CONSOLIDATED ANNUAL REPORT 2016

LM GROUP HOLDING A/S

CVR number 25 71 17 77

lmwindpower.com

LM WIND POWER

Content

In order to make the annual report more transparent and user-friendly, LM Group Holding A/S has chosen to publish a consolidated annual report that does not comprise the financial statements of the parent company LM Group Holding A/S. In accordance with Section 149 of the Danish Financial Statements Act, this consolidated annual report is therefore an extract of the Group's full annual report. The full annual report, including the parent company's financial statements, can be requested separately by contacting the company, and it is also available on our website.

After the approval at the Annual General Meeting, the full annual report may also be obtained from the Danish Business Authority. The full annual report comprises the Statement of Management and the Independent auditors' report disclosed on pages 66 and 67.

Highlights

Headquarters
Kolding, Denmark

Factories and service locations
Brazil, Canada, China, Denmark, India, Poland, Spain, USA

13 Blade factories

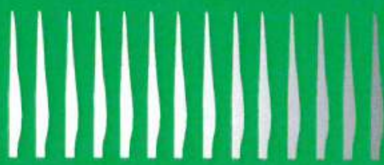
8,178 people worldwide*

* The employee number is status end of year 2016, excluding contractors and trainees

166 million tons of CO_2 mitigated

84 GW installed capacity

1/5 Almost 1/5 turbines in the world has LM Wind Power blades



10,474 blades produced in 2016

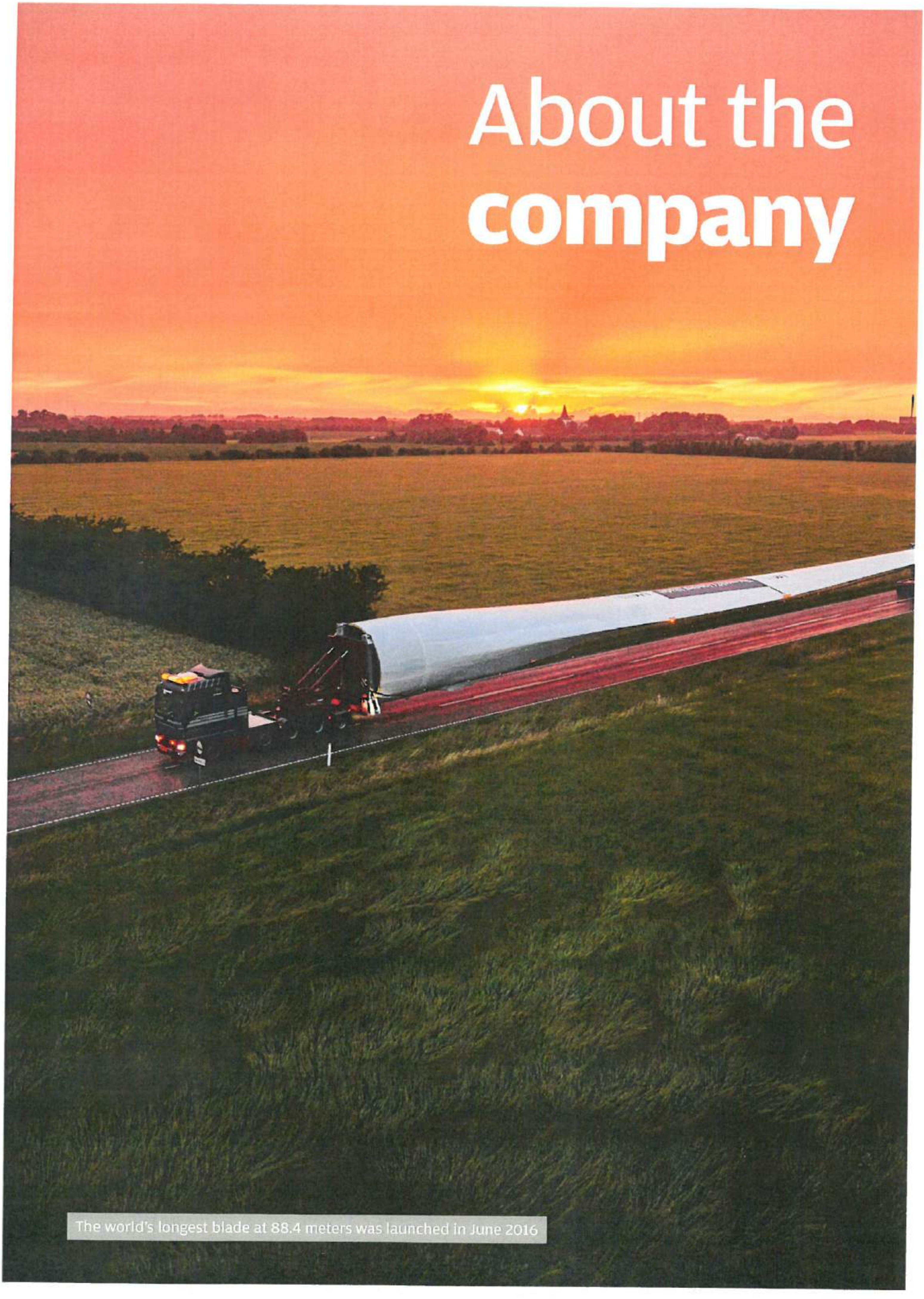
Consolidated financial review

EURm (unless otherwise stated)	2016	2015	2014	2013*	2012*
Income statement					
Revenue	1,059	750	588	488	687
Operating profit before depreciation and amortization (EBITDA)**	174	103	77	66	69
Operating profit before depreciation and amortization (EBITDA)***	174	98	75	63	66
Operating profit before special items and goodwill impairment	100	52	21	14	7
Operating profit (EBIT)	100	46	19	11	4
Financial income and expenses, net	(21)	(9)	(5)	(41)	(18)
Profit/ (loss) before tax	79	22	6	(32)	(14)
Profit/ (loss) for the year from continuing operations	52	6	(10)	(46)	(38)
Profit/ (loss) for the year	52	6	(9)	(80)	(36)
Balance sheet					
Total assets	1,198	1,086	851	867	1,097
Goodwill on consolidation	279	278	245	244	307
Equity	445	397	388	393	481
Net interest-bearing debt	101	95	82	97	145
Cash flows					
Cash flows from operating activities	146	72	52	34	16
Cash flows from investments in property, plant and equipment	(125)	(73)	(24)	(28)	(33)
Cash flows from financing activities	5	49	(31)	(86)	64
Employees					
Average number of employees	7,294	5,225	4,302	4,462	5,716
Key ratios					
EBITDA margin** (%)	16.5%	13.8%	13.1%	13.4%	10.1%
EBIT margin (%)	9.5%	6.2%	3.2%	2.3%	0.5%
Return on invested capital, including goodwill (%)	20.7%	10.9%	4.5%	2.2%	0.6%
Return on invested capital, excluding goodwill (%)****	48.6%	28.5%	10.4%	4.9%	1.4%
Equity ratio (%)	37.2%	36.6%	45.6%	45.3%	43.8%

* Restated for discontinued operations
** Before special items and goodwill impairment
*** After special items and goodwill impairment
**** Excluding goodwill impairment

2013 key ratios are based on published consolidated financial statements where relevant comparative figures have been restated for discontinued operations.

About the **company**



The world's longest blade at 88.4 meters was launched in June 2016

LM Wind Power at a glance

Profile

By end of the year 2016, LM Wind Power employed 8,178 people worldwide, distributed across operations in blade manufacturing, service and logistics. The company's headquarters is located in Kolding, Denmark where it also has a Global Technology Center in nearby Lunderskov, and it also has a global business office in Amsterdam, The Netherlands. LM Wind Power's global manufacturing footprint includes factories located on four continents in eight countries, including Denmark, Spain, Poland, Canada, USA, India, China and Brazil - on or close to all key markets for wind power to effectively serve its local and global customers. The company put its second Indian plant online in 2016 in Vadodara, Gujarat and broke ground for a new manufacturing facility in Turkey to start operation in mid-2017.

Ownership

The principal shareholders of LM Wind Power are the partnerships managed by Doughty Hanson & Co. Managers Ltd, a company incorporated in England and Wales and headquartered in London. Doughty Hanson's principals have many years of experience in the successful management of international private equity funds and have led and arranged a number of large acquisitions and sales. In October 2016, General Electric announced that it intends to acquire LM Wind Power for an enterprise value of EUR 1.5 billion. Subject to regulatory approvals, the deal is expected to close in the second quarter of 2017.

Almost one in five turbines in the world have LM Wind Power blades

Facts

LM Wind Power has produced more than 195,000 blades since 1978, corresponding to approximately 84 GW installed wind power capacity, which each year effectively saves approximately 166 million tons of CO_2. This corresponds to the annual CO_2 emissions from 24 million (US) homes' electricity use.

Almost one in five turbines in the world have LM Wind Power blades.

Contact information

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Municipality of registered office: Kolding

Management

Executive management

Marc de Jong
Chief Executive Officer

Management team

Miguel A. Balbuena
VP Quality & HSE

Ben Malefijt
VP Industrialization

Bjarne Sandager Nielsen
VP Operations & Sourcing

Roel W. Schuring
VP Engineering

Alexis Crama
VP Offshore

Nick Smith
Chief Financial Officer

Lars Fuglsang
VP Strategy, Technical Marketing & Business Development

Christopher Springham
VP Communications & Sustainability

Søren Høffer
VP Sales & Marketing

Jesper Ritz
VP Human Resources

Our values

Focus on customers and market

This value helps us become our customers' preferred global working partner

Work as one team

This value helps us become 'One Company' by driving integration and collaboration across the LM Wind Power organization

Trust and respect

This value helps us create a workplace we enjoy and are proud of

Take ownership

This value ensures that we do what we say we will do

Innovate for excellence

This value helps us to develop and produce world class, reliable products and services

Management review

LM 56.9 P blades installed at wind farm at Parnaiba, Brazil

CEO Introduction

2016 can be justifiably described as a truly outstanding year which continued the trend of consistently improving performance across the whole company. Our carefully developed and widely communicated strategy called 'Winning the World of Wind' (WWOW) delivered the focus we needed and better performance than we anticipated. Sales exceeded all previous records, and by year end, we had secured growth beyond the overall level of the global wind industry with commensurate improvements in both top and bottom lines.

Innovation – fast

The frequency and speed of innovation increased to match our customers' ambitions with a record number of new products introduced (nine new blades in a single year). The highlight was surely the world's longest blade at 88.4 meters for the offshore market, which was launched in June in a blaze of global publicity and attracted further attention to the company for its leadership and capabilities. We continued breaking records after the summer, where we launched the world's longest onshore blade, the LM 69.3 P, which like the LM 88.4 P is based on our new Hybrid Carbon technology. And throughout the year, there were numerous additional breakthrough developments which can enhance the performance of our whole blade fleet, improving Annual Energy Production (AEP), reducing noise, and delivering effective de-icing solutions. All these technologies are designed to reduce the total cost of energy and with improved manufacturability and reliability as a starting point.

We invested more than EUR 31 million in innovation in 2016, up 21% compared to the previous year, and reflecting the recognition that we need to continuously invest in research and development in order to maintain our position as a technology leader.

Strong operational performance

Our global manufacturing set up was expanded further in 2016, to meet increased demand from our customers. We ramped up, ahead of schedule, a new blade plant in Vadodara, Gujarat in India. At the same time, we secured more reliable and profitable performance from our facility in Suape, Brazil, now under sole ownership. All factories continued to perform well with production optimized to deliver growing customer commitments. We addressed safety and quality with consistent improvements by stricter measures and achieved good results. And we will continue to pursue the highest standards on safety and quality, which remain the foundation for the continued expansion and development that we see on almost every manufacturing site to ensure we have capacity to meet growing demand.

People made the difference

2016 was full of positive challenges. During the year, we developed plans and processes to manage further capacity expansions even more effectively, with faster ramp ups to full production. The growth resulted in the highest ever number of permanent employees: 8,178. Including trainees and contractors, we on-boarded more than 2,500 people and almost took the total headcount of the business to the 10,000 mark! In total over 70,000 training days were delivered to prepare our new colleagues for building high quality blades in our global manufacturing set up. All of our 13 plants opened onsite training facilities – 'Centers of Excellence' which ensure that new team members acquire robust basic working knowledge before starting to work on blades in real life production. This initiative underpins our quality improvements and expands the range, flexibility and capability of our skilled operators, combining theory and hands on training.

More customers, more satisfied

We were very proud to announce new customers, including major industry players in 2016. Equally important, we also produced more, high quality blades for existing customers with clear evidence from our Customer Satisfaction Survey and direct feedback from our main customers that our performance has improved across the board. The industry is in constant development and we see for example the new trend of 're-powering' as an opportunity for consistent high volume production of well-established products.

New horizons offshore

Offshore remains a key focus area for the company. One of the highlights in 2016 was the installation of LM 73.5 meter blades at Block Island, the first offshore wind farm in the U.S. Although it is a fairly small scale project, it is significant in demonstrating the feasibility of offshore developments in North America. Generally, growth offshore, for example in Europe and China, presents still greater challenges as blades grow longer and confront the marine operating environment which can be exceptionally harsh. Already, however, LM Wind Power is perceived as a leading manufacturer for the sector with pioneering products

> 2016 can be justifiably described as a truly outstanding year

and solutions for established and new potential customers. One reason for the vote of confidence in our offshore blades is the significantly improved quality performance with record low claims - a 20% reduction since 2015. Our data is getting stronger every day and is clearly showing that our blades will survive a 20 year lifespan.

A robust company focused on the future

During the year, we attracted significant additional external support to finance expansion in Vadodara and a new market entry in Turkey which will ramp up in 2017. We worked hard to secure further engagement from our own supply chain, paying on time to facilitate further cost reductions and driving greater intimacy in the key strategic relationships for innovation and to encourage their sustainability ambitions. We also launched an upgraded enterprise resource management system 'One LM' in Goleniow, Poland, which is now being rolled out globally, further improving efficiency and transparency in the business.

As a result of the positive industry development, the combination of innovation and success and high visibility launches like the 88.4m world-beating blade, LM Wind Power has enjoyed considerable media interest and our overall reputation is much improved. We were particularly proud to announce an aggressive target on Sustainability at year end with the ambition to make the company carbon neutral during 2018.

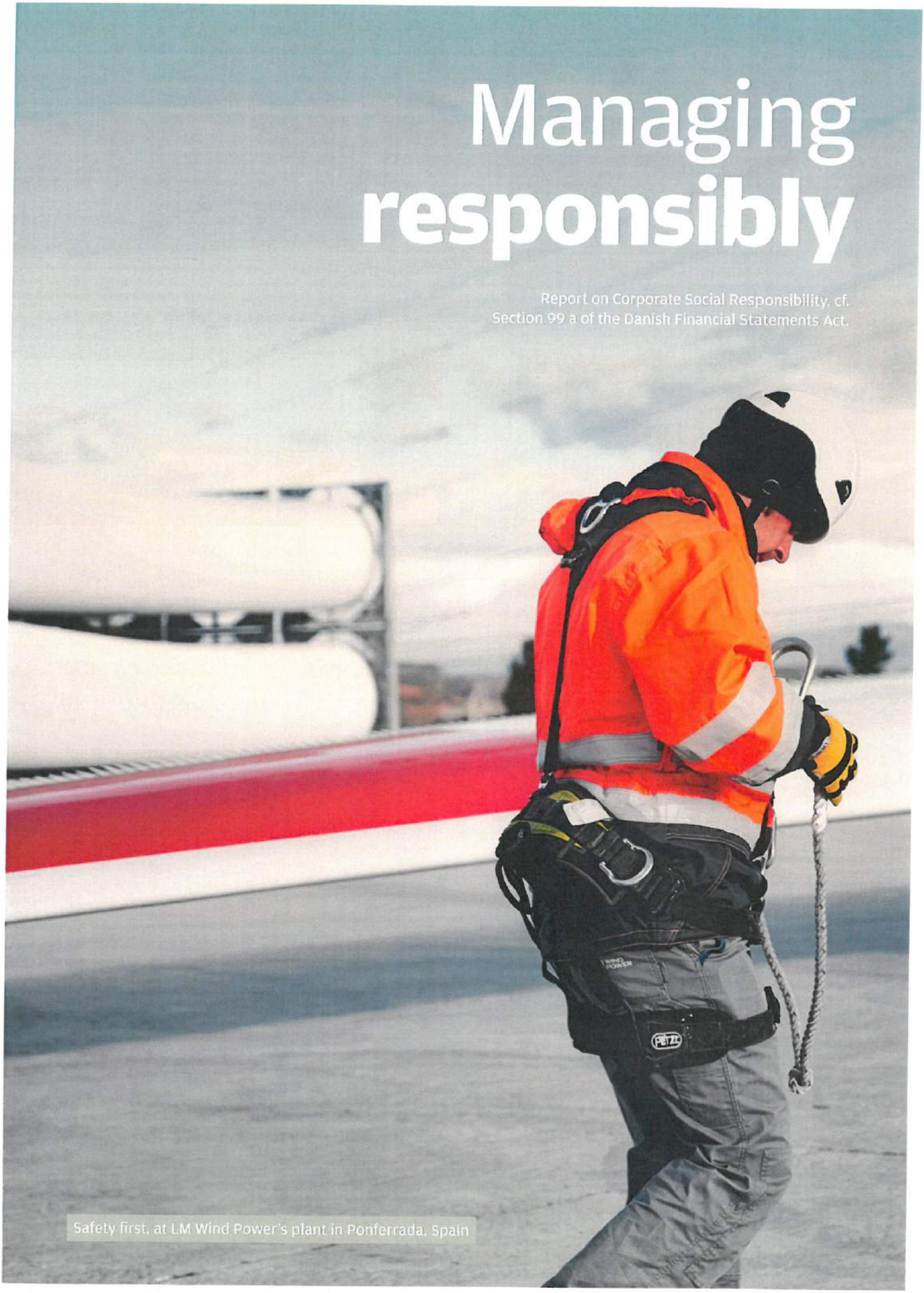
Acquisition and integration

On 11 October, we formally announced that LM Wind Power is to be acquired by General Electric Company (GE) and subject to regulatory approvals, we expect the deal to close during the second quarter of 2017. Retaining the existing management team, we will continue to service our entire customer base. And we will continue to pursue the innovation we can achieve with a clearer line of sight to turbine performance and the consistency and support such a strategic partner and investor can bring. Opportunities abound, and we remain excited and optimistic about LM Wind Power's future.

By Marc de Jong, Chief Executive Officer

Managing **responsibly**

Report on Corporate Social Responsibility, cf. Section 99 a of the Danish Financial Statements Act.



Safety first, at LM Wind Power's plant in Ponferrada, Spain

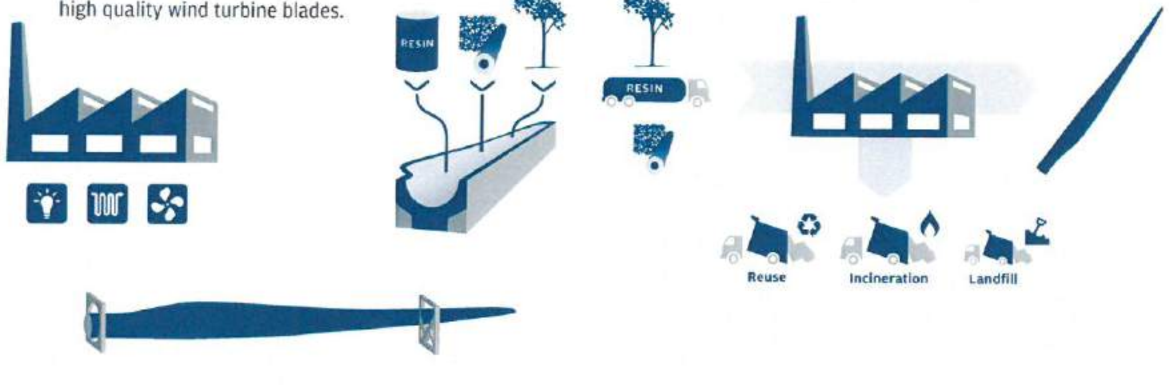
LM Wind Power Business Model

1.

The life cycle of a blade starts with the extraction of material that comes to our manufacturing facilities and is turned into high quality wind turbine blades.

2.

In the process of making blades, our plants consume energy and generate waste which is managed carefully according to the highest environmental standards.

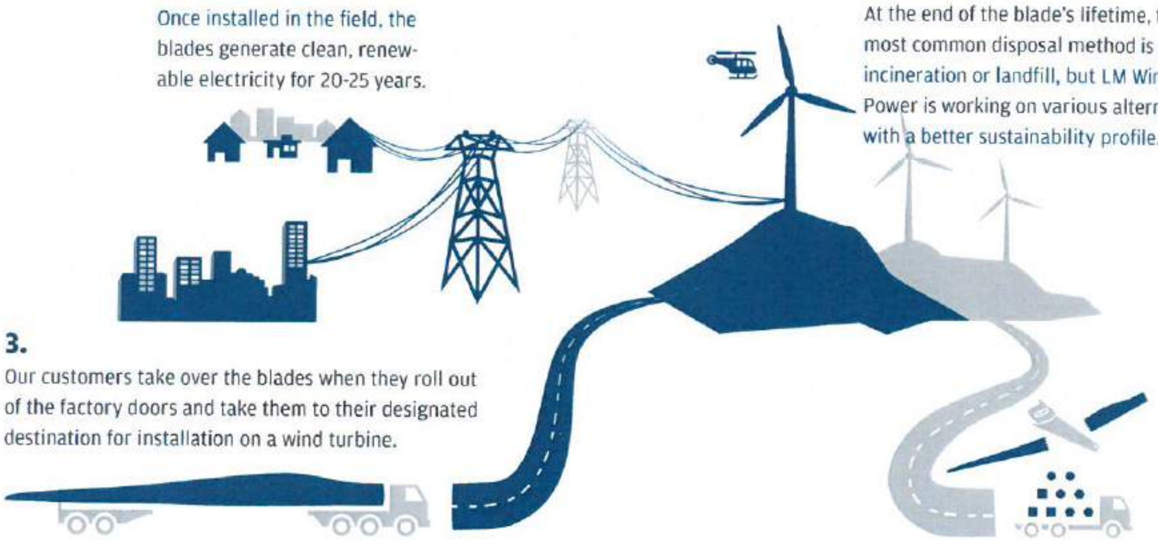


4.

Once installed in the field, the blades generate clean, renewable electricity for 20-25 years.

5.

At the end of the blade's lifetime, the most common disposal method is either incineration or landfill, but LM Wind Power is working on various alternatives with a better sustainability profile.



3.

Our customers take over the blades when they roll out of the factory doors and take them to their designated destination for installation on a wind turbine.

LM Wind Power blades are designed to last for 20-25 years

LM Wind Power designs, manufactures and services high quality blades for wind turbines worldwide. Its customers are some of the largest regional and global wind turbine manufacturers, serving both onshore and offshore markets with reliable and cost effective wind energy generators. The company's business model is based on state of the art blade design, in-house competences in material technology, testing, manufacturing and successful deployment of new and existing products across 13 manufacturing facilities. LM Wind Power blades are known for their high performance, strong reliability and consistent high quality which contribute to the lowest possible cost of energy.

In 2016, between 350 and 400 staff from the plant support functions worldwide went through Code of Conduct training using a dilemma game that also addresses anti-corruption and bribery risks

This brings the total number of salaried employees who have received training within the past 18 months close to 100%

The clean energy provided by LM Wind Power blades is a strong contribution to a more sustainable planet, but as a manufacturing company, LM Wind Power also uses materials, energy, equipment, transportation and generates various forms of waste. All of these processes are managed carefully according to the relevant legal and environmental standards and we are constantly striving to raise the bar. Sustainability is firmly embedded in the foundation of the company's corporate strategy and the ambitions have evolved with the growth and improved performance of the business. The culmination was the announcement at the end of 2016 that LM Wind Power will become carbon neutral by 2018, and plans to source all of its electricity from wind in 2017. This positions the company as the absolute industry leader, working to advance and accelerate the transition to a low carbon future.

LM Wind Power's products are based on advanced technology and the skills of highly qualified people, passionate about creating the best wind turbine blades in the world. Their contribution in our 13 manufacturing facilities is crucial for the company's success. We are committed to the local communities where we operate and generating long-term, skilled employment including a substantial training effort for our employees. Our customers and supply base are also located all over the world, making it imperative that we have a clear set of values and a framework that sets the standard for our business activity and behavior. The Code of Conduct is key document in this regard, and addresses ethical business principles, human resources, human rights, anti-bribery and corruption, environmental principles and responsibility of managers and employees. Furthermore, the company has been a signatory to the United Nations (UN) Global Compact since 2010.

Sustainability risks

The principles and spirit of the Code of Conduct are pre-eminent and enforced with specific policies, processes and training throughout the business. All salaried employees for example have, since 2012, been trained on the Code of Conduct including anti-bribery and corruption issues as part of their onboarding process. After onboarding, all salaried employees are required to follow and pass an online test bi-annually, with staff in Sourcing and Sales & Marketing required to take the training annually. The online training is complemented with face-to-face training, performed by the company's Internal Audit and Risk Management function, in conjunction with the global and local HR teams.

As part of the further strengthening of the compliance program in 2016, between 350 and 400 staff from the plant support functions worldwide went through Code of Conduct training using a dilemma game that also addresses anti-corruption and bribery risks. This brings the total number of salaried employees who have received training in this topic within the past 18 months close to 100%.

SpeakUP

The company started the first implementation of its externally-hosted integrity program - the SpeakUP hotline - in Brazil in 2015. The purpose was to introduce an improved misconduct reporting procedure and ensure roll out to the rest of the global locations during 2016. This was achieved alongside the training in anti-corruption and bribery, and was performed by Internal Audit & Risk Management and local HR teams, who together managed to train around 70% of the hourly paid employees. The remaining training sessions are planned to be completed by second quarter 2017.

LM Wind Power's compliance program was prioritized further in 2016 both locally and globally with all plants going through an Operational Risk Assessment, facilitated by the Internal Audit and Risk Management function. This included an overall fraud, corruption and bribery risk assessment and was supported by the global Finance, Sourcing, and Legal teams. The identified major risk scenarios were validated to be covered with the appropriate controls in LM Wind Power's Internal Control Framework to be fully implemented during 2017. Apart from the areas included in our policies and control framework, it is our assessment that there are no additional material sustainability risks.

The compliance measures also include the quarterly Management Letter process, which compels the company's plant managers and country heads to report and sign a document confirming that all their salaried employees have signed the Code of Conduct and that they have had no legal issues e.g. around insurance, litigation or grants.

The company has had a compliance committee in place since 2014. It is headed by the VP Communications & Sustainability and includes representation from Legal, HR, Finance and the Director, Internal Audit & Risk Management. In addition to overseeing and managing risks related to the company's Insider Rules, this body also handles potentially severe violations of the Code of Conduct, and compliance matters are periodically reported upon to the Audit Committee and the Board of Directors. Moreover, the Audit Committee monitors the financial reporting process and audits and the effective functioning of the company's internal control systems. It appoints the external statutory auditor, the internal auditor and reviews and follows up on reports.

There were no complaints regarding corruption and bribery in 2016.

Environment and climate

LM Wind Power does not have a separate climate policy but we are addressing climate impacts through our environmental policy under the HSE Management System. However, with the pledge to take the company carbon neutral by 2018, LM Wind Power puts renewed force behind its commitment to power a cleaner world. The decision was proposed in the Global HSE (Health, Safety and Environment) & Sustainability Council around summer 2016 and later on endorsed by the full Management Team, then formally announced in December.

LM Wind Power joins an exclusive group of corporations committed to demonstrating the leadership and action required to keep global warming below 2 degrees Celsius, and setting new standards to accelerate the de-carbonization of the wind industry's own supply chain with this ambition. It is furthermore a direct and even stronger contribution towards meeting the Sustainable Development Goals no. 7 and 13 – Affordable and Clean Energy and Climate Action.

Almost one in five turbines worldwide flies LM Wind Power blades, generating millions of kilowatts of clean electricity every day. Still, the emissions from the industry's own business have not been addressed coherently before. LM Wind Power's pledge asks: can we not reduce our own carbon footprint further and do even more to nurture the growth of wind energy globally? The path forward combines three elements:

1) Reducing the company's carbon emissions through operational efficiencies, for example, an internal drive to reduce energy consumption and waste,

2) using 100% renewable electricity, particularly from wind, and

3) offsetting the remaining emissions through carbon credits and building low carbon sustainable development through the delivery of clean and renewable energy for communities in developing countries.

The company has implemented several sustainability initiatives in recent years with the aim of driving innovation and ensuring the long term viability of the business. The wider program includes implementing life cycle thinking in the design of future generations of wind turbine blades, an active focus on chemical substitution in manufacturing and end of life disposal. The first full Life Cycle Assessment (LCA) on an LM Wind Power blade will be completed in Q2 2017. The model and results will form the basis for driving strategic sustainability initiatives in the business in a newly-established function under the VP Communications & Sustainability.

More sustainable materials and less waste

Continuing progress from the past four years, the company's Materials & Process department in Engineering delivered a number of improvements to equipment, material use, processes and material substitution to remove Health, Safety and Environment related risks, eliminate waste and drive down cost in 2016. Some of the most notable examples were the implementation of increased use of recycled material in non-structural blade components, replacing virgin material; better utilization of glass material by changing the width configuration; and reduced consumption of gelcoat through stricter guidance on application methods. The various initiatives that have typically been running for some time but made it to implementation in 2016 are expected to generate annual run rate cost savings of around EUR 11 million.

Addressing operational waste also remains a key focus area. The global waste reduction program, which has been running for seven consecutive years, continued to deliver significant contributions to lowering operational costs while improving manufacturing efficiency and HSE. Slightly below target, the annual 2016 saving realized was EUR 5.5 million vs a target of EUR 5.9 million. In parallel with the overall reductions in material consumption from this program, the company has worked on increasing the proportion of waste going to recycling, resulting in significant improvements.

In 2015, 23% of waste went to recycling, significantly up from 14% in 2014. In 2016, the percentage of waste to recycling increased further to 28% due to increased awareness and specific initiatives to drive waste to landfill down.

Financing sustainability with Green Bond proceeds

With the issuance of a NOK 475 million (EUR 50 million equivalent) Green Bond in 2015, LM Wind Power obtained further funding to support its global growth. The Green Bond proceeds must be spent on initiatives or activities that deliver sustainability benefits, including manufacturing or R&D investments aimed at increasing MW capacity for wind energy production. Two such projects were partially funded by Green Bond proceeds in 2016 namely the expansion of LM Wind Power's manufacturing locations in Dabaspet, India and in Suape, Brazil.

EUR 7.9 million was spent on expanding the manufacturing facilities in Dabaspet, enabling the plant to produce even more blades for LM Wind Power's customers and thereby provide more clean energy to the world than before. Compared to 2015, the investment enabled an increase in the Annual Energy Production by almost 30% from the company's products manufactured in Dabaspet, corresponding to an annual CO_2 saving of 1,102,216 tons*. This is equivalent to the CO_2 emissions from the electricity use of 162,761 (US) homes. (https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator).

A further EUR 11.7 million was invested in a significant expansion of LM Wind Power's manufacturing facility in Suape. In combination with a general improvement in operational performance, the expansion enabled an increase in the Annual Energy Production from its products by 50% compared to the previous year. The increased AEP from the Brazilian plant corresponds to CO_2 savings of 849,177 tons or the equivalent of the emissions from the electricity use of 125,395 (US) homes.

Management Standards & Quality

For years, LM Wind Power has had in place externally certified management systems as one of the ways to ensure consistent high performance and standards on Quality and HSE. All LM Wind Power plants are certified according to ISO 9001:2008. Furthermore, all plants are certified according to ISO 14001:2004 and OHSAS 18001:2007. All external audits are conducted under a combined audit set up for improved efficiency in close alignment between Operations, Global Quality and HSE functions.

Processes, standards and systems provide the structure for consistently high performance on quality but the company has worked rigorously to show this directly to its most important stakeholders too. In 2016, the company saw an increased quality level to customers, 30% lower number of claims compared to forecast as well as an improved customer satisfaction rating to 7.67 up from 7.38 the previous year on a scale from 1-10 where 10 is highest.

The higher satisfaction rate was driven by LM Wind Power's largest global customers and the main activities leading to the improved performance are based on a systematic approach to continuous improvement. Dialogue, improved transparency and a constant focus on customer expectations have ensured better alignment with customers and suppliers in the value chain. This enables better target setting and balancing of demands, while focusing on delivering consistent high quality in the manufacturing plants.

LM Wind Power's systematic and focused work to implement quality improvement programs over the past years have furthermore resulted in significant reductions in warranty cost as percentage of revenue, as well as improvements in supplier performance on incoming material, where the supplier failure level improved by 66 % from 1022 PPM (Parts Per Million) in 2015 to 345 in 2016.

*Based on conservative assumption of 856 gram CO_2 saved/kWh and that the energy generated will replace energy from coal which is most often the case as coal has the largest marginal cost (Danish Wind Industry Association).

Working with the Supply Chain

100% of LM Wind Power's core commodity suppliers (Class A suppliers - covering core, glass, liquids, metals and plastics) are covered by supplier sustainability requirements, specified in Supplier Quality Agreements. Class A suppliers represent 70 suppliers out of 180 total and 90% of the total spend.

Furthermore, 100% of the Class A suppliers are covered by agreements which require them to sign the LM Wind Power Code of Conduct and commit to living up to the standards described therein. This practice is being expanded to cover Class B and C suppliers as well of which 78% are currently covered.

LM Wind Power will nurture and develop supplier relations through partnership and dialogue to meet Sustainability goals. A good example in 2016 was an extended dialogue with LM Wind Power's balsa suppliers to further enhance sustainable procurement practices beyond the FSC certification scheme which has been the basis for Sustainability requirements on balsa until now. The FSC standard was designed to cover a wide range of forestry-based products and we have learned through the engagement with the balsa supply chain that there are other ways to ensure the highest standards on sustainable procurement of this particular material, which are precise and focused. It requires closer liaison and dialogue with the suppliers and a willingness to understand the conditions all the way down to the plantations that grow the material, but it's the way forward.

The collaborative approach across the supply chain is also being pursued in a newly-established industry sustainability network under the auspices of WindEurope. The aim is to join forces with industry peers on audit schemes for example and exchanging knowledge of the supply chain to optimize the use of resources for shared benefit. This work was initiated in 2016 and will be further defined and developed in 2017.

One of the platforms utilized for engagement of the supply chain is the annual Supplier Conference where Sustainability has been a recurring topic since it began. The suppliers form a critical part of LM Wind Power's ability to meet sustainability objectives and the company is determined to apply its influence as a customer and find shared paths forward to improve where full compliance is not yet achieved.

Health & Safety

LM Wind Power's Global HSE Policy highlights HSE as critical for the well-being of employees, for satisfying customers and for the success of the business. The policy is further supported by an HSE Management System Manual, a Disciplinary Policy which dictates zero tolerance towards significant HSE violations, and a structure which clearly outlines HSE roles and responsibilities. Everything is embedded in the company's Business Management System, which provides guidance on a comprehensive range of HSE related activities and compliance. Topics include the identification of hazards, legal requirements, strategy and goal setting, training, communication, document control and emergency preparedness.

The policy has a significant emphasis on ensuring the highest standards on Health and Safety for the employees. This is a continuous challenge and commitment which only becomes more imminent with the strong growth that LM Wind Power experienced in 2016. Over the course of the year, the company added around 2,500 new people to its global workforce, but still managed to achieve the lowest ever Lost Time Accident (LTA) rate per million work hours, which ended at 1.4 in 2016. This is once again the lowest rate in the company's history, and considerably lower than 1.9 in 2015.

One example of the strong performance came from the North America Service organization that achieved six years without a single LTA.

In addition to the comprehensive training in the plants, especially for the many new employees, Health and Safety also took center stage at the strategic level. This was underpinned by the launch of a global safety introduction campaign at all plants and the high level of awareness in the top management, which was also reflected in the number of safety inspections by senior management in the plants. 27,000 safety walks were conducted in the plants in 2016, up from 20,000 the year before. LM Wind Power's management recognizes the need for constant vigilance on this topic and continues to prioritize programs to strengthen the organizational awareness and capability to maintain the highest safety standards, also in times of significant growth.

Human rights and social issues

LM Wind Power's Code of Conduct clearly states that it supports and respects the protection of internationally proclaimed human rights and commits to not condoning or allowing human rights abuses. These principles manifest themselves in the processes for recruitment, promotion and remuneration which are based on equal pay for equal work, and the strict requirements to our suppliers that we do not tolerate child labor, forced labor, discrimination or any other misconduct as part of our collaboration. Furthermore, the company has a wide range of People policies, initiatives and programs in place to ensure proper and equal working conditions, a safe and inspiring work environment, fostering career development and growth.

Diversity

Diversity is encouraged at all levels of the organization and the Code of Conduct clearly forbids discrimination with regard to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin. As in many manufacturing and engineering companies, our gender split shows a predominance of male employees. It is the aim of LM Wind Power to further increase gender- and other forms of diversity in the business, building on the existing practices of promoting talent through individual performance and career reviews as part of the company's Performance Management Process, and through structured talent reviews of all salaried employees looking at capabilities and mobility.

Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act

The company has published a Diversity Policy which reflects how we plan to ensure a more diverse employee mix at all levels of the company. This includes having a stronger focus on diversity aspects such as gender when designing and re-designing the organizational set up, structured career reviews of all salaried employees to ensure less represented gender talent is not overlooked, together with the proposal to establish a Diversity Committee to set clear targets for diversity and oversee progress for the short and long term. The key focus in the short term will be addressing imbalance at the top of the organization and exploring how we match the aspirations of employees already with us, as well as those joining the company. This body will report to the Global HSE & Sustainability Council, chaired by the CEO.

At the management level, LM Group Holding A/S has a Target to further promote gender diversity in its highest governance body, the Board of Directors. In 2016, this body consisted of two representatives from our owners Doughty Hanson, one of whom is the Chairman, and three members who are also in the executive management team of LM Wind Power. They are all male. The company has set a target to also have one female member of the Board of Directors by 2017. The Board did not progress toward this target in 2016 as generally, new members of the Board are not considered unless specifically requested by our owners and that was not the case in 2016.

Safety highlights:

27,000

safety walks were conducted in the plants in 2016

1.4 (LTA rate)

The lowest ever Lost Time Accident (LTA) rate per million work hours

Employee engagement and development

LM Wind Power's global workforce contributed tremendously to making 2016 a record year in more than one sense of the word. 2,500 new colleagues joined the plants and offices around the world, stretching the company's Human Resources teams and processes for training and onboarding to the limit. It was a busy year indeed, but the achievements were real and notable.

The strong commitment from existing and new employees was reflected in the absentee rates for colleagues in both plants and offices, which remained at a very low level. Recognizing the constant need for developing and further boosting the qualifications of the workforce, the company invested in significant training programs, some of which were initiated a few years ago.

Leadership training and development were key focus areas for the entire organization; it was particularly evident with the comprehensive global 'Grow Plant Leaders' initiative that was further rolled out to all the leaders in the business over the year. The program which was initiated in 2015 aims to boost the capabilities of leaders at various levels in terms of ensuring safety, quality, good work environment and delivering high performance, as part of ensuring a long term, sustainable organization.

More than 700 people completed the 'Grow Plant Leaders' program, including middle management from the global functions. Internal trainers conducted more than 28,000 training hours during the year. The program includes five modules of eight hours each, adding up to 40 hours total per participant. Furthermore, 23 internal trainers were certified and 35 additional ones will complete the process in 2017.

The training of new employees was also further formalized and structured under 'Centers of Excellence' which were put in place in all manufacturing facilities, ensuring standardized training worldwide. The Center of Excellence concept allows colleagues to study the materials, tools, and processes of blade manufacturing, both theoretically and hands-on before being released onto the real production floor. All new employees go through six weeks of training in the Center of Excellence and for ramp up of new plants, a large group of the employees go to sister plants in other locations to train with colleagues. This was the case for example with the staff recruited for the Turkish manufacturing facility for which the company broke ground in July 2016. The Turkish plant is expected to start production by mid-2017.

70,000

training days in 2016

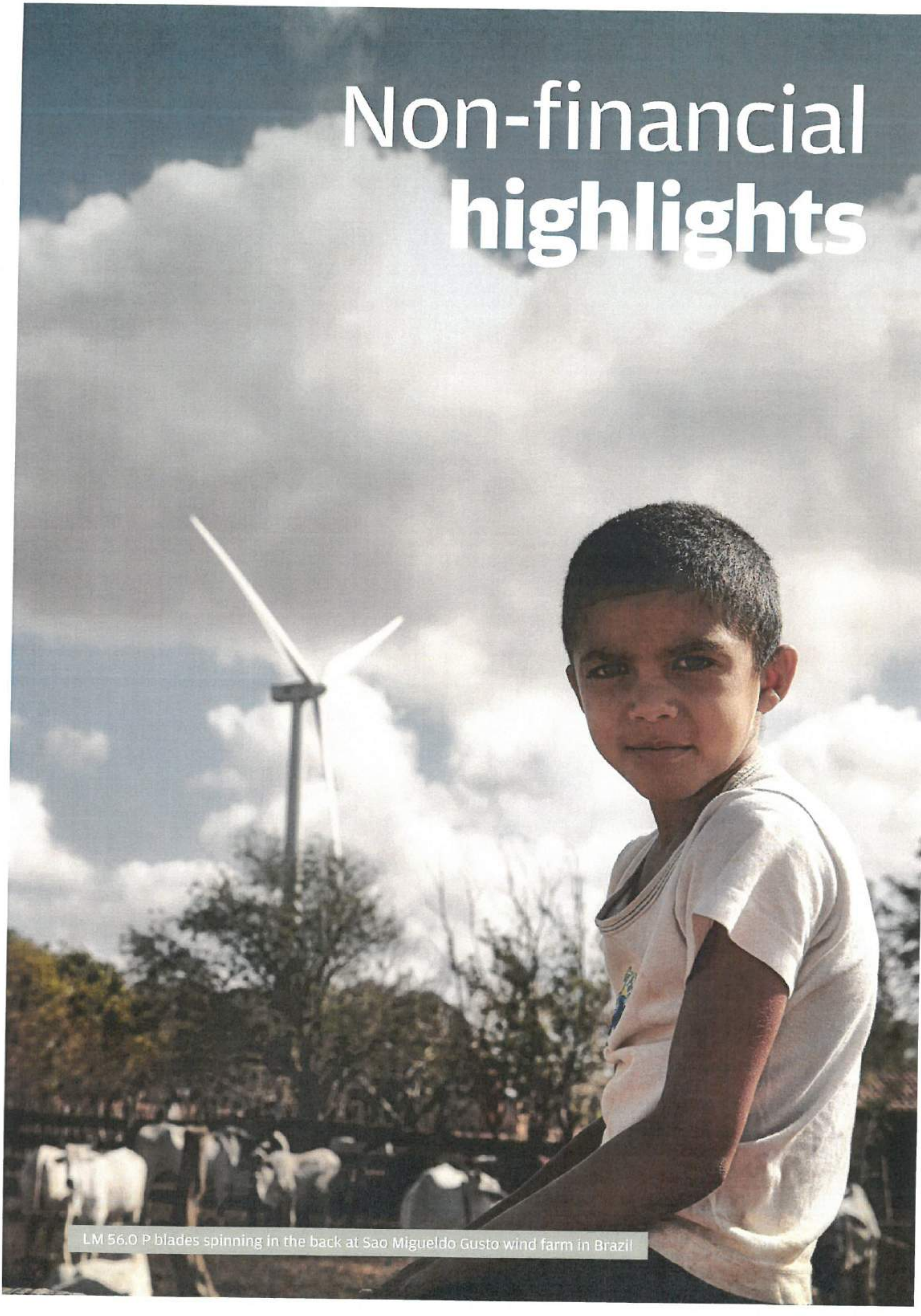
The strong commitment from existing and new employees was reflected in the absentee rates for colleagues in both plants and offices, which remained at a very low level

Focus on competences in the global support functions also revolved around leadership as well as specific skills within statistical problem solving and faster project management processes. A large group of colleagues went through Lean Six Sigma training at various levels, affecting 148 people worldwide who will now be able to support and drive improvements on quality, processes, and problem solving in the various parts of the organization where they are based.

Communities

At the core of LM Wind Power's community and stakeholder engagement is the strong ambition to promote the case for wind through lobbying activities in key markets, and increased visibility in external media channels, at industry events, Sustainability conferences and in social media. 2016 offered ample opportunity to advance this agenda through communication of the launch of the world's longest blade, the opening of a new manufacturing facility in India and groundbreaking for another one in Turkey, as well as several introductions of new blades and technology for the company's global customers. The people at LM Wind Power's plants and offices around the world once again engaged actively in the local communities, supporting a wide range of causes and organizations with money and hours. In 2016, focus was on activities that support the UN Sustainable Development Goals - particularly Quality Education, Diversity & Gender Equality, and Affordable and Clean Energy. The drive to achieve carbon neutrality by 2018 will greatly affect the coming year where we expect to motivate and engage the global workforce significantly to deliver the ambitious target.

Non-financial **highlights**

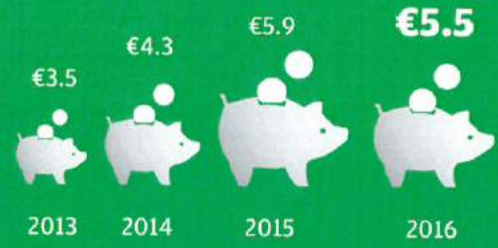


LM 56.0 P blades spinning in the back at Sao Migueldo Gusto wind farm in Brazil

Non financial highlights

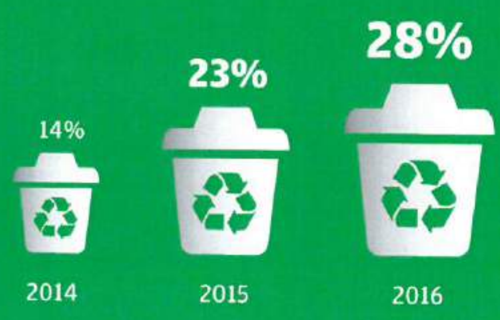
Record Low Lost Time Accident (LTA) rate

The LTA rate has decreased steadily and today tracks at the best industry level



Waste reduction saves money

Slightly below last year, the global waste reduction program continued to deliver significant savings



More waste for recycling

28% of total waste went to recycling in 2016, up from 23% the previous year

A highly diverse workforce

We were 44 nationalities in 2016

Stable carbon footprint

5.9 kg per kg blade produced, despite much higher output compared to previous year

90%

of the global workforce was trained in Code of Conduct and anti-corruption and bribery

Annual report non-financial highlights

Working environment	2016	2015	2014	2013	2012
Number of employees, end of year	8,178	6,332	4,505	4,844	5,122

The number excludes contractors and trainees

Injury rates (involving lost time) per million work hours					
Total	1.4	1.9	2.0	2.9	4.0

The company continued to improve on key performance indicators on health and safety with a Lost Time Accident (LTA) rate per million work hours ending at 1.4 in 2016. The target for 2017 is 1.4.

Accident rates					
Salaried employees	0.5	0.4	0.6	0.5	0.7
Hourly paid employees	1.3	1.6	1.3	1.2	1.5

Employees represented in formal Health & Safety committees

approximated (% reported in intervals of 0-25, 25-50 etc)

Total	between 25-50				

Percentage of employees receiving regular performance reviews

Total	15.0%	20.0%	25.2%	21.4%	20.2%

These numbers reflect the fact that all salaried employees are covered by LM Wind Power's Performance Management System which follows a cycle of annual objective setting, performance review and development planning. The decreasing percentage reflects the growth of the business in 2016, which happened primarily in the hourly paid population of the workforce.

Certifications

Percentage of sites certified by end 2016

ISO 9001:2008	100	95	94	100	100
ISO 14001:2004 and OHSAS 18001	100	89	82	-	-

LM Wind Power had 13 blade manufacturing sites in 2016 and five main office locations in Denmark, The Netherlands, India and China. The company has combined the ISO 14001 and OHSAS 18001 requirements in one integrated Health, Safety & Environment (HSE) Management System with all external audits being conducted under a combined audit set up for improved efficiency.

Environment

The data on environment is reported as a total for the group with the blade manufacturing business representing the vast majority of material consumption, energy, water consumption and waste generation.

	2016	2015	2014	2013	2012
Blades produced	10,474	9,474	8,262	7,173	8,856
Raw material used (tons)	106,638	89,270	65,758	59,097	93,135
Energy consumption					
Fuel not used for transport (GJ)	294,719	237,039	247,047	346,981	678,181
Energy used per kg blade (MJ)	0.47	0.46	0.62	0.94	0.93
Electricity (GWh)	130	103	97	80	96
Waste					
Total waste for landfill (tons)	13,406	9,210	10,616	6,364	9,241
Total waste for incineration (tons)	13,516	10,982	7,710	7,399	9,757
Total waste for recycling (tons)	10,615	15,874	2.934	2.348	3.005
Total waste (tons)	37,537	36,066	21,260	16,111	22,002
Waste / per kg blade produced (kg)	0.351	0.305	0.378	0.347	0.362
Total carbon footprint (ton CO_2 equivalent)	675,897	552,517	461,850	388,950	539,932
Carbon footprint (kg) / kg blade produced	5.9	5.9	6.5	6.9	8

The total carbon footprint has increased as could be expected with the increased activity in the business. Despite the increase in output, however, the carbon footprint per kg blade produced is stable compared to the previous year. This is due to the intense focus on utilizing materials in the optimal way and targeted efforts to optimize energy consumption and resources.

	2016	2015	2014	2013	2012
Water consumption (m^3)	362,364	184,863	210,790	237,422	237,474

None of our operations use water in the production processes. The water consumption recorded is primarily from daily activities at the site which, however, grew significantly during 2016. The increase in the water consumption can be ascribed to larger workforce and more facility square meters to clean. In India, all water is recycled as required by local law.

Human Rights and Anti-Corruption

	2016	2015	2014	2013	2012
Incidents of child labor identified at LM Wind Power sites	0	0	0	0	0
Incidents of child labor identified at suppliers' sites	0	0	0	0	0

The company's Code of Conduct clearly states that we support and respect the protection of internationally proclaimed human rights and that we ensure we do not condone or allow human rights abuses. We train our employees in the requirements and expectations of them and the Code of Conduct is an integrated part of the framework agreements with suppliers. A large number of the LM Wind Power workforce is employed in China and India and we have many young applications. We have a clear policy that we do not hire people under the age of 18 and applicants are to show their ID card or birth certificate as part of the recruitment process.

	2016	2015	2014	2013	2012
Charitable donations (EUR)	184,777	104,955	75,812	63,335	20,000
Community work (hours provided)	2,728	6,476	12,155	3,127	n/a

LM Wind Power is an active corporate citizen in the local communities in which we operate. Our employees and local subsidiaries contribute both time and money to support charity, improve local welfare and health and to promote the power of wind in creating a more sustainable world. In 2016, the plants focused on specific activities that support the UN Sustainable Development Goals - particularly Quality Education, Diversity and Gender Equality, and Affordable and Clean Energy.

	2016	2015	2014	2013	2012
Employees trained in anti-corruption policies and procedures % of total workforce	90	19	23	20	23

Since 2012, LM Wind Power has trained all salaried employees in the Code of Conduct, anti-corruption and UK Anti-Bribery Act in alignment with our commitment to the UN Global Compact principles. All new salaried employees go through this e-learning program as part of their onboarding and all employees go through regular recertification. Approximately 97% of the salaried workforce and approximately 70% of the hourly paid employees went through training in anti-corruption and wider Code of Conduct topics in 2016. The remaining part of the training for the hourly paid staff is expected to be completed by first half of 2017.

Financial highlights

Profit 2015 **€ 5.9** million

€ 51.7 million Profit 2016

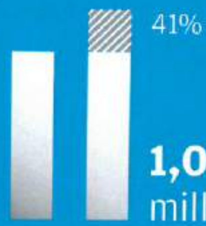
779% Profit increase in 2016

€ 105 million 2015

2016 **€ 207** million

Cash flow from operations before financial items and tax

€1,059 million revenue



750 million

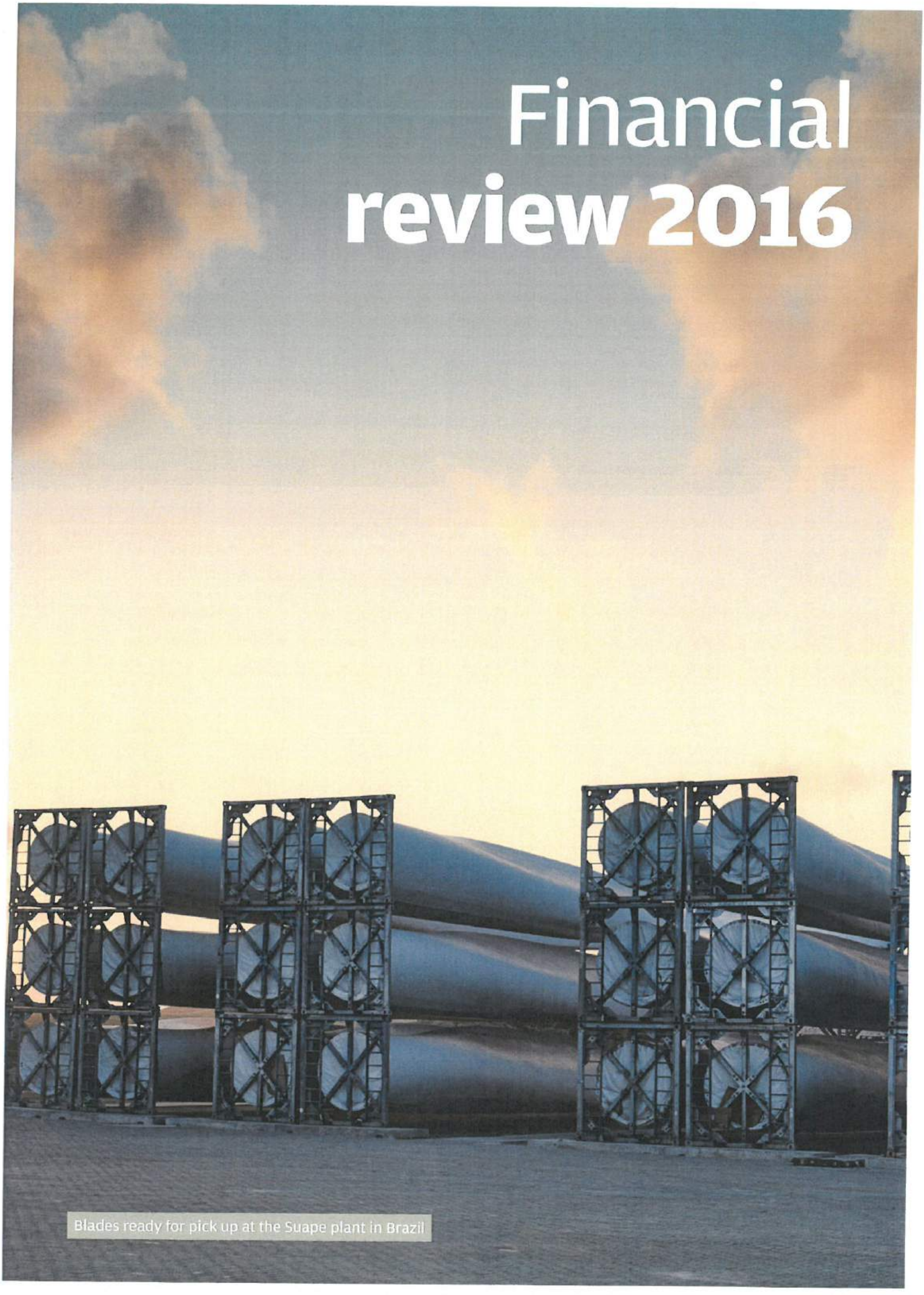
1,059 million

41% increase in revenue

16.5% EBITDA margin

14% total market share

Financial review 2016



Blades ready for pick up at the Suape plant in Brazil

Financial review 2016

Record results
LM Wind Power delivered its best ever financial performance in 2016. Sales increased by 41% to EUR 1,059 million, due to higher volumes driven by strong demand, plus the inclusion of Brazil (which was not consolidated for 11.5 months of 2015 during the period when it was a joint venture). At constant exchange rates, sales grew by 45%, with double-digit growth in all regions.

EBITDA increased by 69% to EUR 174 million, due mainly to revenue growth and the consolidation of Brazil. At constant exchange rates, EBITDA growth was 79%. The EBITDA margin increased from 13.8% in 2015 to 16.5% in 2016, thanks to tight cost control and operational leverage, with higher volumes over a cost base which is partly fixed.

Depreciation and amortization increased from EUR 51 million to EUR 74 million, following higher capital expenditure in both 2015 and 2016 to increase manufacturing capacity to meet customer demand. Despite this, EBIT (Results from operating activities before special items) increased 93% to EUR 100 million, with the EBIT margin increasing from 6.9% to 9.5%.

Net finance costs increased from EUR 9 million in 2015 to EUR 21 million in 2016, primarily due to the new green bond issued in Q4 2015, together with increased discounting of receivables due from customers.

The Group's tax charge increased to EUR 28 million in 2016 compared with EUR 16 million in 2015 due to the significantly improved profitability. However, the effective tax rate reduced from 73% in 2015 to 35% in 2016, largely due to the consolidation of Brazil and greater recognition of deferred tax assets, as a result of the envisaged improved financial performance of certain entities.

The Group's net profit increased by EUR 46 million from EUR 6 million in 2015 to EUR 52 million in 2016, thanks to sales growth and improved operational performance.

Low leverage and high liquidity
As at 31 December 2016, net debt was EUR 101 million, with leverage (net debt / EBITDA) of only 0.6x, leaving the Group very conservatively geared. This compares with net debt of EUR 95 million and leverage of 0.9x as at 31 December 2015. Net cash and cash equivalents were EUR 93 million (2015: EUR 87 million), which together with unutilised credit facilities of EUR 46 million resulted in liquidity of EUR 139 million (2015: EUR 129 million).

Cash flows from operating activities increased from EUR 72 million in 2015 to EUR 146 million in 2016, largely due to improved profitability. This is despite an increase in working capital of EUR 61 million due to growth, paying suppliers more quickly (particularly in Brazil) and higher customer downpayments.

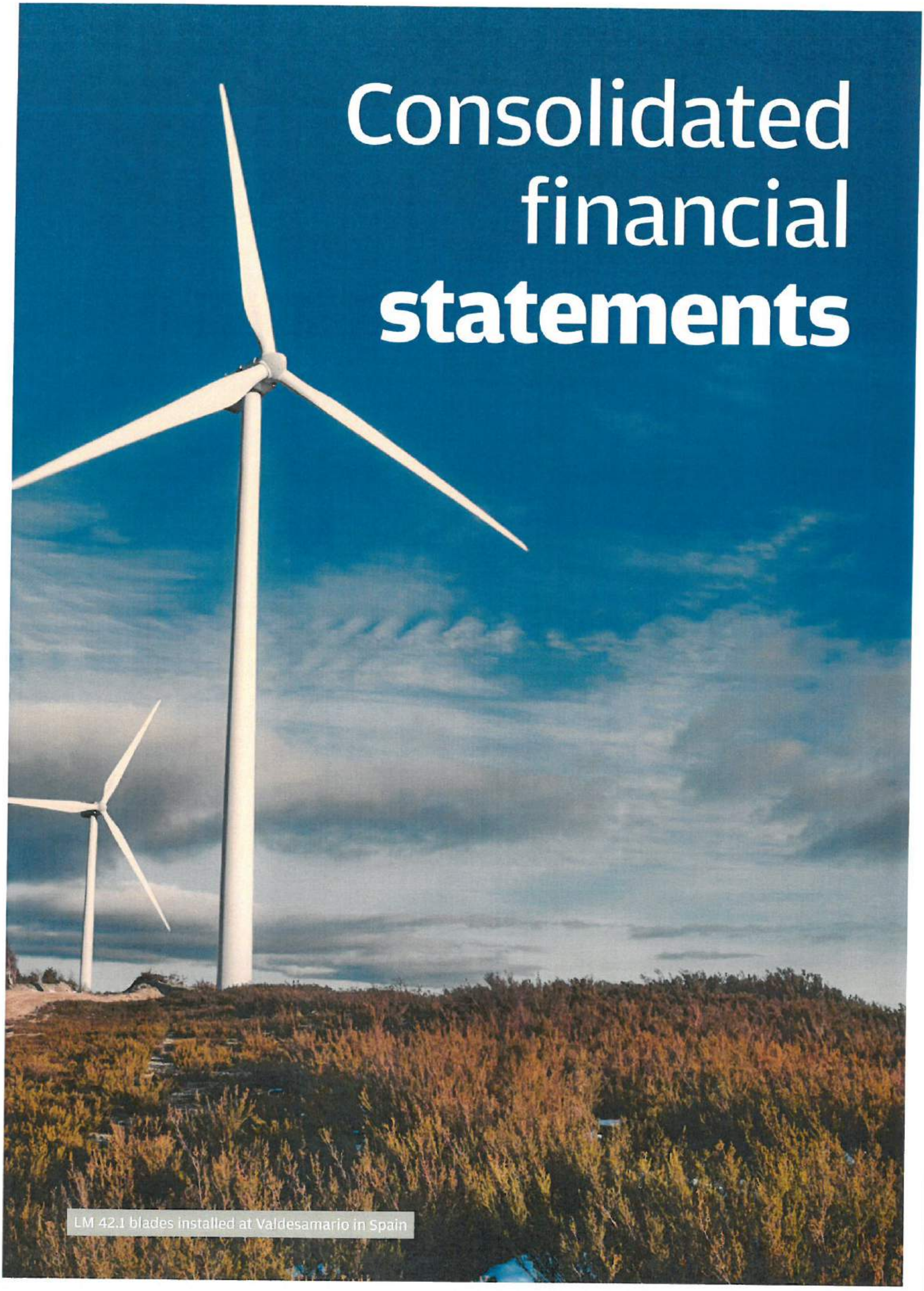
In order to meet increasing demand from customers, the Group continued to invest strongly in the business with capital expenditure increasing to 142 million, from EUR 86 million in 2015. This included the completion of a second factory in India, the start of construction of a new plant in Turkey, extensions of existing production facilities, and new moulds and equipment for longer blades. Furthermore, capital expenditure on development projects also increased, which reflected the Group's commitment to develop innovative products to meet customer demands and market growth. A substantial proportion of this year-on-year increase in capital expenditure was supported by downpayments from customers.

Sale to GE
On 11 October 2016, LM Group Holding A/S announced that Doughty Hanson, the European private equity firm, had agreed to sell its stakes in LM Wind Power Holding A/S to GE for an enterprise value of EUR 1.5 billion. The transaction is expected to close in the second quarter of 2017, subject to regulatory approvals. LM Wind Power Holding A/S is the parent company of LM Group Holding A/S. The closing of the transaction would constitute a change of control under LM Group Holding A/S's EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020. Contingent upon the conditions precedent to the acquisition being met, including antitrust approvals, and the continuing intention of the parties with regard to LM Group Holding A/S's capital structure, LM Group Holding A/S intends to redeem both the EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020 at the same time as the closing of GE's acquisition of LM Wind Power Holding A/S.

Outlook
LM Wind Power outperformed the expectations included in last year's Annual Report for 2016, with sales growth at constant exchange rates of 45% (2016 Outlook was "in excess of 20%") and an EBITDA margin of 16.5% (2016 Outlook was "at least 13%").

In 2017, LM Wind Power expects sales growth (at constant exchange rates) of at least 15%, thanks to continued strong market demand, capacity expansions in several plants and the start-up of operations in Turkey in H2 2017. LM Wind Power expects to maintain an EBITDA margin of at least 16.5%.

Consolidated financial **statements**



LM 42.1 blades installed at Valdesamario in Spain

Consolidated income statement, 1 January-31 December

EUR thousands	Notes	2016	2015
Revenue	4	1,059,417	750,336
Other income		2,343	1,182
Operating Income		**1,061,760**	**751,518**
Cost of sales		(421,251)	(315,907)
Other external expenses	8	(186,496)	(130,073)
Staff expenses	5	(279,678)	(202,280)
Depreciation and amortization	6	(73,929)	(51,334)
Operating expenses before special items		**(961,354)**	**(699,594)**
Profit from operating activities before special items		**100,406**	**51,924**
Special items	7	-	(5,566)
Results from operating activities		**100,406**	**46,358**
Share of loss of equity accounted investments		-	(15,531)
Financial income	9	21,052	21,696
Financial expenses	10	(42,074)	(30,399)
Net finance costs		**(21,022)**	**(8,703)**
Profit before income tax		**79,384**	**22,124**
Income tax	11	(27,704)	(16,246)
Profit for the year		**51,680**	**5,878**

Consolidated statement of comprehensive income, 1 January-31 December

EUR thousands	2016	2015
Profit for the year	**51,680**	**5,878**
Other comprehensive income, net of income tax:		
Items that may be subsequently reclassified to profit or loss:		
Exchange rate adjustment at year-end rates	1,502	(998)
Exchange rate adjustment, foreign entities	(6,048)	4,937
Fair value adjustment of hedge instruments	(45)	(585)
Other comprehensive income for the year, net of income tax	**(4,591)**	**3,354**
Total comprehensive income for the year	**47,089**	**9,232**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2016	2015
Assets			
Goodwill		278,545	277,694
Completed development projects		22,169	28,483
Development projects in progress		12,362	4,177
Intangible assets	12	**313,076**	**310,354**
Land and buildings		108,255	97,718
Plant and machinery		171,471	132,861
Fixtures, fittings and equipment		16,700	7,249
Leasehold improvements		6,255	2,678
Property, plant and equipment under construction		21,237	29,603
Property, plant and equipment	13	**323,918**	**270,109**
Other securities		312	421
Deferred tax assets	14	90,428	78,047
Other non-current assets		**90,740**	**78,468**
Total non-current assets		**727,734**	**658,931**
Inventories	15	92,794	77,092
Trade and other receivables	16	197,384	160,602
Receivables from Group companies		67,992	68,881
Income taxes		8,431	22,846
Prepayments		11,301	9,943
Cash & cash equivalents		92,845	87,488
Total current assets		**470,747**	**426,852**
Total assets		**1,198,481**	**1,085,783**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2016	2015
Liabilities and equity			
Share capital	17	9,410	9,375
Other reserves		8	6,078
Retained earnings		435,123	381,999
Total equity		**444,541**	**397,452**
Provisions	18	49,182	39,441
Loans and borrowings	19	188,133	175,278
Finance leases	21	3,072	1,258
Prepayments from customers		76,896	80,823
Deferred tax liabilities	14	-	-
Deferred income	20	68,078	39,934
Total non-current liabilities		**385,361**	**336,734**
Provisions	18	30,413	41,349
Loans and borrowings	19	791	5,211
Finance leases	21	1,938	294
Prepayments from customers		34,317	48,132
Income taxes		33,451	49,276
Trade payables		136,257	124,047
Other payables		79,973	73,278
Deferred income	20	51,439	10,010
Total current liabilities		**368,579**	**351,597**
Total liabilities		**753,940**	**688,331**
Total equity and liabilities		**1,198,481**	**1,085,783**

Consolidated statement of changes in equity, at 31 December

EUR thousands	Share capital	Other reserves: Translation reserve	Other reserves: Hedging reserve	Retained earnings	Total
Equity at 1 January 2016	**9,375**	**6,663**	**(585)**	**381,999**	**397,452**
Result for the year	-	-	-	51,680	51,680
Other comprehensive income	35	(6,023)	(47)	1,444	(4,591)
Equity at 31 December 2016	**9,410**	**640**	**(632)**	**435,123**	**444,541**
Equity at 1 January 2015	**9,399**	**1,730**	**-**	**377,091**	**388,220**
Result for the year	-	-	-	5,878	5,878
Other comprehensive income	(24)	4,933	(585)	(970)	3,354
Equity at 31 December 2015	**9,375**	**6,663**	**(585)**	**381,999**	**397,452**

Consolidated cash flow, 1 January-31 December

EUR thousands	Notes	2016	2015
Profit for the year		51,680	5,878
Adjustments for non-cash transactions	27	216,563	132,233
Changes in inventory		(15,702)	(23,233)
Changes in receivables		(38,161)	(31,150)
Changes in trade and other payables		(7,225)	21,115
Cash flows from operations before financial items and tax		207,155	104,843
Financial income		912	981
Financial expenses		(28,963)	(17,981)
Cash flows from operations before tax		179,104	87,843
Income tax paid		(33,024)	(16,254)
Cash flow from operating activities		**146,080**	**71,589**
Purchase of property, plant and equipment	28	(125,446)	(72,634)
Sale of property, plant and equipment		60	989
Purchase of intangible assets	29	(16,887)	(13,672)
Acquisition of subsidiary, net of remaining cash		-	2,417
Cash flow from investing activities		**(142,273)**	**(82,900)**
Repayment from long-term debt		(6,314)	(1,498)
Proceeds of long-term debt		11,000	50,000
Cash flow from financing activities		**4,686**	**48,502**
Net change in cash and cash equivalents		8,493	37,191
Cash and cash equivalents beginning of year		87,488	47,223
Net change in cash and cash equivalents		8,493	37,191
Exchange rate adjustments on cash & cash equivalents		(3,136)	3,074
Cash and cash equivalents at year end		**92,845**	**87,488**

The cash flow statement cannot be derived using only the published financial data.

List of notes

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

LM Group Holding A/S is a limited company based in Denmark. The Consolidated Financial Statements for 1 January - 31 December 2016 include the consolidated financial statements for LM Group Holding A/S and its subsidiaries (the Group). The consolidated financial statements for LM Group Holding A/S for 2016 are prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU.

The consolidated financial statements of LM Group Holding A/S are included in the consolidated annual report of LM Wind Power Holding A/S. The consolidated annual report of LM Wind Power Holding A/S can be obtained at the company address: Jupitervej 6, DK-6000 Kolding, Denmark.

Basis of preparation
The Consolidated Financial Statements are presented in EUR.

IFRS accounting standards adopted as from 2016 and onwards
Amendments to IFRS 11: Accounting for Acquisitions of interests in Joint Operations

The amendments require an investor to apply the principles of business combination accounting under IFRS 3 when it acquires an interest in a Joint Operation that constitutes a 'business' (as defined in IFRS 3). The Group has adopted the amendments and concluded these amendments do not have effect on the consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. The Group has adopted the amendments and concluded that these amendments do not have effect on the consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The annual improvement cycle addresses a few amendments in four standards. The Group has adopted the amendments and concluded that these amendments do not have effect on the consolidated financial statements.

Amendments to IAS 1: Disclosure Initiative (issued on 19 December 2014)

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group has adopted the amendments and concluded that the amendments only impact the presentation and disclosure and have been incorporated in the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception

The amendments address three issues arising in practice in the application of the investment entities in consolidation exception. The Group has adopted the amendments and concluded that these amendments do not have effect on the consolidated financial statements.

New accounting standards not yet adopted
The IASB has issued the following new accounting standards effective after 31 December 2016:

* IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018
* IFRS 9 Financial Instruments, effective from 1 January 2018
* IFRS 16 Leases, effective from 1 January 2019
* Further the IASB has issued the Annual Improvement 2014-16 and some amendment to existing standards.

The Group is currently assessing the impact of these new standards and amendments. The impact if any will be on recognition, measurement and disclosures of the respective items.

Accounting policies applied

Consolidated financial statements
The consolidated financial statements concern LM Group Holding A/S (the parent company) and its subsidiaries, jointly referred to as the Group. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and subsidiaries by consolidating items of a similar nature and elimination of inter-group transactions, shareholdings, balances and unrealized gains and losses.

Business combinations
Newly acquired or newly established companies are recognized in the consolidated financial statements from the date of acquisition.

On obtaining control over a previously held equity interest classified as an associate, the interest is re-measured to its acquisition date fair value through profit or loss.

The date of acquisition is when LM Group Holding A/S (or the parent company) actually achieved control over the company acquired. Sold or wound-up companies are recognized in the consolidated income statement up to the date they were sold or closed. Comparative data is not adjusted for companies newly acquired.

When acquiring companies in which the parent company achieves controlling interest, the acquisition method is used. The identifiable assets, liabilities and possible liabilities of acquired companies are measured at their fair value at the time of acquisition.

Identifiable intangible assets are recognized where they can be separated or arise from a contractual right, and the fair value can be accurately calculated. Deferred tax on re-evaluations performed is recognized.

If there are any uncertainties as to measurement of acquired identifiable assets, liabilities or possible liabilities on the date of acquisition, recognition will first occur based on provisional fair values. Should it subsequently transpire that identifiable assets, liabilities and possible liabilities had a different fair value on the date of acquisition to that envisaged, it will be adjusted up to 12 months after acquisition. The effects of adjustments are recognized in the primary equity capital and the comparative data adjusted. Goodwill is subsequently adjusted only as a result of revised estimates for conditional purchase price, unless there are major errors involved.

For business combinations completed on 1 January 2004 or later, the positive difference (goodwill) between cost price for the company and fair price of the identifiable assets, liabilities and possible liabilities is recognized as goodwill under intangible assets. A negative difference (negative goodwill) is recognized in the income statement on the date of acquisition.

Goodwill is not amortized but is tested for impairment annually and whenever impairment indicators require. The first test is performed at the end of the year of acquisition. At the time of acquisition, goodwill is attributed to the cash flow generating units, which subsequently forms the basis for impairment testing.

For business combinations completed prior to 1 January 2004, account classification is retained in accordance with the former accounting policy. The accounting treatment of business combinations before 1 January 2004 has not been adjusted in connection with the opening balance as at 1 January 2004. Goodwill at 1 January 2004 is therefore recognized based on the cost price at which it was recognized in accordance with the previous accountancy practice (the Danish Financial Statements Act and Danish Accounting Standards) less amortization and impairment up until 31 December 2003. Goodwill is not amortized after 1 January 2004.

Loss of control
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the income statement. A disposal is classified as discontinued operations when it represents a separate major line of business or geographical area of operations or it meets other requirements stipulated in IFRS 5. The discontinued operations are presented as a separate line in the income statement and the analysis of the discontinued operations is presented in the note.

Joint arrangements
The joint venture was accounted for using the equity method. Under the equity method, interests in a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits and losses and movement in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (includes any long-term interests), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of a joint venture. Unrealized gains on transactions between the Group and its joint venture were eliminated to the extent of the Group's interest in the joint venture. Unrealized losses were also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

Conversion of foreign currencies
A functional currency is determined for each of the reporting companies. The functional currency is the currency of the primary economic environment in which the reporting company operates. Transactions in other currencies are transactions in foreign currencies. The parent company's functional currency is Danish kroner (DKK), but due to the Group's international activities the consolidated financial statements are presented in euro (EUR).

Transactions in foreign currencies are converted when first recognized to the functional currency at the exchange rate on the day of transaction. Exchange rate differences arising between the rate on the day of transaction and payment are recognized into the income statement under financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are converted at the exchange rate effective on the balance sheet date. The difference between the balance sheet date rate and that at the time when the receivables or payables arose or the rate in the most recent annual report is recognized in the income statement under financial income and expenses. Non-monetary items measured at historical cost are not retranslated. Non-monetary items measured at fair value are translated at the exchange rate when the fair value was determined.

For the consolidated financial statements, foreign entities with a non-euro functional currency will be translated. Assets and liabilities are translated using the exchange rates on the respective balance sheet date. Items of revenue and expenses are translated into euro using the average rate of exchange for the period involved. The resulting translation adjustments are recognized in other comprehensive income and are presented within equity (translation reserve).

Derivative financial instruments
The Group uses derivative financial instruments to manage its foreign currency and interest rate risks. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are recognized from the date of transaction and measured in the balance sheet at fair value. Gains or losses arising from changes in fair value of derivatives are recognized in the income statement, except for derivatives that are highly effective and qualify for cash flow or net investment hedge accounting. Fair values for derivative financial instruments are calculated on the basis of current market data and approved capital valuation methods.

Cash flow hedging
Changes to that part of the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future payment flow, and which effectively hedge changes in the value of the item hedged, are recognized in the equity under a special reserve for hedging transactions, until the hedged cash flow affects the income statement. At that point, the gain or loss made is transferred from the equity and recognized in the same accounting item as the hedged transaction.

If the hedged instrument no longer fulfills the criteria for accountancy hedging, the hedging will cease to apply. The accumulated change in value recognized in the equity is transferred to the income statement when the hedged cash flow affects the income statement.

If the hedged cash flow is no longer expected to be realized, the accumulated change in value is transferred to the income statement immediately.

The income statement

Revenue
Revenue consists of sale of products and render of services.

Revenue from the sale of goods is recognized when all the following specific conditions have been met:

- all significant risks and rewards of ownership of the goods have been transferred to the buyer;
- the amount of revenue can be measured reliably;
- recovery of consideration associated with the transaction is
- probable; and
- costs incurred or which will be incurred related to the transaction can be measured reliably.

These conditions are usually met when the products are produced by the delivery date agreed with the customer and the products are physically delivered or stored at LM Wind Power company's storage facilities.

Revenue from the service provided is recognized when the sevices are performed using the percentage of completion method over the term of the agreements.

Revenue for sale of products and services is measured at the fair value of the agreed price excluding VAT and fees collected on behalf of a third party less discounts and similar allowances.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

Other external costs
Other external costs include those incurred for distribution, sales, advertising, administration, warranty, premises, loss on debtors, operational leasing agreements etc.

Personnel costs
Wages, social insurance contributions, paid leave and sick leave, bonuses and non-monetary payments are recognized in the financial year in which the Group's employees have performed the associated work.

Special items
Special items include items of a special size or character relative to the Group's earnings-generating operations, such as restructuring of processes and basic structural changes, gains and losses in connection with the sale of activities. These items are presented separately to facilitate comparison in the income statement.

Financial income and expenses
Financial income and expenses contain interest, exchange rate gains and losses and amortization of financial assets and liabilities. Realized and unrealized gains and losses from derivative financial instruments that cannot be qualified under hedge accounting are also included here.

Income tax
Income tax comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to an item recognized directly in other comprehensive income, in which case the tax effect is also recognized in other comprehensive income.

The charge for current tax is calculated based on the income for the period reported by the Group, as adjusted for items that are non-taxable or disallowed and using rates that have been enacted or substantially enacted by the balance sheet date.

The balance sheet

Intangible assets
Goodwill
Goodwill is recognized initially in the balance sheet at cost as described under "business combination". Goodwill is subsequently measured at cost less accumulated impairment losses. Impairment losses on goodwill are recognized in a separate line in the income statement.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss recognized in the statement on disposal.

Development projects
Development projects which are clearly definable and identifiable, where the technical utilization ratio, sufficient resources and a potential market or potential use in the business can be established, and when there is an intention to produce, market or use the project, are recognized as intangible assets if the cost can be reliably established, and if there is sufficient certainty that the present value of future earnings can cover production costs and development costs.

All research costs are charged to the income statement as and when incurred. Recognized development costs are measured at cost, which includes wages and other costs directly and indirectly attributable to the development activities.

Recognized 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 amortization period is six years. The basis for amortization is reduced by any impairment made.

The carrying amount for development projects in progress is not amortized but tested for impairment at least annually and where necessary, the project is written down to its recoverable amount in the income statement.

Other intangible assets
Other intangible assets, including those acquired due to business combinations, are measured at cost price less accumulated amortization and impairment. Other intangible assets are amortized on a straight line basis over their expected economic life.

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

Cost includes the cost of purchase and expenses directly attributable to the purchase until the asset is ready for use. In the case of assets produced in-house, cost comprises direct and indirect costs for materials, labor, components and third party suppliers.

Subsequent costs, e.g. for replacement of components of a material asset, are recognized at the book value of the asset concerned when it is likely that these costs will generate future financial benefits for the Group. The parts replaced cease to be

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

recognized in the balance sheet and the book value is transferred to the income statement. All other costs for general repair and maintenance are recognized in the income statement upon being incurred.

The cost price of a composite asset is broken down into the separate components which are depreciated individually, when their service lives are deemed to vary significantly. Property, plant and equipment are depreciated on a straight-line basis over the expected useful life based on individual assessment determined as follows:

Buildings	25-30 years
Leasehold improvements	Over the lease period, not exceeding 5 years
Molds	Over the expected useful life, 2-4 years
Other assets	0-10 years

Land is not depreciated.

The depreciation is calculated after taking into account the asset's scrap value. Scrap value is determined at the time of acquisition and reviewed annually. In the event that the scrap value exceeds the book value of the asset, depreciation will cease.

Depreciation is recognized as a separate line item in the income statement. Gains and losses on the sale of property, plant and equipment are included in other income/other external expenses.

Leasing

Leasing contracts in which the Group bears substantially all the risks and rewards of ownership (financial leasing) are initially recognized in the balance sheet as assets at the lower of their fair value or present value of future minimum lease payments. When calculating present value, the internal interest rate for the leasing agreement is used as discount factor or an approximate value for the same. The corresponding liability to the lessor is included in liabilities as a finance lease obligation.

Assets under finance lease are subsequently depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Gains from the sale and leaseback under finance leaseback transactions are recognized as a liability and taken into income over the term of the lease.

All other leases are considered as operating leases. Payments in connection with operating leases are recognized using the straight-line method in the income statement over the term of the lease.

Impairment of assets

Goodwill

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separate identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. Details of the impairment test are provided in note 2 under "critical accounting estimates and judgments".

Property, plant and equipment and finite lived intangible assets

The book value of other long term assets is evaluated annually to determine if there is any indication of impairment. If there is, the asset's recovery value is calculated. This will be the higher of the asset's fair value less expected disposal costs or value in use. Value in use is calculated as present value of expected future cash flow from the asset.

An impairment loss will be recognized when the book value of an asset exceeds the recovery value of the asset. Impairment loss is recognized in the income statement under depreciation and amortization.

Impairment for these assets is reversed if changes have been made to the conditions and estimates that led to the impairment. Impairments are reversed only if the new book value of the asset does not exceed the amount that it would have had after amortization/depreciation, if it had not been impaired.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

Inventories
Inventories are measured according to the FIFO method at cost or net realization value, whichever is lower.

The cost of goods for resale, raw materials and consumables comprises all direct costs (including transportation) related to the purchase and bringing them to their existing location and condition.

The cost of finished goods and goods under manufacture includes the cost of raw materials, consumables, direct wages and indirect production costs. Indirect production costs include indirect materials and wages plus maintenance of the machines, factory buildings and equipment used in the production process. However, costs of idle facility/plant and abnormal waste are not part of the indirect production costs.

Inventory is reduced for the estimated losses due to obsolescence. This reduction is determined for groups of products based on purchases in the recent past and future demand.

Receivables
Receivables are recognized initially at fair value based on amounts exchanged and subsequently at present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of allowances for uncollectible amounts. As soon as individual trade receivables cannot be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade receivables and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible.

All individually significant receivables are assessed for specific impairment. Receivables for which there is no objective indication of impairment at individual level are evaluated at portfolio level for objective indication of impairment. The objective indicators used for portfolios are determined based on historic loss experience.

Prepaid expenses
Prepaid expenses recognized as assets included costs incurred concerning the subsequent fiscal year. These typically comprise rent, insurance premiums and subscriptions. Prepaid expenses are measured at nominal value.

Equity
Dividends
Proposed dividends if there are any, are recognized as a liability at the time of declaration before the financial statements are authorized for issue. Dividends expected to be paid for the year are shown as a separate item under equity.

Treasury shares
Treasury reserves include purchase and sales prices for the company's own shares, which are recognized directly in equity. A capital reduction through cancellation of treasury shares reduces the share capital by an amount equivalent to the nominal value of the shares and increases retained earnings. Dividends for treasury shares are recognized directly in equity under retained earnings.

Translation reserve
Translation reserve comprises mainly exchange rate differences arising from conversion of financial statements of foreign operations that have a functional currency other than euro (EUR).

Hedging reserve
The hedging reserve includes the accumulated net change in fair value of hedge transactions which fulfill the criteria for hedging future payment flows, and for which the hedged transaction has not yet realized.

Provisions
A provision is recognized when the Group has a legal or constructive liability arising from an event before or on the balance sheet date, and it is likely that some financial benefit will have to be given as payment for the liability.

Provisions are measured at the management's best estimate of the amount required to pay off the liability. The unwinding of the discount will be taken into account if it will have a significant effect on measurement. A pre-tax discounting factor is used which reflects the general level of interest and the specific risks associated with the liability.

Warranty commitments comprise obligations to repair blades delivered within their warranty period. A general provision is made based on previous experience and expected future costs. In addition, individual provisions are made to cover the cost of any retrofits.

Costs for restructuring are recognized as liabilities when a detailed, formal plan for the restructuring is published no later than the balance sheet date for the notification of the employees affected by the plan.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings
Interest bearing loans and borrowings are initially measured at fair value and are subsequently measured at amortized cost. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognized over the term of the loan or borrowing.

Trade payables
Trade payables are not interest bearing and are stated at the amortized cost which largely corresponds to the nominal value.

Tax payable and deferred tax
Current tax liabilities and receivables are recognized in the balance sheet as projected tax on the year's taxable income adjusted for tax on previous taxable income and for prepaid taxes.

Deferred tax is measured using the balance sheet method on all temporary differences between accounting and tax values of assets and liabilities.

Deferred tax assets, including the tax value of presentable tax losses and negative deferred tax, are recognized under other long term assets at a value they are expected to be used at, either in settlement of tax on future earnings or counterbalancing deferred tax liabilities within the same legal tax unit.

Adjustment of deferred tax for eliminated non-realized internal group gains and losses is performed.

Deferred tax is measured on the basis of the tax rules and rates applicable on the balance sheet date for the respective countries, when deferred tax is expected to become tax payable. Changes to deferred tax as a result of changed tax rates are recognized in the income statement.

Deferred income
Deferred income comprises government grants and non-refundable contributions from customers.

Government grants are recognized when the Group has obtained reasonable assurance that the grants will be received and the Group will comply with all relevant conditions attaching to the grants.

Non-refundable contributions from customers are mainly related to payment received or receivable from customers for specific projects or assets as compensation towards the cost incurred by the Group.

Both government grants and non-refundable contributions from customers are not offset against the cost of the asset but deferred in the balance sheet and recognized as income over actual sale volume or useful life of the asset.

Cash flow statement

The cash flow statement shows cash flows for the year broken down by operating, investment and financing activities, cash and cash equivalent provisions for the year and opening and closing balances for cash and cash equivalents.

Cash flows from operating activities are stated according to the indirect method as profit/loss for the year before tax adjusted for non-cash operating items such as amortization and impairment and provisions, plus changes in working capital, interest received and paid, dividends received and corporation tax paid.

Cash flows from investment activities comprise payments from the purchase and sale of companies and activities, intangible assets, property, plant and machinery and other long-term assets. The cash flow effect of acquisitions and disposals of companies is shown separately in cash flow from investing activities. Cash flows from companies acquired are shown in the cash flow statement from the date of acquisition and cash flows from companies sold are recognized up to the date of sale.

Cash flows from financing activities comprise changes to the size of composition of share capital and borrowing, payments of interest-bearing debt and payment of dividends to shareholders. Cash flows concerning financial leased assets are recognized as payment of interest and repayment of debt.

Cash and cash equivalents include cash on hand, call deposits and other short-term highly liquid financial assets such as bank drafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash flows in other currencies than the functional currency are converted at average currency exchange rates, unless they differ significantly from the rate on the transaction day.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of consolidated financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management judgements, estimates and assumptions relating to future events.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the reported carrying amounts of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Management believes the following are the critical accounting estimates and judgements used in the preparation of the consolidated financial statements. This information below should also be read in conjunction with the Group's disclosures of significant IFRS accounting policies which are provided in the consolidated financial statements, "Accounting policies".

Impairment test of Goodwill

In the annual impairment test of goodwill, an estimate is made to determine how parts of the enterprise (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill with an indefinite useful life and other net assets of the enterprise in question.

The Group is managed as one single unit, for which reason the management monitors goodwill as a whole. The market value of the Group's shares is based on the enterprise value for the Group of EUR 1,500 million agreed between Doughty Hanson, the European private equity firm, and GE and which was announced on October 11, 2016. Therefore, the management has concluded that the net selling price calculated on the basis of a level 1 fair value measurement proves that there is no indication of impairment of goodwill.

The carrying value of remaining goodwill was EUR 278.5 million at 31 December 2016.

Impairment test of development costs

Development projects in progress are tested annually for impairment irrespective of indicators. The impairment test is based on management assessment of the present value of future cash flows expected to be derived from the individual project once completed. In addition, completed development projects are also reviewed on an annual basis to determine whether there is indication of impairment. If this is indicated, an impairment test is carried out for the individual development project. The impairment test is performed on the basis of various factors, including future use of the project and the fair value of the estimated future earnings.

The carrying value of development projects in progress and finished development projects at 31 December 2016 is EUR 34.5 million.

Deferred tax assets

Management assessment is required to determine the Group's recognition of deferred tax assets. LM Wind Power recognizes deferred tax assets when it is probable that there will be sufficient future taxable income to utilize the temporary differences and unutilized tax losses. Management considers the future taxable income when assessing whether or not to recognize deferred tax assets. This requires taking assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income statement in the period in which the change occurs.

The accounting value of deferred tax assets was EUR 90.4 million at 31 December 2016.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Provision for warranty commitments
Provision for warranty commitments consists of general and specific warranties.

The general warranty mainly covers component defects, defective blades and functional errors. A provision for general warranty is made at the time of revenue recognition based on historical information to reflect the estimated cost for replacement and free-of charge services for the product sold. Warranty is granted for a two-year period with an additional six months period, if the blade is not mounted immediately after delivery. At year-end, an additional assessment using variables such as total number of jobs (open and expected) to determine the exposure will be performed to validate the estimation.

In addition to the general warranty provision, specific provisions are made for the retrofitting of blades defective due to manufacturing errors. The estimation for specific warranty is based on known programs with defined populations and solutions.

Possible changes in the assumptions used in the calculation of general and specific warranty provisions could have an adverse impact on the Group's consolidated financial position, results of operations and cash flows.

Provisions for both warranty commitments amounted to EUR 59.5 million at 31 December 2016.

Trade receivables
Trade receivables are stated at present value of estimated future cash flow after taking into account the customer's ability to make payment.

LM Wind Power maintains provision for doubtful debt resulting from the subsequent inability of customers to make required payments. If the financial conditions of the customer were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future periods. Management analyzes trade receivables through examining historical bad debt, customer concentrations, customer credit-worthiness and security received as well as current economic trends and changes in the customer payment terms when evaluating the adequacy of the provision for doubtful trade receivables.

The carrying amount of allowance for doubtful trade receivables is EUR 9.0 million as at 31 December 2016.

Notes to the consolidated financial statements

3. SEGMENT

No segment reporting
The internal reporting framework used for reporting on revenue and earnings before taxes and depreciation (EBITDA) to the Executive Leadership Team and the Board of Directors has been set up to reflect and report on the result for the Group as a whole to assess performance, thus there is only one operating segment.

World wide operations
The Group operates in three geographical regions: Europe, Americas and Asia.

The non-current assets per geographical region are Europe EUR 380.6 million (2015: EUR 383.2 million), Americas EUR 204.2 million (2015: EUR 174.2 million) and Asia EUR 142.9 million (2015: EUR 101.6 million).

Revenue in 2016 of approximately EUR 465.9 million (2015: EUR 304.8 million) and EUR 328.2 million (2015: EUR 186.3 million) are derived from two external customers.

4. REVENUE

EUR thousands	2016	2015
Europe	255,572	181,514
Americas	381,864	240,528
Asia	421,981	328,294
	1,059,417	**750,336**

The allocation of revenue in the above schedule is derived from the location in which the sales were originated.

5. STAFF EXPENSES

EUR thousands	2016	2015
Staff expenses are specified as follows:		
Wages and salaries	237,441	169,440
Pensions	3,112	3,401
Other social security expenses	39,125	29,439
	279,678	**202,280**
Average number of employees	7,294	5,225
Number of employees at 31 December	8,178	6,332

EUR thousands	2016 Executive Board of Management	2015 Executive Board of Management
Total salaries and remuneration to the Executive Board of Management amount to:		
Wages and Salaries	983	758

The Executive Board of Management and some in the management level below, have incentive bonus schemes depending on various specific non-market performance measures. Some of the bonuses will be paid by the parent company.

Notes to the consolidated financial statements

6. DEPRECIATION AND AMORTIZATION

EUR thousands	2016	2015
Depreciation and amortization are specified as follows:		
Development projects	7,866	7,074
Land and buildings	6,407	5,599
Plant and machinery	53,487	32,450
Fixtures, fittings and equipment	3,325	2,959
Leasehold improvements	2,844	3,252
Depreciation and amortization	**73,929**	**51,334**

7. SPECIAL ITEMS

EUR thousands	2016	2015
Staff costs	-	1,582
Other	-	3,984
	-	**5,566**

Other in the special items is mainly related to the consultancy services provided to the Brazilian joint venture entity in 2015 to optimize the operation before the Group acquired the full ownership of the joint venture.

8. OTHER EXTERNAL EXPENSES – RESEARCH AND DEVELOPMENT

Other external expenses includes research and development cost in 2016 of EUR 18.0 million (2015 EUR 16.1 million). Higher research and development costs in 2016 were to increase research and development activities to meet future market growth.

9. FINANCIAL INCOME

EUR thousands	2016	2015
Interest income, etc.	912	981
Interest income from Group companies	1,966	2,391
Exchange rate gains	18,174	18,324
	21,052	**21,696**

Notes to the consolidated financial statements

10. FINANCIAL EXPENSES

EUR thousands	2016	2015
Interest expenses, etc.	37,488	23,076
Exchange rate losses	4,586	7,323
	42,074	**30,399**

Interest income and expenses consist of interest income and expenses on bank accounts, loans and amortization of borrowing costs. Furthermore, interest expenses include discount costs.

11. INCOME TAX

EUR thousands	2016	2015
Income tax expenses for the year are specified as follows:		
Income tax expense	27,704	16,246
Income tax recognized directly in equity	776	(362)
	28,480	**15,884**
Income tax expense comprises of:		
Current tax expense for the year	42,208	30,640
Deferred tax expense for the year	(12,604)	(16,612)
Adjustment for prior periods	(1,900)	2,218
	27,704	**16,246**
Reconciliation of effective tax rate:		
Income tax using the Company's domestic tax rate	22.0%	23.5%
Effect of tax rates in foreign jurisdictions	(2.4%)	(8.1%)
Reduction in tax rate	1.4%	4.2%
Non-deductible expenses	11.2%	60.2%
Recognition of deferred tax assets related to prior years	0.0%	(50.1%)
Tax losses for which no deferred tax asset is recognized	9.6%	42.5%
Tax under/(over) provided in prior years	(6.9%)	1.2%
Effective tax rate for the year before impairment	**34.9%**	**73.4%**

The main reasons for the 2016 effective tax rate of 34.9% to be higher than the Company's domestic tax rate are the non-deductible expenses and the fact that not all tax losses incurred during the year have been recognized.

In principle the 'Effect of tax rates in foreign jurisdictions' should have an increasing impact on the effective tax rate since the majority of the profits are generated in countries with statutory tax rates that are higher than the Company's domestic tax rate. Due however to the high tax rate in the United States where the Group has incurred losses and profitability in Poland where the tax rate is lower, the 'Effect of tax rates in foreign jurisdictions' overall has a reducing impact on the effective tax rate.

The negative impact from the 'Non-deductible expenses' is mainly caused by non-deductibility of recharges in India and China.

The recognition of tax losses is based on an analysis of expected future profitability. This analysis has resulted in a partial recognition of the losses incurred in Spain and the United States. The continuation of the improvement of the Group's results has resulted in an increase of the total amount of tax losses that has resulted in a deferred tax asset.

Notes to the consolidated financial statements

12. INTANGIBLE ASSETS

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Total
Cost at 1 January 2016	321,397	92,495	4,177	418,069
Exchange rate adjustment at year-end rates	693	1,057	16	1,766
Additions during the year	-	8,718	16,887	25,605
Disposal during the year	-	(11,981)	-	(11,981)
Transferred upon completion	-	-	(8,718)	(8,718)
Cost at 31 December 2016	322,090	90,289	12,362	424,741
Amortization and impairment at 1 January 2016	43,703	64,012	-	107,715
Depreciation on assets disposed during the year	-	(4,646)	-	(4,646)
Exchange rate adjustment at year-end rates	(158)	888	-	730
Amortization during the year	-	7,866	-	7,866
Amortization and impairment at 31 December 2016	43,545	68,120	-	111,665
Carrying amount at 31 December 2016	**278,545**	**22,169**	**12,362**	**313,076**

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Total
Cost at 1 January 2015	287,885	78,692	4,429	371,006
Exchange rate adjustment at year-end rates	121	(196)	(11)	(86)
Additions during the year	-	13,913	12,982	26,895
Acquisitions through business combinations	33,391	86	-	33,477
Transferred upon completion	-	-	(13,223)	(13,223)
Cost at 31 December 2015	321,397	92,495	4,177	418,069
Amortization and impairment at 1 January 2015	43,124	57,082	-	100,206
Exchange rate adjustment at year-end rates	579	(144)	-	435
Amortization during the year	-	7,074	-	7,074
Amortization and impairment at 31 December 2015	43,703	64,012	-	107,715
Carrying amount at 31 December 2015	**277,694**	**28,483**	**4,177**	**310,354**

Notes to the consolidated financial statements

12. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Management has performed an annual impairment test on the carrying amount of goodwill. The impairment test was done based on the assumptions required to comply with IAS 36 (refer to Notes 1 and 2).

For the purpose of impairment testing, the carrying amount of goodwill before impairment (in millions) is allocated to the cash generating unit (CGU):

	2016
Blades	278.5
	278.5

The impairment test performed by the Group has shown that the recoverable amount for the cash generating unit of Blades is higher than the carrying amount and thus no impairment is required.

Development costs

Recognized completed development projects and development projects in progress comprise development of new blade types and prototype products. The new blade types are expected to result in competitive advantages and thus a strengthening of the Group's market position.

The annual impairment test performed by the Group did not lead to a material adjustment of the development projects.

The weighted remaining useful life of completed development projects is 4.0 years as of 31 December 2016.

The amortization of completed development projects is not allocated to the cost of sales but recognized as a separate line item in the income statement (Note 6).

Notes to the consolidated financial statements

13. PROPERTY, PLANT & EQUIPMENT

EUR thousands	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 January 2016	160,809	404,039	38,813	33,514	29,603	666,778
Exchange rate adjustment at year-end rates	(2,568)	(2,657)	(1,502)	955	1,394	(4,378)
Additions during the year	15,710	100,000	13,060	6,430	111,331	246,531
Disposals during the year	(254)	(50,221)	(555)	(10)	(6)	(51,046)
Transferred upon completion	-	-	-	-	(121,085)	(121,085)
Cost at 31 December 2016	173,697	451,161	49,816	40,889	21,237	736,800
Depreciation and impairment at 1 January 2016	63,091	271,178	31,564	30,836	-	396,669
Exchange rate adjustment at year-end rates	(3,841)	(5,249)	(1,259)	964	-	(9,385)
Depreciation for the year	6,407	53,487	3,325	2,844	-	66,063
Depreciation on disposed assets	(215)	(39,726)	(514)	(10)	-	(40,465)
Depreciation and impairment at 31 December 2016	65,442	279,690	33,116	34,634	-	412,882
Carrying amount at 31 December 2016	**108,255**	**171,471**	**16,700**	**6,255**	**21,237**	**323,918**
Assets held under finance leases included above	**1,197**	**2,548**	-	-	-	**3,745**
Cost at 1 January 2015	145,807	296,579	32,308	30,037	7,852	512,583
Exchange rate adjustment at year-end rates	9,085	9,438	466	2,629	(572)	21,046
Additions during the year	6,052	40,689	6,143	929	87,556	141,369
Reclassification of transport equipment*	-	47,821	-	-	-	47,821
Acquisitions through business combinations	-	15,049	-	-	3,502	18,551
Disposals during the year	(135)	(5,537)	(104)	(81)	-	(5,857)
Transferred upon completion	-	-	-	-	(68,735)	(68,735)
Cost at 31 December 2015	160,809	404,039	38,813	33,514	29,603	666,778
Depreciation and impairment at 1 January 2015	53,247	238,842	28,346	25,147	-	345,582
Exchange rate adjustment at year-end rates	4,367	4,824	363	2,496	-	12,050
Depreciation for the year	5,599	32,450	2,959	3,252	-	44,260
Depreciation on disposed assets	(122)	(4,938)	(104)	(59)	-	(5,223)
Depreciation and impairment at 31 December 2015	63,091	271,178	31,564	30,836	-	396,669
Carrying amount at 31 December 2015	**97,718**	**132,861**	**7,249**	**2,678**	**29,603**	**270,109**
Assets held under finance leases included above	-	**423**	-	-	-	**423**

* Transportation equipment was reclassified from inventory to fixed assets as a result of changes in the business models. On the date of transfer, the transportation equipment amounted to EUR 47.8 million.

Notes to the consolidated financial statements

14. DEFERRED TAX ASSETS AND LIABILITIES

EUR thousands	2016	2015
At the beginning of the year	78,047	40,804
Exchange rate adjustments	(223)	551
Deferred tax recognised in the result for the year	11,807	15,778
Adjustment relating to previous years	797	-
Changes in income tax rate	-	834
Acquisition as part of business combinations	-	20,080
Deferred tax at 31 December, net assets/(liabilities)	**90,428**	**78,047**

Recognised deferred tax assets and liabilities	2016	2015
Intangible assets	(4,767)	(3,873)
Property, plant and equipment	21,505	24,398
Inventories	654	2,072
Trade and other receivables	8,756	9,338
Provisions	9,074	8,533
Loans and borrowings	481	61
Other liabilities	4,454	3,607
Deferred income	1,218	411
Tax losses carried forward - gross	51,917	37,028
Other	(2,864)	(3,528)
	90,428	**78,047**

Intangible assets

The deferred tax asset on intangible assets relates mainly to the commercial capitalization of certain development projects. The increase compared with 2015 is caused mainly by the increased development activities and additional goodwill capitalization.

Tangible assets

The movement in the deferred tax asset on the Property, Plant and Equipment from 2015 to 2016 mainly relates to the sale of a property in Denmark and to a realignment of assets in India.

Provisions

The deferred tax on provisions relates mainly to the difference in treatment of the warranty provisions between tax and commercial. The increase compared with 2015 is mainly caused by the increased sales.

Tax losses carried forward

The deferred tax on tax losses carried forward relates mainly to tax losses in the United States, Spain and Brazil. The increase compared with 2015 is caused by the improved outlook on the profitability of these entities.

Deferred tax assets are reviewed on an annual basis and are only recognized when it is probable that these losses can be utilized in the foreseeable future. This assessment is based on the budget and projections for subsequent years as well as planned initiatives. Due to uncertainties and local legislation, Management has limited the future period to 5 years for losses realized in countries with a time limitation on the utilization of tax losses and 10 years for losses realized in countries with no time limitation on the utilization of tax losses.

Tax loss not carried forward

Based on the above assessment it is concluded that utilization of part of the losses of the entities in the United States and Spain is not probable. Therefore that part of these losses has not resulted in a deferred tax asset. The amount of deferred tax asset that has not been recognized is EUR 21.6 million (2015: EUR 26.1 million), consisting of EUR 4.7 million for US (2015: 7.8 million) and EUR 16.9 million for Spain (2015: EUR 18.3 million).

Notes to the consolidated financial statements

15. INVENTORIES

EUR thousands	2016	2015
Raw materials and consumables	59,171	49,147
Work in progress	18,007	10,289
Finished goods	15,616	17,656
	92,794	**77,092**

Inventory is reported net of allowances for obsolescence, an analysis of which is as follows:

Provision for obsolete inventories	2016
Provision for obsolete inventories at 1 January	9,075
Exchange rate adjustment at year-end rates	185
Additions during the year	4,558
Utilized during the year	(1,937)
Reversed during the year	(5,422)
Provision for obsolete inventories at 31 December	**6,459**

Notes to the consolidated financial statements

16. TRADE AND OTHER RECEIVABLES

EUR thousands	2016	2015
Trade receivables	153,449	119,319
Other receivables	43,935	41,283
	197,384	**160,602**

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

The ageing of the trade receivables is following:

	2016
Within terms	111,287
0-30 days	11,954
30-60 days	3,190
60-90 days	1,941
More than 90 days	25,077
	153,449

The Group's trade receivables are stated after impairment losses based on an individual assessment of each receivable, an analysis of which is as follows:

	2016
Impairment loss at 1 January	9,861
Exchange rate adjustments at year-end rates	82
Impairment charge for the year	3,955
Realized during the year	(3,678)
Reversal during the year	(1,194)
Impairment loss at 31 December	**9,026**

The impairment relates to a few customers, which according to Management's assessment have higher risk of default given the customers' financial and economic circumstances. Note 2 provides further details on the current outstanding receivables exposure.

The impairment loss is based on an individual assessment of each receivable.

Notes to the consolidated financial statements

17. SHARE CAPITAL

EUR thousands	2016	2015
The share capital is divided into the following classes of shares		
Ordinary shares: 69,964,987 of 1 DKK nominal value	9,410	9,375
	9,410	**9,375**

EUR thousands	2016 Number of shares	2015 Number of shares	2016 Nominal value	2015 Nominal value
Portfolio at 1 January	69,965	69,965	9,375	9,399
Exchange rate adjustments at year-end rates	-	-	35	(24)
Portfolio at 31 December	**69,965**	**69,965**	**9,410**	**9,375**

18. PROVISIONS

EUR thousands	Warranties	Other	Total
Balance at 1 January 2016	51,438	29,352	80,790
Exchange rate adjustments at year-end rates	1,525	1,910	3,435
Provisions made during the year	32,620	16,056	48,676
Provisions used during the year	(17,302)	(23,010)	(40,312)
Provisions reversed during the year	(7,061)	(2,573)	(9,634)
Adjustments prior years	(234)	(1,683)	(1,917)
Adjustments to the change in discounting	(1,443)	-	(1,443)
Balance at 31 December 2016	**59,543**	**20,052**	**79,595**
Non-current	40,716	8,466	49,182
Current	18,827	11,586	30,413
	59,543	**20,052**	**79,595**

Warranties

The general warranty, which in the great majority of cases covers component defects, defective blades and functional errors is usually granted for two years from delivery of the product.

In addition to the general warranty provision, specific warranty provisions are made for the retrofitting of defective blades due to manufacturing errors. These specific provisions are reduced when used and increased if new specific errors occur that require specific provisions to be set up.

The total movement of the warranty provision in 2016 is recognized in "Other external expenses".

Other

Other provisions mainly consist of provisions for cradles to be returned from customers.

Notes to the consolidated financial statements

19. LOANS AND BORROWINGS

2016

EUR thousands	Corporate bonds*	Other	Total
After 5 years	-	2,100	2,100
Between 1-5 years	176,344	9,689	186,033
Non-current part	176,344	11,789	188,133
Within 1 year	-	791	791
	176,344	**12,580**	**188,924**

2015

EUR thousands	Corporate bonds	Other	Total
After 5 years	-	294	294
Between 1-5 years	171,688	3,296	174,984
Non-current part	171,688	3,590	175,278
Within 1 year	-	5,211	5,211
	171,688	**8,801**	**180,489**

* Corporate bonds include capitalized borrowing costs of EUR 5.9 million.

The loans and borrowings are denominated or fully swapped into EUR. The fair value of these loans is disclosed in Note 23.

In 2014, the company repaid its senior loans through the issuance of corporate bonds with a nominal value of EUR 130.0 million and a fixed interest rate of 8% per annum. The corporate bonds are listed on NASDAQ OMX Copenhagen and will mature in March 2019, unless repurchased earlier in accordance with their terms.

In 2014, the company also entered into a committed revolving credit facility agreement for an amount of EUR 35.0 million, which can be used for general corporate and working capital purposes. This facility will mature in December 2018 and was undrawn as at December 31, 2016. The Group's revolving credit facility is subject to a financial covenant of a minimum EBITDA of EUR 25 million, and the Group has fulfilled this financial covenant throughout the year.

In 2015, the company issued corporate green bonds with a nominal value of NOK 475.0 million and a floating interest rate of NIBOR+8.75% per annum. The company has fully swapped these bonds into fixed rate Euros (8.98% per annum). The corporate bonds are listed on NASDAQ OMX Copenhagen and will mature in October 2020, unless repurchased earlier in accordance with their terms.

Other relates to bilateral loans in Turkey and India, for which the major part will mature within the coming 8 years.

On 11 October 2016, LM Group Holding A/S announced that Doughty Hanson, the European private equity firm, had agreed to sell its stakes in LM Wind Power Holding A/S to GE for an enterprise value of EUR 1.5 billion. The transaction is expected to close in the second quarter of 2017, subject to regulatory approvals. LM Wind Power Holding A/S is the parent company of LM Group Holding A/S. The closing of the transaction would constitute a change of control under LM Group Holding A/S's EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020. Contingent upon the conditions precedent to the acquisition being met, including antitrust approvals, and the continuing intention of the parties with regard to LM Group Holding A/S's capital structure, LM Group Holding A/S intends to redeem both the EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020 at the same time as the closing of GE's acquisition of LM Wind Power Holding A/S. As of 31 December 2016, the risk of increase in the fair value of the 130 M EUR denominated bond and the 475 M NOK denominated bond has been hedged by the non-closely related prepayment options. Change in fair value of the prepayment options amounted to positive of EUR 8.2 million, and change in fair value attributable to the hedged risk on the bonds amounted to negative of EUR 8.2 million.

Notes to the consolidated financial statements

20. DEFERRED INCOME

Deferred income consists of government grants received from local authorities and non-refundable contributions from customers. Government grants are usually provided in connection with the construction of new plants and often subject to certain conditions such as maintaining a certain number of jobs, a minimum level of self-financing and capital expenditure. However, the conditions of the grants vary per region. Non-refundable customer contributions are mainly compensation received for the costs of developing specific blade products.

The portion of the government grants and non-refundable customer contributions that will be recognized as income within the next 12 months is presented as current deferred income.

EUR thousands	2016
Non-current	68,078
Current	51,439
	119,517

Notes to the consolidated financial statements

21. CONTRACTUAL OBLIGATIONS

Finance lease liabilities

EUR thousands	2016	2015
After 5 years	1,499	32
Between 1-5 years	1,573	1,226
Long-term part	3,072	1,258
Within 1 year	1,938	294
	5,010	**1,552**
Future minimum lease payments:		
Within 1 year	2,459	294
Between 1-5 years	2,273	1,237
After 5 years	1,560	32
	6,292	1,563
Future interest on lease payments:		
Within 1 year	(521)	-
Between 1-5 years	(700)	(11)
After 5 years	(61)	-
Present value of minimum lease payments	**5,010**	**1,552**

Operating lease commitments

EUR thousands	2016	2015
The minimum lease obligations relating to operating leases fall due:		
Within 1 year	18,821	9,839
Between 1-5 years	47,084	24,808
After 5 years	19,884	2,417
Total	**85,789**	**37,064**

The Group holds operating facilities in all regions under operating leases for several years. The operating leases mainly consist of factories and office premises, cars and production equipment.

Operational lease costs in the income statement amounted to EUR 26.1 million in 2016.

22. CONTINGENT ASSETS AND LIABILITIES

Government grants may result in a repayment liability if certain conditions are not met.

Notes to the consolidated financial statements

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Group risk management policy

The Group is exposed to a number of financial risks; primarily changes in currency and interest rates, liquidity risks and credit risks.

The Group has centralized management of financial risks. The general framework for financial risk management is determined in the Group's finance policy. The Group's policy is to not actively speculate in financial risks. Group financial management is solely intended to manage and minimize the financial risks directly arising from its operations and financing.

The Group's treasury function provides a centralized service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of group entities. This includes currency risk in connection with major investment in fixed assets.

Any adjustments as a result of changes in currency rates are recognized either in the income statement or other comprehensive income in accordance with the Group's accounting policy and IFRS hedge accounting principles.

Translation risks are not covered, but the Group's EUR-denominated profit/loss is exposed to changes primarily in US-dollar (USD), Chinese yen (CNY), Indian Rupee (INR) and Brazilian Real (BRL). For full year 2016, in relation to translation risks, a change in USD of one percent would lead to a EUR 2.4 million change in Group revenue and a EUR 0.3 million change in EBITDA, a change in CNY of one percent would lead to a EUR 2.6 million change in Group revenue and a EUR 0.8 million change in EBITDA, a change in INR of one percent would lead to a EUR 1.6 million change in Group revenue and a EUR 0.4 million change in EBITDA and a change in BRL of one percent would lead to a EUR 1.1 million change in Group revenue and a EUR 0.2 million change in EBITDA. The impact of a one percent change on the rest of underlying currencies will have no material impact on the result or is highly unlikely to occur (assuming all other variables remain constant).

Interest rate risks

The Group has a risk exposure related to fluctuations in interest rates through the financing activities.

The Group's policy is to protect itself against interest rate risks on its borrowing when it is perceived that interest rate payments can be secured at a satisfactory level. Protection takes the form of using derivative financial instruments such as interest rate swaps.

The primary interest rate exposure is related to fluctuations in EURIBOR which is the basis for interest calculation on the revolving credit facility of EUR 35.0 million and certain bilateral bank loans. As of 31 December 2016, the Group had outstanding loans and borrowings of EUR 194.9 million of which EUR 182.3 million is at a fixed interest rate or swapped into fixed interest via interest rate swaps. All bilateral bank loans have floating EURIBOR rates + fixed margin %.

The Group's cash reserves are placed on short-term deposit with good credit rating reputable banks.

The Group does not account any financial assets and liabilities at fair value through profit or loss. The Group designates derivative interest rate swaps as hedging instruments under a cash flow hedge accounting model. To apply for hedge accounting requires the hedge to be highly effective. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

At the reporting date, the fair value of outstanding interest rate swap comprises an asset of EUR 1.9 million with a termination date in October, 2019 and this value adjustment is recognized in other comprehensive income during the hedge period. The interest rate swap is valued according to market value reports received from the relevant bank.

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

With regard to the Group's floating-rate cash and cash equivalents and liabilities, an increase/decrease in the interest rate of 1% p.a. in relation to the year's actual interest rates would not have a significant effect on the result for the year and equity at the year end.

Liquidity risks
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to breach financial covenants.

The Group has processes and procedures in place to monitor the development of liquidity risk. Structured reporting is incorporated in the process to keep track of the liquidity position across the group. One of the key measures is the regular rolling cash flow forecast to enable the senior management to take appropriate action.

The Group entered into a five-year EUR 35.0 million revolving credit facility subject to customary conditions, including financial credit covenants. In 2016, the Group is comfortably within the thresholds stipulated in the financial covenants of the credit facility.

The Group has various sources to mitigate the liquidity risk. At the reporting date, the Group's financial resources comprise of cash and cash equivalents and unutilized credit facilities. The cash resources amounted to EUR 92.8 million and unutilized credit facilities & bilateral loans amounted to EUR 45.9 million. The Group uses cash pooling to the extent legally and economically feasible; cash not pooled remains available for local operational and investment needs.

The following table provides an overview of the Group's liquidity position for financial liabilities and financial assets together with their respective carrying amounts and fair values.

Notes to the consolidated financial statements

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Statement of due dates at 31 December 2016.

EUR thousands	0-1 year	1-5 years	> 5 years	Total*	Fair value	Carrying amount
Financial liabilities						
Finance leases	2,459	2,273	1,560	6,292	5,010	5,010
Loans and borrowings	16,356	215,223	2,100	233,679	203,899	188,924
Trade payables	136,257	-	-	136,257	136,257	136,257
Other payables	79,973	-	-	79,973	79,973	79,973
Total financial liabilities	**235,045**	**217,496**	**3,660**	**456,201**	**425,139**	**410,164**
Financial assets						
Cash & cash equivalents	92,845	-	-	92,845	92,845	92,845
Trade receivables	153,449	-	-	153,449	153,449	153,449
Other receivables	43,935	-	-	43,935	43,935	43,935
Receivables from Group companies	67,992	-	-	67,992	67,992	67,992
Total financial assets	**358,221**	**-**	**-**	**358,221**	**358,221**	**358,221**
Net	**(123,176)**	**217,496**	**3,660**	**97,980**	**66,918**	**51,943**

Statement of due dates at 31 December 2015.

EUR thousands	0-1 year	1-5 years	> 5 years	Total*	Fair value	Carrying amount
Financial liabilities						
Finance leases	294	1,237	32	1,563	1,552	1,552
Loans and borrowings	20,101	222,933	294	243,328	188,201	180,489
Trade payables	124,047	-	-	124,047	124,047	124,047
Other payables	73,278	-	-	73,278	73,278	73,278
Total financial liabilities	**217,720**	**224,170**	**326**	**442,216**	**387,078**	**379,366**
Financial assets						
Cash & cash equivalents	87,488	-	-	87,488	87,488	87,488
Trade receivables	119,319	-	-	119,319	119,319	119,319
Other receivables	41,283	-	-	41,283	41,283	41,283
Receivables from Group companies	68,881	-	-	68,881	68,881	68,881
Total financial assets	**316,971**	**-**	**-**	**316,971**	**316,971**	**316,971**
Net	**(99,251)**	**224,170**	**326**	**125,245**	**70,107**	**62,395**

*) All cash flows are undiscounted and do comprise all obligations according to agreements concluded, including for example interest payments on loans.

Notes to the consolidated financial statements

23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value are categorized using the following accounting hierarchy:
Level 1: Observable market prices of identical instruments
Level 2: Valuation models primarily based on observable prices or traded prices of comparable instruments
Level 3: Valuation models primarily based on non-observable prices

The fair value of the bonds issued by the Group is determined based on the fair value measurement level 1 and the remaining derivative financial instruments (interest rate instruments) fair value is determined according to level 2 measurement.

Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risks on receivables, derivative financial instruments with a positive fair value and bank deposits.

The Group has implemented processes and procedures to manage the credit risk. Information on the credit risk exposure is gathered on a consistent and ongoing basis. Various reporting is provided regularly to the senior management to highlight the development of the credit risk. Actions taken by the senior management are closely followed up in order to ensure the credit risk always falls within the Group's risk appetite.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. Trade receivables are secured using trade finance agreements, prepayments or bank guarantees. If uncertainty arises in respect of the customer's ability or willingness to pay a receivable, and the Group finds that the claim involves a risk, an impairment loss is made to cover this risk. In the past the Group has only incurred relatively small losses as a consequence of missing payments from customers and counterparts. The carrying amount of receivables represents the maximum credit exposure. Outstanding and overdue receivables are regularly followed up on.

No credit risk is considered to exist in relation to cash and cash equivalents as the counterparties are banks with good credit ratings.

For an overview of the overall maximum credit exposure of the group's financial assets, please refer to table in the "liquidity risk" note for details of carrying amounts and fair values.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital consists of total equity and total debt.

The Group regularly assesses the need to adjust its capital structure to balance the higher return requirement for equity with the higher degree of uncertainty associated with debt capital.

Share pledge agreement

As part of the requirements from the corporate bonds and the revolving credit facility the Group has pledged the shares of all its subsidiaries, where legally possible, as continuing security for payments and satisfaction in full of the secured obligations under these financing arrangements. The agreement is governed by English law.

Notes to the consolidated financial statements

24. RELATED PARTIES

Parent and ultimate controlling party
LM Group Holding A/S' principal shareholder is LM WP Holdings A/S, which is owned 100% by LM Wind Power Holding A/S.

LM Wind Power Holding A/S' principal shareholders are: (i) LMWP III Holding S.à r.l., ("LuxCo") and (ii) S Beta Sarl.

Doughty Hanson & Co III Limited Partnership No. 1, No. 2 and Nos. 9 through 16, London ("Fund III Partnerships") and DHC Glasfiber (Bermuda) L.P., Bermuda ("BLP"), whose limited partners are Doughty Hanson & Co III Limited Partnership Nos. 3 through 8, London, and Doughty Hanson & Co Limited Partnership A, London are, together with certain co-investors (mainly employees and directors of Doughty Hanson & Co Managers Limited ("Doughty Hanson") and/or its affiliates), the shareholders of LuxCo. Each shareholding is registered in the name of a nominee company.

Doughty Hanson is the general partner of each of the Fund III Partnerships and BLP and as such acts on behalf of each limited partnership and is authorized, under the relevant limited partnership agreement, inter alia to direct the exercise of the voting rights by the nominee holder.

S Beta Sarl is ultimately controlled by Doughty Hanson & Co V LP No.1, London, Doughty Hanson & Co V LP No.2, London (together, the "Fund V Partnerships") and certain co-investors (mainly employees and directors of Doughty Hanson). Each shareholding is registered in the name of a nominee company. Doughty Hanson is the manager of each of the Fund V Partnerships and as such acts on behalf of each Fund V Partnership and is authorized, under the relevant limited partnership agreement, inter alia to direct the exercise of the voting rights by the nominee holder.

Each of LuxCo and S Beta Sarl currently has a beneficial holding of more than 5% of the total (ordinary plus preferred) issued share capital of LM Wind Power Holding A/S.

Other related parties include the members of LM Group Holding A/S' Board of Directors and Executive Board of Management, with whom no deals or transactions were made beyond what follows from their service contracts. Service contracts with the members of the Board of Directors and Executive Board of Management have all been entered into on arm's length terms.

See Note 5 for remuneration details of members of the Executive Board of Management and the Board of Directors.

25. SUBSEQUENT EVENTS

On 11 October 2016, LM Group Holding A/S announced that Doughty Hanson, the European private equity firm, had agreed to sell its stakes in LM Wind Power Holding A/S to GE for an enterprise value of EUR 1.5 billion. The transaction is expected to close in the second quarter of 2017, subject to regulatory approvals. LM Wind Power Holding A/S is the parent company of LM Group Holding A/S.

The closing of the transaction would constitute a change of control under LM Group Holding A/S's EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020. Contingent upon the conditions precedent to the acquisition being met, including antitrust approvals, and the continuing intention of the parties with regard to LM Group Holding A/S's capital structure, LM Group Holding A/S intends to redeem both the EUR 130 million fixed rate notes due 2019 and NOK 475 million floating rate notes due 2020 at the same time as the closing of GE's acquisition of LM Wind Power Holding A/S.

Notes to the consolidated financial statements

26. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

EUR thousands	2016	2015
Audit fees:		
Statutory audit	806	734
	806	**734**
Non-audit fees:		
Other reports giving assurance	58	51
Tax services	706	546
Other services	489	467
	1,253	**1,064**
Total fees	**2,059**	**1,798**

27. ADJUSTMENTS FOR NON-CASH TRANSACTIONS

EUR thousands	2016	2015
Depreciation/amortization of property, plant and equipment and intangible assets	73,929	51,334
Exchange rate adjustments of foreign monetary assets and liabilities	11,942	16,673
Change in deferred income and investment grants recognized as income	69,573	23,065
Change in provisions	(1,195)	5,211
Financial income	(2,878)	(3,372)
Financial expenses	37,488	23,076
Income taxes	27,704	16,246
	216,563	**132,233**

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

EUR thousands	2016	2015
Purchase of property, plant and equipment, gross	246,531	141,369
Transferred from property, plant and equipment under construction	(121,085)	(68,735)
	125,446	**72,634**

29. PURCHASE OF INTANGIBLE ASSETS

EUR thousands	2016	2015
Purchase of intangible assets, gross	25,605	26,895
Transferred from development projects under construction	(8,718)	(13,223)
	16,887	**13,672**

Management's statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of LM Group Holding A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act. Management's Review is also prepared in accordance with Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2016 of the Group and the Company and of the results of the Group's and the Company's operations and the cash flows for the financial year 1 January - 31 December 2016.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

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

Kolding, 30 March 2017

Executive Board of Management

Marc de Jong
Chief Executive Officer

Board of Directors

John Leahy
Chairman

Alex Moss

Marc de Jong

Nick Smith

Søren Høffer

Independent auditors' report

To the shareholders of LM Group Holding A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

What we have audited

LM Group Holding A/S's Consolidated Financial Statements and Parent Company Financial Statements for the financial year 1 January to 31 December 2016 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "financial statements".

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition The Group recognizes revenue from sale of blades when all risks and rewards of ownership of the blades have been transferred to the customer. These conditions are usually met when the blades are produced by the delivery date agreed with the customer and the blades are physically delivered or stored at the Group's storage facilities as a Bill and Hold sale. We focused on Bill and Hold sale as recognition of revenue involves a number of significant judgements made by management and recognition is complex. Furthermore, Bill and Hold sales represent a significant part of revenue. Refer to note 1 and 4.	In order to determine if cut-off in relation to revenue was appropriate we obtained and reviewed a selection of customer contracts to identify if the delivery terms allowed for Bill and Hold. We also compared a selection of sales to customer purchase orders and obtained customer confirmations for a selection of blades billed and held for customers and in addition to this, we obtained customer confirmations for a selection of customer receivables.

Independent auditors' report

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Tax risks The Group operates in a complex multinational tax environment. We focused on this area as the amounts involved are material and the valuation of the provision and deferred tax assets is associated with uncertainty and judgment. Furthermore, the Group has deferred tax assets that relates to taxable losses carried forward. Refer to note 2, 11 and 14.	In understanding and evaluating Management's judgments, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and current estimates and developments in the tax environment. In addition, we used our own tax specialists, evaluated and challenged the adequacy of Management's key assumptions to assess Management's estimates. We evaluated the Group's model for valuation of deferred tax assets, including the forecasts used to estimate the expected future taxable income.
Warranty provision The Group's product warranties cover expected costs to repair or replace components with defects or functional errors. Warranties are usually granted for a two-year period from delivery of the blade and an additional up to six months if the blades are not mounted immediately after delivery. However, in certain cases, extended warranty is granted upon detection of serial errors and additional provisions are made. We focused on this area, as the valuation of the expected outcome of warranty provisions requires the exercise of management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements. Refer to note 2 and 18.	We tested how Management assesses the valuation of provisions including the model and principles as well as the underlying data used for the calculation of the provisions. We challenged the assumptions used for the valuation of provisions by checking and verifying the inputs used to calculate the provisions, including interviewing project managers, cost controllers and management regarding individual cases. We assessed specific warranty provisions held for individual cases to evaluate whether the warranty provisions were sufficient to cover expected costs at year- end. Further, we assessed the level of historical warranty claims to assess whether the total warranty provisions held at year-end were sufficient to cover expected costs in light of known and expected cases and standard warranty periods provided.

Statement on Management's Review

Management is responsible for Management's Review. Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Responsibilities for the Financial Statements and the Audit

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International

Independent auditors' report

Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

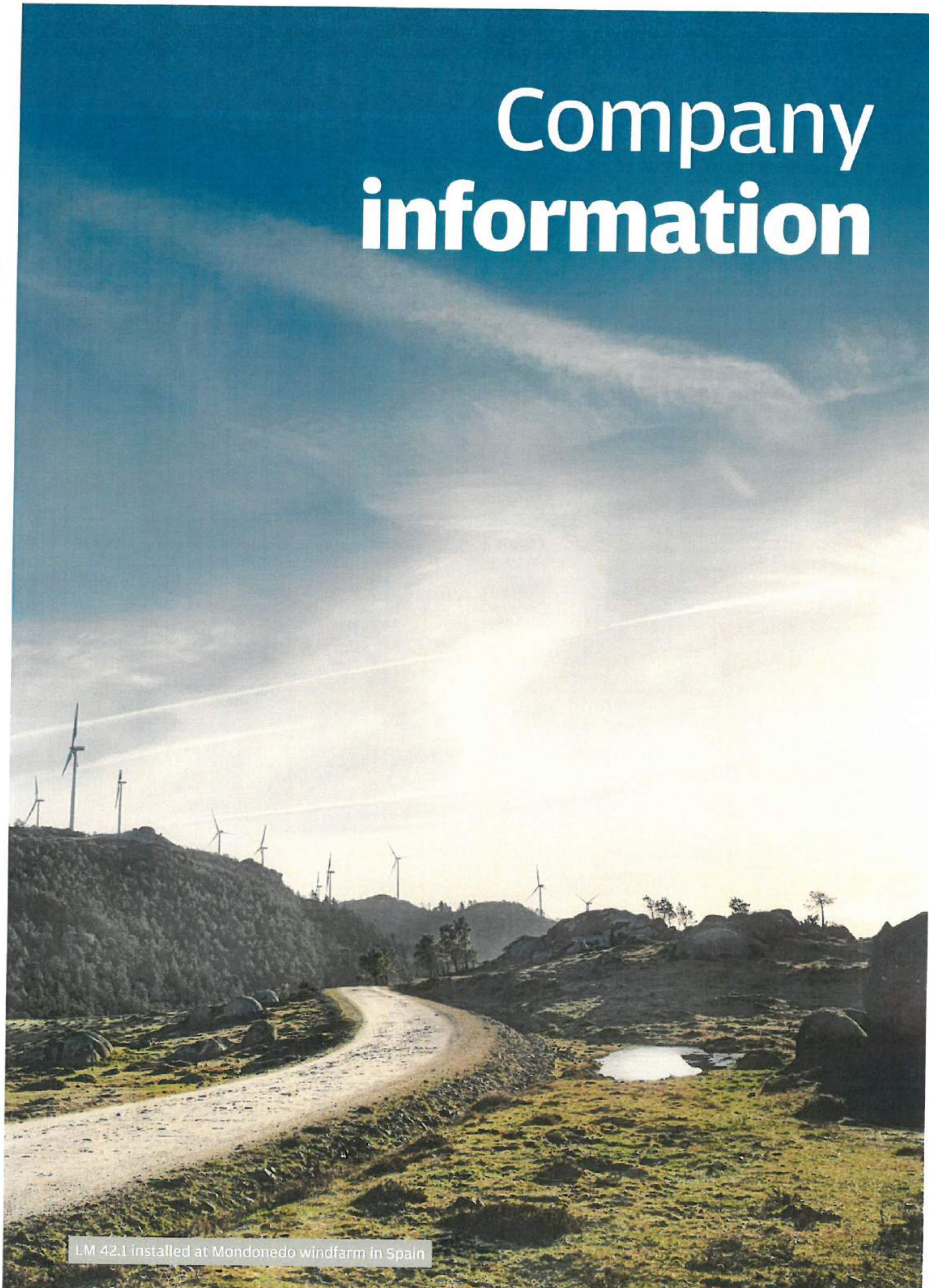
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Trekantområdet, 30 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab CVR no 3377 1231

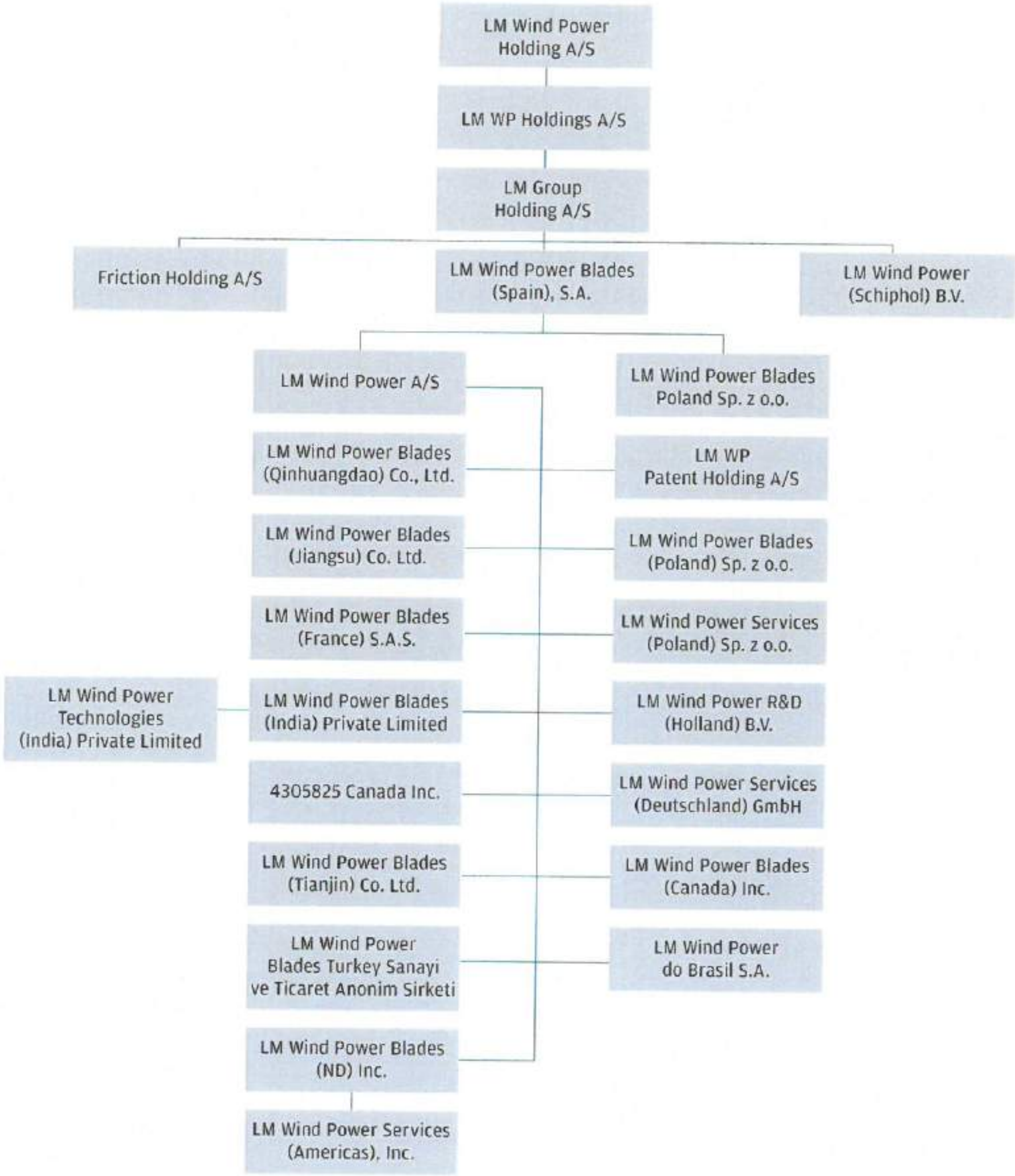
Jens Otto Damgaard State Authorised Public Accountant	Per Jansen State Authorised Public Accountant

Company **information**



LM 42.1 installed at Mondonedo windfarm in Spain

Group Structure



Directorships

Board of Directors	Other directorships
John Leahy Chairman	Zobele Holding S.p.A. (Italy) TMF Orange Holding B.V. (Netherlands)
Alex Moss	Zobele Holding S.p.A. (Italy)
Marc de Jong	First Sensor AG Sioux Group B.V.
Nick Smith	
Søren Høffer	

Executive Board of Management

Marc de Jong
Chief Executive Officer

Definitions

Definition of key ratios

EBITDA margin* (%)	Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)* / Sales	x 100
Operating Margin (EBIT margin (%))	Operating Profit (EBIT) / Sales	x 100
Return on invested capital, including goodwill (%)	EBITA / Average Invested Capital including Goodwill**	x 100
Return on invested capital, excluding goodwill (%)	EBITA / Average Invested Capital excluding Goodwill***	x 100
Equity ratio (%)	Equity excluding Minorities / Total assets	x 100

Net working capital	Inventories + Trade and Other Receivables + Other Operating Current Assets - Trade and Other Payables - Other Operating Current Liabilities
Net Interest-bearing Debt (NIBD)	Interest-bearing Liabilities - Interest-bearing Assets - Cash
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EBITA	Earnings before Interest, Tax and Amortisation

Definitions

*	Before special items.
**	Average invested capital including goodwill comprises the sum of net working capital, intangible assets including goodwill and property, plant and equipment less other provisions and other long-term operating liabilities.
***	Average invested capital excluding goodwill comprises the sum of net working capital, intangible assets excluding goodwill and property, plant and equipment less other provisions and other long-term operating liabilities.

The financial ratios are calculated in accordance with the recommendations issued in 2015 by The Danish Finance Society.

LM Group Holding A/S

Annual Report 2016
Design: BystedFFW
Photos: LM Wind Power

LM Group Holding A/S

Jupitervej 6
6000 Kolding

CVR-no. 25 71 17 77

Annual Report for the parent company for the period 1 January to 31 December 2016

In accordance with Section 149 of the Danish Financial Statements Act, this parent company annual report is an extract from the full annual report for LM Group Holding A/S. The full annual report, including the consolidated financial statements, can be requested separately by contacting the company.

After approval at the Annual General Meeting, the full annual report may also be obtained from the Danish Business Authority. The full annual report comprises the Statement of Management and the Independent auditors' report.

CONTENTS

Management's Review

Management's Review for LM Group Holding A/S is included in the Management's Review for the group in the consolidated annual report.

Main and key figures

No main and key figures are presented for the parent company. We refer to the main and key figures for the group in the consolidated annual report.

Accounting policies

The financial statements of the parent company have been prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU and additional Danish disclosure requirements. The accounting policies of the parent company are the same as those of the Group, however with the addition of the policies described below.

The financial result and position of LM Group Holding A/S will be consolidated in the financial statements of LM Wind Power Holding A/S, which is the ultimate shareholder of LM Group Holding A/S, located in Denmark.

Investments in subsidiaries
Investments in subsidiaries are recognized and measured at historical costs. If impairment is indicated, an impairment test will be done as described in the accounting policies in the consolidated financial statements. Should cost exceed the recoverable amount, cost will be written down to this lower value.

Income statement, 1 January – 31 December

	Note	2016	2015
		DKK 1,000	DKK 1,000
Revenue	2	160,259	167,897
Operating income		**160,259**	**167,897**
Other external expenses		(191,007)	(204,185)
Staff expenses	3	(46,555)	(40,695)
Depreciation and amortisation	4	(22)	(22)
Operating expenses		**(237,584)**	**(244,902)**
Operating loss		**(77,325)**	**(77,005)**
Reversal of impairment on investment in subsidiaries		1,649,888	-
Financial income	5	273,199	293,013
Financial costs	6	(241,463)	(170,936)
Net finance costs		**1,681,624**	**122,077**
Profit/(loss) before tax		**1,604,299**	**45,072**
Income tax	7	10,066	(15,236)
Profit/(loss) for the year		**1,614,365**	**29,836**

Profit/(loss) for the year attributable to:

		2016	2015
Retained earnings		**1,614,365**	**29,836**

Statement of comprehensive income, 1 January – 31 December

	2016	2015
	DKK 1,000	DKK 1,000
Profit/(loss) for the year	**1,614,365**	**29,836**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Fair value adjustment of hedge instruments	5,429	(7,076)
Income tax on other comprehensive income	(5,767)	2,713
Other comprehensive income for the year, net of income tax	**(338)**	**(4,363)**
Total comprehensive income for the year	**1,614,027**	**25,473**

Balance sheet, at 31 December

Assets

	Note	2016	2015
		DKK 1.000	DKK 1.000
Fixtures, fittings and equipment		21	43
Property, plant and equipment	8	**21**	**43**
Investment in subsidiaries	9	2,139,395	234,474
Receivables from Group companies	9	3,303,448	4,305,972
Deferred tax asset	10	5,511	4,034
Other non-current assets		**5,448,354**	**4,544,480**
Total non-current assets		**5,448,375**	**4,544,523**
Trade receivables		-	-
Securities		2,232	2,232
Receivables from Group companies		1,548,960	2,145,793
Other receivables		2,813	1,285
Income tax		4,944	-
Receivables		**1,558,949**	**2,149,310**
Cash		**3,253**	**48,080**
Total current assets		**1,562,202**	**2,197,390**
Total assets		**7,010,577**	**6,741,913**

Balance sheet, at 31 December

Equity and liabilities

	Note	2016	2015
		DKK 1,000	DKK 1,000
Share capital	11	69,965	69,965
Hedging reserve		(4,701)	(4,363)
Retained earnings		5,427,402	3,813,037
Equity		**5,492,666**	**3,878,639**
Loans and borrowings		1,311,014	1,281,225
Total non-current liabilities	12	**1,311,014**	**1,281,225**
Trade payables		4,317	6,898
Income tax		-	11,144
Debt to Group companies		110,312	1,446,286
Other payables		92,268	117,721
Total current liabilities		**206,897**	**1,582,049**
Total liabilities		**1,517,911**	**2,863,274**
Total equity and liabilities		**7,010,577**	**6,741,913**

Statement of changes in equity, at 31 December

Equity

	Share capital	Hedging reserve	Retained earnings	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
Equity at 1 January 2015	**69,965**	**-**	**3,783,201**	**3,853,166**
Profit/loss for the year	-	-	29,836	29,836
Fair value adjustment of hedge instruments	-	(7,076)	-	(7,076)
Tax on equity items	-	2,713	-	2,713
Total comprehensive income	-	(4,363)	-	(4,363)
Equity at 31 December 2015	**69,965**	**(4,363)**	**3,813,037**	**3,878,639**
Equity at 1 January 2016	**69,965**	**(4,363)**	**3,813,037**	**3,878,639**
Profit/loss for the year	-	-	1,614,365	1,614,365
Fair value adjustment of hedge instruments	-	5,429	-	5,429
Tax on equity items	-	(5,767)	-	(5,767)
Total comprehensive income	-	(338)	-	(338)
Equity at 31 December 2016	**69,965**	**(4,701)**	**5,427,402**	**5,492,666**

Cash flows, 1 January - 31 December

	2016	2015
	DKK 1,000	DKK 1,000
Profit/Loss for the year	1,614,365	29,836
Adjustments for non-cash transactions	(2,213,703)	(153,502)
Changes in receivables*	269,864	(763,272)
Changes in trade and other payables*	435,930	609,146
Cash flows from operations before financial items and tax	**106,456**	**(277,792)**
Financial income	-	-
Financial expenses	(136,971)	(105,235)
Cash flows from operations before tax	**(30,515)**	**(383,027)**
Income tax paid	(14,312)	(2,604)
Cash flows from operating activities	**(44,827)**	**(385,631)**
Capital increase in subsidiaries	-	-
Sale/(purchase) of property, plant & equipment	-	-
Cash flows from investing activities	-	-
Proceeds/(Repayment) of long-term debt, net	-	383,610
Cash flows from financing activities	-	**383,610**
Net change in cash and cash equivalents	**(44,827)**	**(2,021)**
Cash and cash equivalents beginning of year	48,080	50,101
Net change in cash and cash equivalents	(44,827)	(2,021)
Cash and cash equivalents at year end	**3,253**	**48,080**

* Includes movements in non-current and current intercompany balances
The cash flow statement cannot be derived using only the published financial data.

List of notes

1. Critical accounting estimates and judgements
2. Revenue
3. Staff expenses
4. Depreciation and amortization
5. Financial income
6. Financial expenses
7. Income tax
8. Property, plant and equipment
9. Other non-current assets
10. Deferred tax assets and liabilities
11. Share capital
12. Loans and borrowings
13. Contractual obligations
14. Financial risks and financial instruments
15. Related parties
16. Subsequent events
17. Fees to auditors appointed at the annual general meeting

Notes to the Annual Report

1 Critical accounting estimates and judgements

Preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management judgements, estimates and assumptions relating to future events.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the reported carrying amounts of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Management believes the following are the critical accounting estimates and judgements used in the preparation of the financial statements. This information below should also be read in conjunction with the Group's disclosures of significant IFRS accounting policies which are provided in the consolidated financial statements, Note 1 "Accounting policies".

Impairment test of Investment in subsidiaries

In the annual impairment test of investment in subsidiaries, an estimate is made to determine how parts of the enterprise (cash-generating units) related to the investment in subsidiaries will be able to generate sufficient future positive net cash flows to support the value of investment in subsidiaries with an indefinite useful life and other net assets of the enterprise in question.

The recoverable amounts of the cash generating units were based on the market value of the group. The market value of the Group's shares is based on the enterprise value for the Group agreed to be selling price of EUR 1,500 million between Doughty Hanson, the European private equity firm, and GE announced on October 11, 2016.

Deferred tax assets

Management assessment is required to determine the Group's recognition of deferred tax assets. LM Wind Power recognizes deferred tax assets when it is probable that there will be sufficient future taxable income to utilize the temporary differences and unutilized tax losses. Management considers the future taxable income when assessing whether or not to recognize deferred tax assets. This requires taking assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income statement in the period in which the change occurs.

The accounting value of deferred tax assets was DKK 5.5 million at 31 December 2016.

Notes to the Annual Report

2 Revenue

LM Group Holding A/S does not have any external revenue but only intercompany charges as royalty, management fee etc.

We refer to the consolidated financial statements for the regional split of the group revenue.

3 Staff expenses	2016	2015
	DKK 1,000	DKK 1,000
Salaries, wages and fees	45,821	40,368
Pensions	34	-
Other social security costs	700	327
	46,555	**40,695**

The average number of employees in 2016 was 54 compared to 49 employees in 2015.

Remuneration for the Executive Board in 2016 is disclosed in the consolidated financial statement.

4 Depreciation and amortisation

Completed development projects	-	-
Plant and machinery	22	22
	22	**22**

5 Financial income

Interest income from Group companies	265,486	266,405
Exchange rate gains	7,713	26,608
	273,199	**293,013**

Notes to the Annual Report

6 Financial expenses	2016 DKK 1,000	2015 DKK 1,000
Interest costs to Group companies	81,810	45,491
Other interest costs	157,200	122,426
Exchange rate losses	2,453	3,019
	241,463	**170,936**

Interest income and expenses consist of interest income and expenses on bank accounts, loans and amortization of borrowing costs. Furthermore, interest expenses include discount costs.

7 Income tax

	2016	2015
Current tax expense for the year	(4,944)	11,480
Deferred tax for the year	(3,865)	(2,172)
Withholding tax	3,089	2,604
Adjustment regarding previous years	(4,346)	3,324
	(10,066)	**15,236**

Broken down as:

	2016	2015
Income tax expense	(10,066)	15,236
Income tax recognized directly in other comprehensive income	(5,767)	2,713
	(15,833)	**17,949**

Reconciliation of effective tax rate:

	2016	2015
Income tax using the Company's domestic tax rate (22.0%)	22.0%	23.5%
Tax under/(over) provided in prior years	(8.6%)	7.4%
Reduction in tax rate	0.0%	0.3%
Non-deductible impairment loss	0.0%	0.0%
Non-deductible expenses	(18.8%)	(2.3%)
Others	6.0%	4.9%
Effective tax rate for the year	**0.6%**	**33.8%**

Notes to the Annual Report

8 Property, plant and equipment

DKK 1,000	Fixtures, fittings and equipment	Total
Cost as at 1 January 2016	4,120	4,120
Disposals during the year	-	-
Total acquisition costs as at 31 December 2016	4,120	4,120
Total depreciation and impairment as at 1 January 2016	4,077	4,077
Depreciation for the year	22	22
Reverse depreciation at year end	-	-
Total depreciation and impairment as at 31 December 2016	4,099	4,099
Carrying amount at 31 December 2016	**21**	**21**
Cost as at 1 January 2015	4,120	4,120
Disposals during the year	-	-
Total acquisition costs as at 31 December 2015	4,120	4,120
Total depreciation and impairment as at 1 January 2015	4,055	4,055
Depreciation for the year	22	22
Reverse depreciation at year end	-	-
Total depreciation and impairment as at 31 December 2015	4,077	4,077
Carrying amount at 31 December 2015	**43**	**43**

Notes to the Annual Report

9 Other non-current assets

DKK 1,000	Investments in subsidiaries	Receivables in Group companies	Total
Cost at 1 January 2016	4,320,425	6,341,575	10,662,000
Exchange rate adjustment	-	(20,931)	(20,931)
Movement during the year	-	(726,560)	(726,560)
Cost at 31 December 2016	4,320,425	5,594,084	9,914,509
Impairment at 1 January 2016	(4,085,951)	(2,035,603)	(6,121,554)
Reversal of impairment loss	1,904,921	(255,033)	1,649,888
Impairment at 31 December 2016	(2,181,030)	(2,290,636)	(4,471,666)
Carrying amount at 31 December 2016	**2,139,395**	**3,303,448**	**5,442,843**
Cost at 1 January 2015	4,320,425	6,121,562	10,441,987
Exchange rate adjustment	-	13,525	13,525
Additions during the year	-	206,488	206,488
Cost at 31 December 2015	4,320,425	6,341,575	10,662,000
Impairment at 1 January 2015	(4,085,951)	(2,035,603)	(6,121,554)
Impairment at 31 December 2015	(4,085,951)	(2,035,603)	(6,121,554)
Carrying amount at 31 December 2015	**234,474**	**4,305,972**	**4,540,446**

LM Group Holding A/S is holding 100% of the shares in:

- Friction Holding A/S
- LM Wind Power Spain S.A.
- LM Wind Power (Schiphol) B.V.

Notes to the Annual Report

10 Deferred tax asset and liabilities

	2016	2015
	DKK 1,000	DKK 1,000
Deferred tax asset		
At the beginning of the year	4,034	2,807
Prior year adjustment	665	(3,658)
(Charged)/credited to the income statement	3,865	2,172
Deferred tax included in other comprehensive income	(3,053)	2,713
	5,511	**4,034**

Recognised deferred tax assets and liabilities

		2016	
DKK 1,000	Assets	Liabilities	Net
Property, plant and equipment	159		159
Loans and borrowings	6,559		6,559
Other liabilites		(1,207)	(1,207)
	6,718	**(1,207)**	**5,511**

		2015	
DKK 1,000	Assets	Liabilities	Net
Property, plant and equipment	209	-	209
Loans and borrowings	1,112		1,112
Other liabilites	2,713	-	2,713
	4,034	**-**	**4,034**

Other liabilities

The deferred tax on provisions is mainly related to capitalized cost of borrowings.

Notes to the Annual Report

11 Share capital

The share capital consists of 69,964,987 shares at a nominal price of DKK 1. No shares have preferential rights.

	2016 Number of shares	2015 Number of shares	2016 Nominal value	2015 Nominal value
	1,000	1,000	DKK 1,000	DKK 1,000
Portfolio at 1 January	69,965	69,965	69,965	69,965
Capital increase	-	-	-	-
Portfolio at 31 December	**69,965**	**69,965**	**69,965**	**69,965**

12 Loans and borrowing

	DKK 1,000
2016	**Corporate bonds**
After 5 years	-
Between 1-5 years	1,311,014
Non-current part	-
Within 1 year	-
	1,311,014

2015	**Corporate bonds**
After 5 years	-
Between 1-5 years	1,281,225
Non-current part	-
Within 1 year	-
	1,281,225

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12 Loans and borrowings (continued)

Total borrowings of the corporate bonds include amortized borrowing costs. The corporate bond of EUR 130 million is listed on NASDAQ OMX Copenhagen and will expire in March 2019.

In 2015, the company issued corporate green bond with a nominal value of DKK 384 million including amortized borrowing costs. The original principal loan has a value of NOK 475 million. The green bond is listed on NASDAQ OMX Copenhagen and will mature in October 2020.

In connection with the corporate bond, the Company also entered into a committed revolving credit facility agreement for an amount of DKK 261 million (EUR 35 million), which can be used for general corporate and working capital purposes. This facility will mature in December 2018.

13 Contractual obligations

The company has not entered into any lease agreements.

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14 Financial risks and financial instruments

Regarding risk management policy of exposure to currency and interest rate risks, liquidity risks and credit risks, we refer to note 24 in the consolidated financial statements.

Statement of due dates at 31 December 2016, DKK 1,000	0-1 year	1-5 years	> 5 years	Total*	Fair value**	Carrying amount
Financial liabilities						
Loans and borrowings	115,716	1,513,677	-	1,629,393	1,422,337	1,311,014
Trade payables	4,317	-	-	4,317	4,317	4,317
Debt to Group companies	110,312	-	-	110,312	110,312	110,312
Other payables	92,268	-	-	92,268	92,268	92,268
Total financial liabilities	**322,613**	**1,513,677**	-	**1,836,290**	**1,629,234**	**1,517,911**
Financial assets						
Cash & cash equivalents	3,253	-	-	3,253	3,253	3,253
Other receivables	2,813	-	-	2,813	2,813	2,813
Receivables from Group companies	1,548,960	-	-	1,548,960	1,548,960	1,548,960
Total financial assets	**1,555,026**	-	-	**1,555,026**	**1,555,026**	**1,555,026**
Net	**(1,232,413)**	**1,513,677**	-	**(281,264)**	**74,208**	**(37,115)**

Statement of due dates at 31 December 2015, DKK 1,000	0-1 year	1-5 years	> 5 years	Total*	Fair value**	Carrying amount
Financial liabilities						
Loans and borrowings	-	1,338,773	-	1,338,773	1,281,225	1,281,225
Trade payables	6,898	-	-	6,898	6,898	6,898
Debt to Group companies	1,325,487	-	-	1,325,487	1,325,487	1,325,487
Other payables	117,721	-	-	117,721	117,721	117,721
Total financial liabilities	**1,450,106**	**1,338,773**	-	**2,788,879**	**2,731,331**	**2,731,331**
Financial assets						
Cash & cash equivalents	48,080	-	-	48,080	48,080	48,080
Other receivables	1,285	-	-	1,285	1,285	1,285
Receivables from Group companies	2,145,793	-	-	2,145,793	2,145,793	2,145,793
Total financial assets	**2,195,158**	-	-	**2,195,158**	**2,195,158**	**2,195,158**
Net	**(745,052)**	**1,338,773**	-	**593,721**	**536,173**	**536,173**

*) All cash flows are undiscounted and do comprise all obligations according to agreements concluded, including for example interest payments on loans.
**) The fair value of financial liabilities is calculated using discounted cash flow models based on the market rates and credit conditions prevailing at the balance sheet date.

For disclosure on fair value hierarchy, we refer to note 24 in the consolidated financial statements.

Share pledge agreement

Shares in Friction Holding A/S, LM Wind Power Spain S.A.are pledged as security for the senior loan.

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15 Related parties

Parent and ultimate controlling party

LM Group Holding A/S' principal shareholders is LM WP Holdings A/S, which is owned 100% by LM Wind Power Holding A/S.

LM Wind Power Holding A/S' principal shareholders are: (i) LMWP III Holding S.à r.l., ("LuxCo") (ii) certain co-investors (mainly employees and directors of Doughty Hanson & Co Managers Limited ("Doughty Hanson") and/or its affiliates), and (iii) S Beta Sarl.

Doughty Hanson & Co III Limited Partnership No. 1, No. 2 and Nos. 9 through 16, London ("Fund III Partnerships") and DHC Glasfiber (Bermuda) L.P., Bermuda ("BLP"), whose limited partners are Doughty Hanson & Co III Limited Partnership Nos. 3 through 8, London, and Doughty Hanson & Co Limited Partnership A, London are the shareholders of the LuxCo. Each shareholding is registered in the name of at nominee company.

Doughty Hanson is the general partner of each of the Fund III Partnerships and BLP and as such acts on behalf of each limited partnership and is authorized, under the relevant limited partnership agreement, inter alia to direct the exercise of the voting rights by the nominee holder.

S Beta Sarl is ultimately controlled by Doughty Hanson & Co V LP No.1, London, Doughty Hanson & Co V LP No.2, London (together, the "Fund V Partnerships") and certain co-investors (mainly employees and directors of Doughty Hanson). Each shareholding is registered in the name of a nominee company. Doughty Hanson is the manager of each of the Fund V Partnerships and as such acts on behalf of each Fund V Partnership and is authorized, under the relevant limited partnership agreement, inter alia to direct the exercise of the voting rights by the nominee holder.

Together LuxCo, Doughty Hanson and S Beta Sarl currently have beneficial holdings of more than 5% of the total (ordinary plus preferred) issued share capital of LM Wind Power Holding A/S.

Other related parties include the members of LM Group Holding A/S' Supervisory Board and Executive Board of Management, with whom no deals or transactions were made beyond what follows from their service contracts. Service contracts with the members of the Supervisory Board and Executive Board of Management have all been entered into on arm's length terms.

See Note 3 for remuneration details of member of the Executive Board of Management and the Supervisory Board.

Notes to the Annual Report

16 Subsequent events

The subsequent event is disclosed in Note 25 of the consolidated financial statements.

17 Fees to auditors appointed at the annual general meeting

	2016	2015
	DKK 1,000	DKK 1,000
Audit fees		
Statutory audit	1,833	1,068
	1,833	**1,068**
Tax services	938	413
Other services	1,171	1,105
	2,109	**1,518**
Total fees	**3,942**	**2,586**