figures.

Notes to the Financial Statements

22 Accounting Policies (continued)

The reclassifications to the comparative figures have been recognised to enhance the presentation of the financial statements and have no effect on profit/loss for the year. The financial ratios in the financial highlights have been updated accordingly.

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.

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Segment information on revenue

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

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

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

22 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

22 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.

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 di-

Notes to the Financial Statements

22 Accounting Policies (continued)

rect 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.

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 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

22 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

22 Accounting Policies (continued)

Solvency ratio

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

Return on equity

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