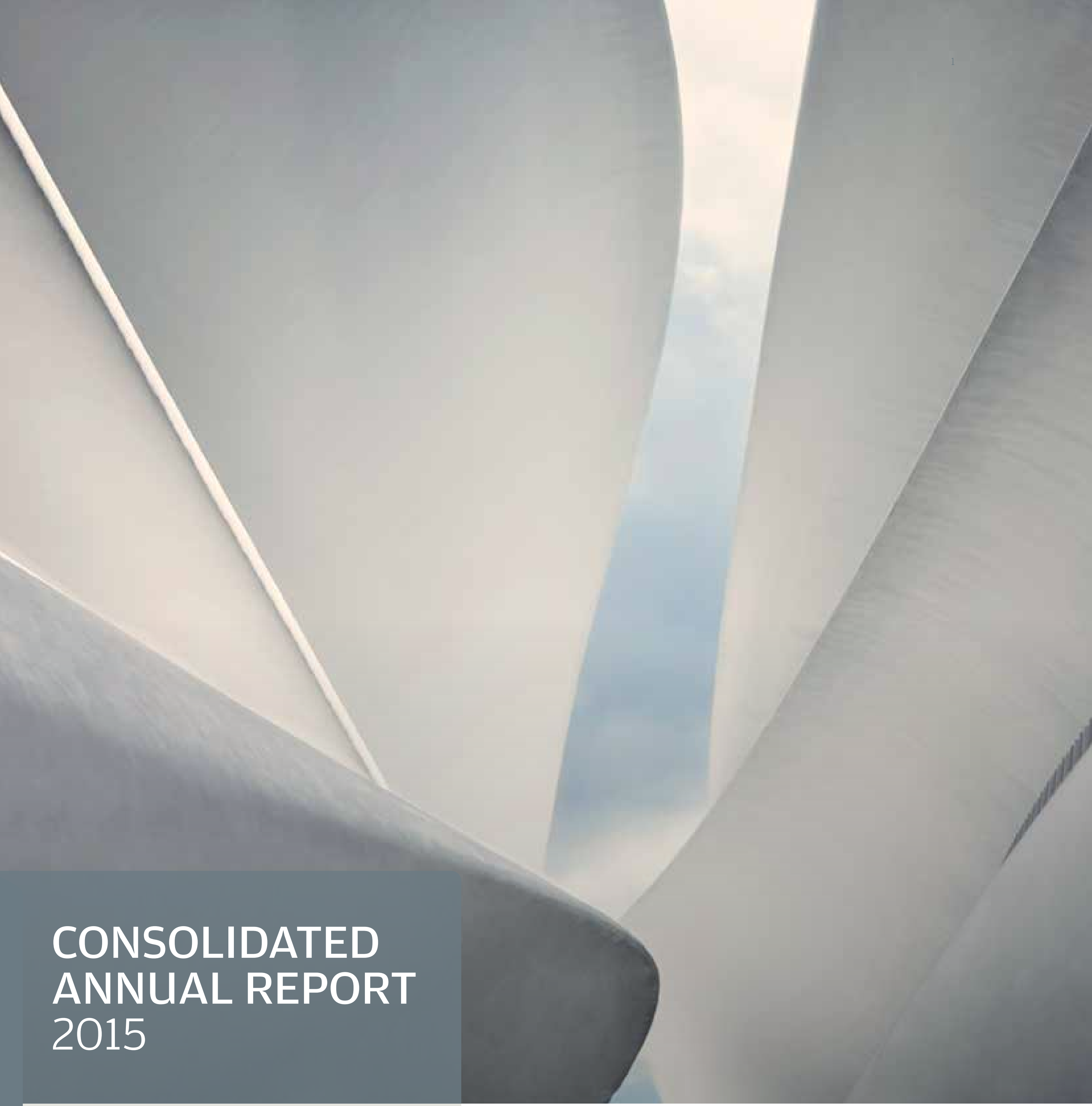
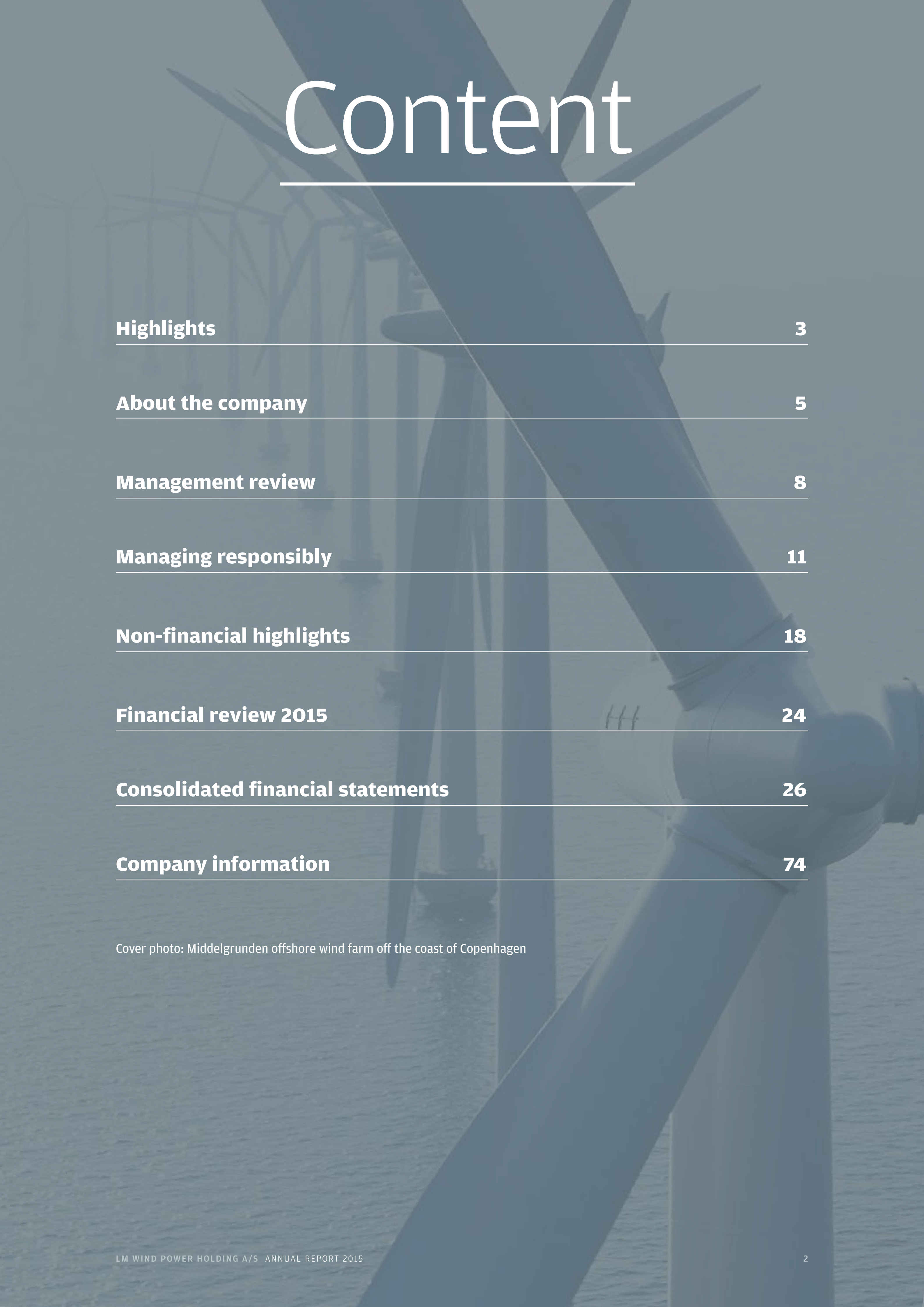


CONSOLIDATED ANNUAL REPORT 2015

LM Wind Power Holding A/S

CVR number 25 94 20 94

lmwindpower.com



Content

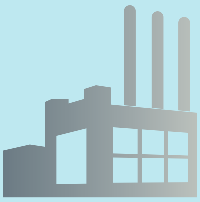
Cover photo: Middelgrunden offshore wind farm off the coast of Copenhagen

Highlights

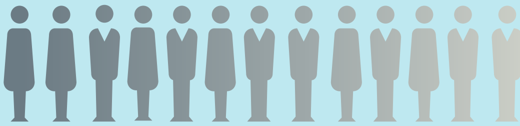
Headquarters
Kolding, Denmark

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

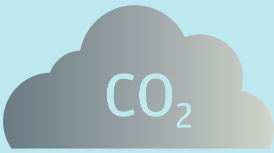
* The employee number as of end of year including Brazil but excluding contractors and trainees



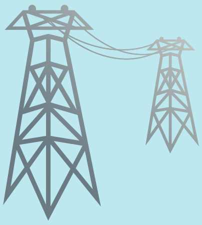
13 Blade factories



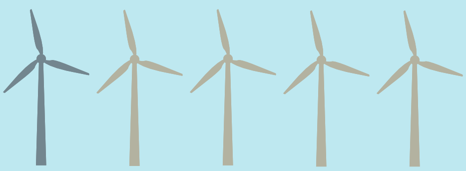
6,332 people worldwide*



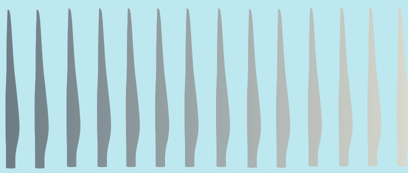
147 million metric tons of CO_2 mitigated



77 GW installed capacity



1/5 turbines in the world have LM Wind Power blades



9,474 blades produced in 2015

Consolidated financial review

EUR m (unless otherwise stated)	2015	2014	2013*	2012*	2011
Income statement					
Revenue	750	588	488	687	707
Operating profit before depreciation and amortisation (EBITDA)**	103	77	66	69	74
Operating profit before depreciation and amortisation (EBITDA)***	98	75	63	66	39
Operating profit before special items and goodwill impairment	52	21	14	7	3
Operating profit/loss (EBIT)	46	19	11	4	(32)
Financial income and expenses, net	(16)	(12)	(50)	(29)	(19)
Profit/ (loss) before tax	15	(2)	(40)	(25)	(51)
Profit/ (loss) for the year from continuing operations	0	(18)	(52)	(47)	(117)
Profit/ (loss) for the year	0	(18)	(86)	(45)	(117)
Balance sheet					
Total assets	1,021	786	806	1,035	988
Goodwill on consolidation	278	245	244	307	308
Equity	162	158	171	264	236
Subordinated debt****	3	3	3	2	2
Net interest-bearing debt	260	244	253	294	335
Cash flows					
Cash flows from operating activities	72	52	34	8	27
Cash flows from investments in property, plant and equipment	(73)	(24)	(28)	(33)	(55)
Cash flows from financing activities	49	(31)	(86)	72	(34)
Employees					
Average number of employees	5,225	4,301	4,462	5,716	6,007
Key ratios					
EBITDA margin** (%)	13.8%	13.1%	13.4%	10.1%	10.4%
EBIT margin (%)	6.2%	3.2%	2.3%	0.5%	(4.5)%
Return on invested capital, including goodwill (%)	10.5%	4.5%	2.2%	0.6%	(5.6)%
Return on invested capital, excluding goodwill (%)*****	25.5%	10.5%	5.0%	1.4%	(11.1)%
Equity ratio (%)	15.9%	20.1%	21.2%	25.5%	23.9%

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

The key figures and ratios for 2011 are not fully comparable with 2012-2013 as the Brakes business sold in 2013 is included in the 2011 numbers.

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

This report includes forward-looking statements. All statements other than statements of historical facts included in this report, including those regarding LM Wind Power's financial position, sales, EBITDA margin, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of LM Wind Power, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. LM Wind Power expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, except as may be required by law.

About the company

Finished blades waiting to be collected
in Qin Huang Dao, China.

LM Wind Power at a glance

Blades being moved at LM Wind Power's plant in Goleniów, Poland.

Profile
By the end of 2015, LM Wind Power employed 6,332* 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. 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 – in or close to all key markets for wind power to effectively serve its local and global customers.

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, sales and IPOs.

Facts
LM Wind Power has produced more than 185,000 blades since 1978. This corresponds to approximately 77 GW installed wind power capacity which each year effectively saves approximately 147 million tons of CO_2. This is equivalent to the annual CO_2 emissions from electricity used in 20 million (US) homes.

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

Contact information
LM Wind Power Group
Jupitervej 6
6000 Kolding
Denmark

Company registration number: 25 94 20 94

www.lmwindpower.com
info@lmwindpower.com

Municipality of registered office: Kolding

*incl. employees in Brazil which was fully integrated into the LM Wind Power Group as of December 2015 but excl. contractors and trainees.

Management

Executive management

Marc de Jong
Chief Executive Officer

Management team

Miguel A. Balbuena
Vice President, Quality & HSE

Richard A. Bevan
Vice President, Operations & Sourcing

Alexis Crama
Vice President, Offshore

Lars Fuglsang
Vice President, Strategy, Technical Marketing & Business Development

Søren Høffer
Vice President, Sales & Marketing

Ben Malefijt
Vice President, Industrialization

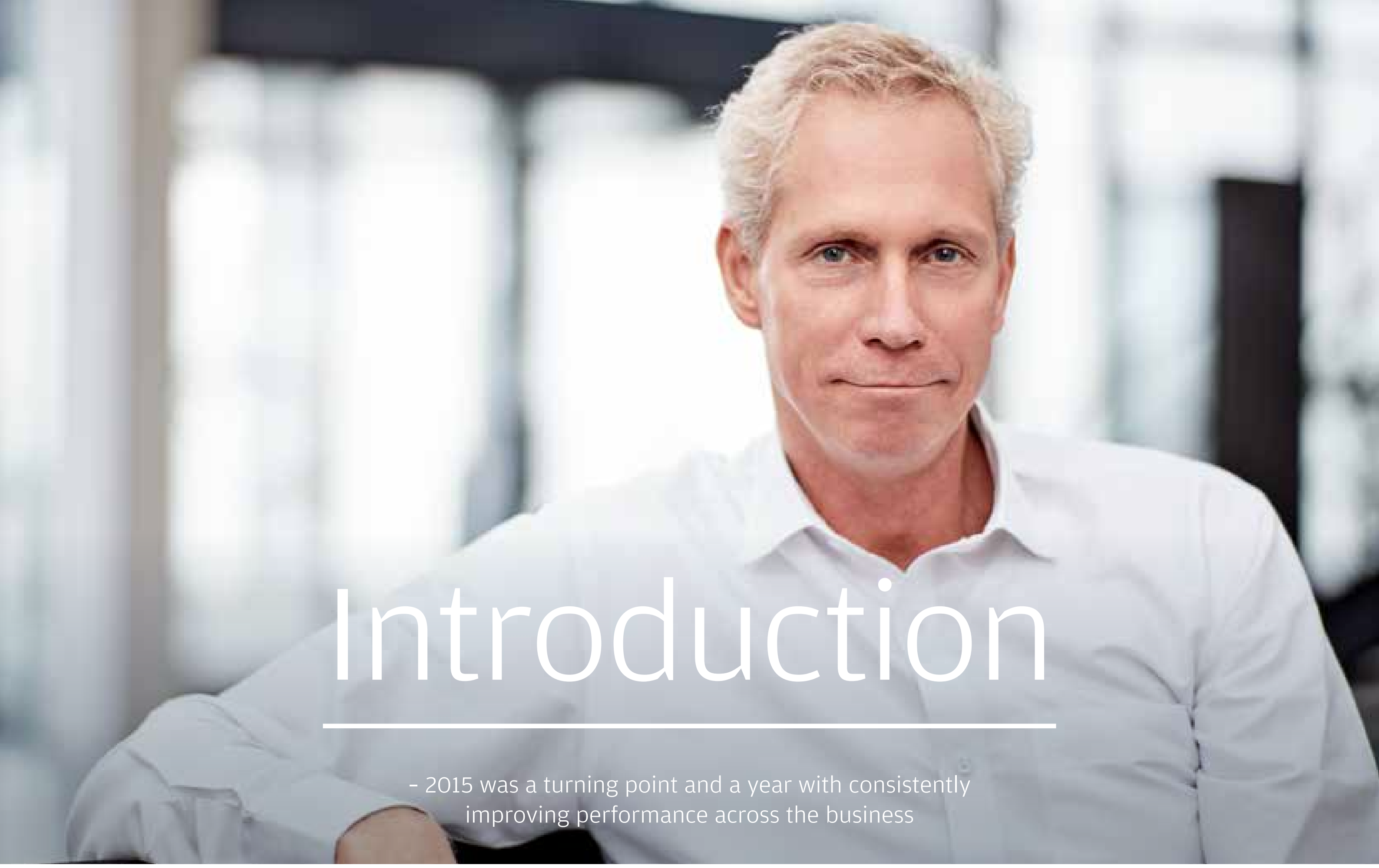
Roel W. Schuring
Vice President, Engineering

Nick Smith
Chief Financial Officer

Christopher Springham
Vice President, Communications, HR & Sustainability

Management review

Jiujiang Changling wind farm in
the Jiangxi Province south of China.



Introduction

– 2015 was a turning point and a year with consistently improving performance across the business

I was delighted to join LM Wind Power as Chief Executive Officer in June 2015 where I found a strong management team in place with a passion to improve the business. The last year has seen the company benefit from the overall growth in the global wind industry and both our top and bottom lines have increased significantly.

I believe that 2015 will prove to be a significant turning point for LM Wind Power and it saw us make a net profit for the first time since 2009. But that is only one indicator of the consistently improved performance across the company, which has seen us strengthen and leaves us well placed to embrace the significant growth opportunities we see for the business.

For example, we improved performance across the business in Quality; customer satisfaction; Health Safety and Environment (HSE); innovation and employee engagement, with some exceptional scores on satisfaction, motivation and loyalty among our workforce of more than 6,000 people.

LM Wind Power has a strong engineering, manufacturing and quality 'DNA' and it is clear that we need to continue our investment in research and development in order to maintain our position as a technology leader.

Innovations created new business
2015 was another strong year of innovation, with our talented engineers delivering significant progress on longer, lighter wind turbine blades and new approaches to manufacturing, including eight prototypes - a record for one year. These blades are the result of close collaboration with a wide range of customers and include significant contracted volumes for the years to come. We are pleased to see how these blades will be applied all over the world, enabled by LM Wind Power's high quality, global manufacturing footprint.

In addition to the new blade types, we also introduced a number of new technologies to enhance Annual Energy Production, reduce noise or improve the reliability of our blades. Innovation is firmly at the center of the business and it has created renewed interest in LM Wind Power's products and paved the way for business with new customers, in new markets.

Delivering on execution and expansions
In Operations, our Manufacturing organization and New Capacity function delivered almost 9,500 blades from our factories around the world while further rolling out new process capability – our Manufacturing 2.0 production program which significantly increases output from our existing global footprint – as well as expanding capacity for the future. This includes the decision to invest in a new manufacturing facility in Vadodara due to strong growth in the business with our customers in India.

Growing the business requires funding, and we successfully issued our first Green Bond on the NASDAQ Copenhagen Exchange to support our future expansion. Furthermore, at the end of 2015 we took full ownership of our Brazilian operation which was previously a joint venture.

Despite the strong performance in 2015, we are committed to capitalizing on the strong demand for our products, and further reducing the cost of wind energy. In doing so, we will further drive the top line and improve the bottom line result. A revised corporate strategy is already in place which clearly defines our path to achieve that success in the future.

The future is bright

We are confident that the future is bright for LM Wind Power and the wind industry. Wind remains one of the most economically attractive forms of renewable energy for large scale electricity generation and will develop further, not least offshore which is a key growth segment as traditional markets stabilize. LM Wind Power is a pioneer in offshore with a proven track record dating back to the very early offshore wind projects. Over the years, we have invested substantially in the testing, validation and maturing of technologies, which now enable us to support our customers in developing the next generation offshore platforms.

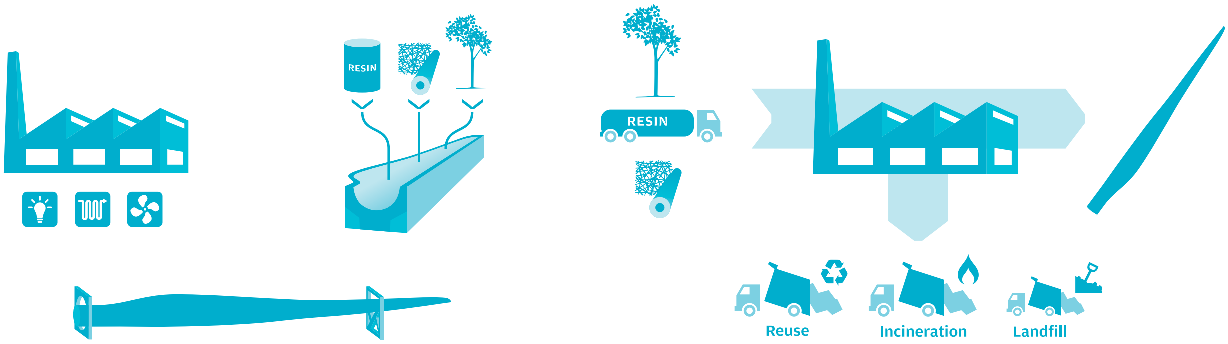
The political commitment to support renewables has never been stronger. The Climate Deal at COP 21 in Paris at the end of last year and the extension of the Production Tax Credit (PTC) in the United States are clear testaments to that. We will ensure that we make the most of this commitment and further reduce the cost of energy to accelerate the transition to a low carbon economy.

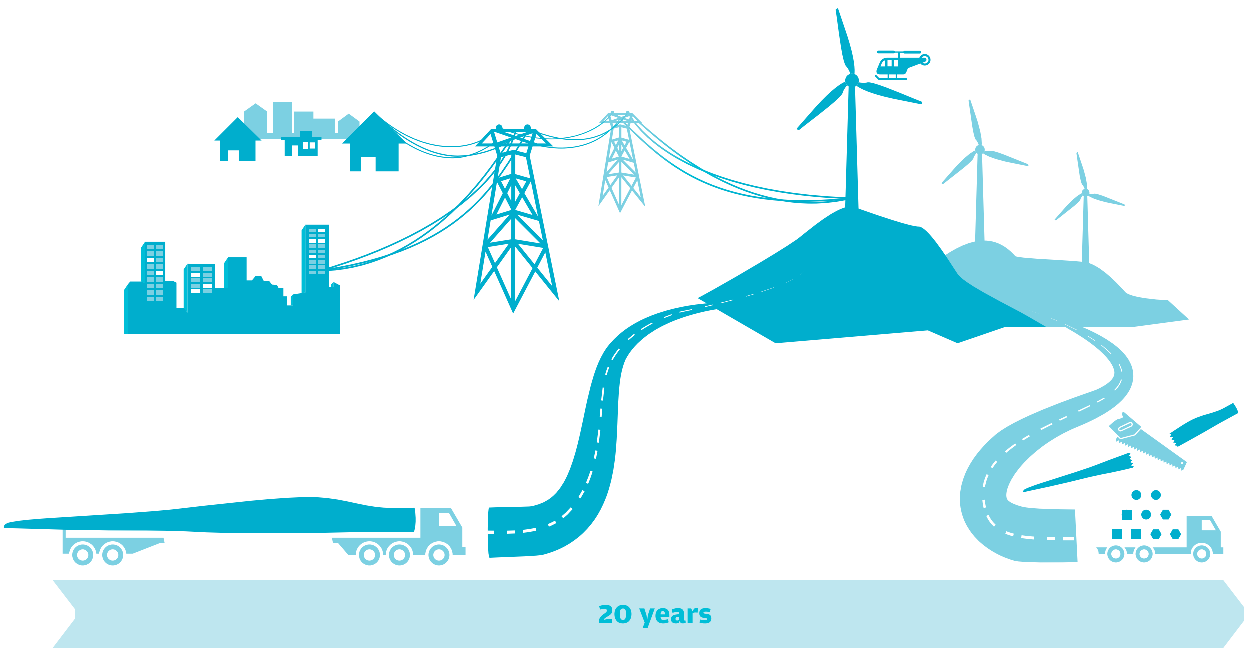
Marc de Jong
Chief Executive Officer

Managing responsibly

Blades ready for shipment
at the Lunderskov pilot plant in Denmark

Managing responsibly





LM Wind Power manufacturers and delivers high quality blades for wind turbines to wind turbine manufacturers worldwide. In the process of doing it, we use materials, energy, equipment, transportation and generate various forms of waste. All of these processes are managed carefully according to the relevant legal and environmental standards, and once a blade leaves our plant, it generates clean energy for 20+ years, which is LM Wind Power's significant contribution to a more sustainable world. Sustainability is part of the foundation of the company's corporate strategy. It can be summarized simply as minimizing harmful impacts and expanding the benefits of wind energy to as many people and communities around the world as possible, through constant innovation to reduce the cost of energy.

Blade manufacturing is about precision and care.
Photo from LM Wind Power's plant in Poland.

The company designs and builds some of the most advanced wind turbine blades in the world and as a manufacturing business, we create long-term, skilled employment including a substantial training effort for our employees. With customers, suppliers and operations all over the world, we rely on a clear set of values and the framework set out in our Code of Conduct to guide our business activity and behavior. The Code of Conduct addresses ethical business principles, human resources, human rights, anti-bribery and corruption, environmental principles and responsibility of managers and employees. This is also in line with our commitments as a signatory to the United Nations (UN) Global Compact.

Policies and compliance

The principles and spirit of the Code of Conduct, which was updated and relaunched in 2015, are further elaborated and enforced through specific policies, processes and training. All salaried employees are trained on the Code of Conduct including anti-bribery and corruption issues as part of their onboarding process. They are also requested to formally sign the Code of Conduct and the training is repeated at regular intervals. All office staff were requested to go through re-certification in 2015 and more than 90% had completed it by the end of the year.

As part of the misconduct reporting procedure, LM Wind Power also started the roll out of its SpeakUp hotline in 2015 – an externally hosted integrity line, allowing employees to anonymously report serious concerns or violations to the company's Code of Conduct or core values. The SpeakUp line was implemented first in Brazil with training given to all employees on the background and functionality, and has been operational since May 2015. Since implementation, a number of reports have been received, dealing with minor violations to the core values and the health, safety and environment rules. These reports have been investigated and closed, in some cases with disciplinary actions enforced by local HR and plant management, based on the company's Zero Tolerance policy. The SpeakUp line will be rolled out to the rest of LM Wind Power's locations during 2016.

The company has worked to strengthen its framework on risk management and compliance monitoring through a Management Letter process run by the Legal department. This measure has been in place, and applied at random intervals since 2008 but was re-introduced with more rigor in 2014 and now runs on a quarterly basis. The Management Letter process 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. With the listing of bonds on the NASDAQ Copenhagen Exchange in 2014, the company furthermore established a compliance committee with representation of the CFO, VP Communications, HR & Sustainability, Legal, and the Director Internal Audit. In addition to overseeing and managing risks related to breaches of the company's Insider Rules, this body also handles high level issues related to violations of the Code of Conduct, sometimes in collaboration with the Audit Committee, which is comprised of two members of senior management and chaired by a representative from the Supervisory Board. 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. Three suspicions of fraud and passive bribery came to the attention of the Audit Committee and were investigated in 2015, confirming one case of embezzlement of the company's property in Brazil and in one other case the receipt and acceptance of gifts from suppliers outside the company's guidelines in China. Disciplinary actions towards staff and the supplier have been taken and further controls and training have been implemented.

Environment and climate

The company's sole purpose is to develop wind turbine blades and provide services related to wind energy and as such we are dedicated to the realization of environmental benefits through low-carbon electricity. This was also the basis for the issuance of a NOK 475 million (EUR 50 million equivalent) Green Bond in 2015, whose eligibility was assessed by DNV GL*. The company can use the proceeds from the bond for manufacturing or R&D investments aimed at increasing MW capacity for wind energy production. Two projects were partially funded by Green Bond proceeds in 2015 namely LM Wind Power's new Indian plant in Vadodara, Gujarat which began blade production in February 2016 and an expansion of the existing plant in Grand Forks in the U.S.

EUR 7.4 million was spent on Vadodara, putting in place new wind power production capacity. This enables our customers to deliver additional wind turbines and thereby more clean energy to the world than before. In the first phase, the Vadodara plant will deliver blades for 2MW wind power turbines. The capacity to be produced in 2016 alone corresponds to 212 MW and that number is set to increase significantly over the coming years. LM Wind Power calculates CO_2 savings from its blades based on the assumption that the energy generated will replace energy from coal (which is most often the case as coal has the largest marginal cost). For the projected 2016 output, this corresponds to 544,416 tons of CO_2 saved, equivalent to the CO_2 emissions from the electricity use of 74,000 (US) homes. http://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

EUR 1.7 million were spent on a significant expansion of LM Wind Power's Grand Forks manufacturing facility, which was established in 1999 and has been remodeled in response to the changes in demand over the years. The trend has been consistently towards longer blades, and therefore the expansion was required to be able to continue to support our customers and build longer blades for the future. The expansion in Grand Forks allowed us to replace manufacturing of blades in the 1.5MW segment (around 42 meters) with blades for the 3MW segment – blades up to 60 meters. To put it simply, one set of blades for a 3MW turbine will save double the amount of CO_2 as one set for a 1.5MW turbine. The quantity of blades produced in LM Wind Power's Grand Forks facility may not change much, but the MW and thereby CO_2 savings will increase significantly with the investment in part enabled by the proceeds from the Green Bond issue.

Essentially, given the life span performance of a wind turbine blade, the company's carbon footprint is offset several times with the production of clean, renewable energy. We do not have a separate climate policy but we are addressing climate impacts through our environmental policy under the HSE Management System. The corporate carbon footprint is measured and tracked through monthly reporting to monitor developments continuously. There was a particular focus on waste management in 2015 to increase the proportion of waste recycled and the efforts paid off as we continued to drive down waste to landfill which in many locations is close to zero. Targeted awareness campaigns led by the Global HSE function and strong engagement from the plants, effectively changed the waste distribution in the factories from having 14% of total waste going to recycling in 2014 to 23% in 2015. Waste to landfill reduced from 50% of total waste in 2014 to 35% in 2015. The company will continue these efforts in line with its overall ambition to continuously improve the sustainability performance of its product and processes.

In addition to the environmental benefits of reducing and optimizing the waste distribution, the program also contributed to considerable operational efficiencies and cost savings.

> The 2015 target of EUR 3.7 million savings from the global waste reduction program was exceeded considerably with an actual waste saving of EUR 5.9 million realized.

As in previous years, the saving initiatives were to a large extent generated through the creative ideas of shop floor employees dedicated to working smarter and cutting out waste from the manufacturing process. On average in 2015, each LM Wind Power employee generated 3.8 ideas that were implemented, up from 3.6 in 2014 and exceeding the target of 3.

Building on the successful efforts to replace various materials and chemicals with more sustainable alternatives in 2014, the Materials & Process department continued global implementation of innovative solutions to remove HSE-related risks, eliminate waste and drive down cost. Some of the most notable examples were the replacement of PVC with PET foam in a number of blade types as well as changing the formula in the polyester resin to include a higher percentage of recycled materials. According to the supplier, this change reduces CO_2 emissions from the resin production by 25%. The various initiatives

*The DNV GL Eligibility assessment is available at www.lmwindpower.com/investor that were kicked off in 2014 and implemented to a wider part of the business in 2015 are expected to generate annual cost savings of almost EUR 8 million.

By the end of 2015, the company formalized its organization around Sustainability with the establishment of a Global HSE & Sustainability Council, chaired by the CEO. This body is now working towards a strategy and clear targets e.g. for carbon emission reductions and sustainable blade materials and technologies, which we expect to announce in 2016.

Management Standards & Quality

LM Wind Power has externally certified management systems as one of the ways to ensure consistent high performance and standards on Quality and HSE. All operating LM Wind Power sites are certified according to ISO 9001 with the new plant in Vadodara, India scheduled to go through certification in Q3, 2016. All locations except Suape in Brazil and Vadodara are also covered by the certification of the integrated HSE Management System according to ISO 14001 and OHSAS 18001. Both Suape and Vadodara are scheduled to obtain the certification in 2016. All external audits are conducted under a combined audit set up for improved efficiency with close alignment between the Operations; Global Quality and HSE functions.

LM Wind Power's positive trend on quality performance continued, facilitated by increased levels of supplier engagement. Examples include intensive audits, training and quality awareness programs, regular supplier performance reviews and HSE assessments as part of the supplier qualification process for all materials. Over the past few years, LM Wind Power has worked systematically and focused on implementing quality improvement programs and the efforts have materialized in significantly reduced quality issues as well as improved supplier performance on incoming material. The significant improvement seen in 2014 continued in 2015 where the company achieved a 48% improvement to 1,050 Parts Per Million – effectively addressing and even eliminating quality issues on incoming material.

Working with the Supply Chain

100% of LM Wind Power's core commodity suppliers (Class A suppliers – around 70 out of 180 in total) are covered by a Supplier Quality Agreement which includes requirements for sustainability practices. These suppliers account for 90% of the company's global spend. Furthermore, 90% of the Class A suppliers are covered by framework 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. Every year, LM Wind Power hosts a global supplier conference to foster engagement and create an even stronger platform for dialogue and collaboration.

Our suppliers are our business partners and they play a crucial role in our efforts and ability to maintain the highest quality and safety standards while delivering innovative products.

We collaborate closely to reduce the use of hazardous chemicals and improve safety, quality and processes with the ultimate goal of providing higher quality and more sustainable products at competitive prices. We recognize that there could be potential sustainability issues in our supply chain that cannot necessarily be discovered through random audits and screenings, and we have intensified the dialogue with our key suppliers to assess their maturity level on sustainability and extended an invitation to collaborate to achieve shared goals. The first round of supplier dialogues focused on the suppliers of balsa and those representing the majority of our spend. They are based in various locations across the US, Turkey, Papua New Guinea and Ecuador and each differs in size and capability in terms of sustainability. Some of them are large companies with dedicated sustainability functions; others are smaller companies that drive their activities through a committed management. With renewed growth in the whole wind sector, demand for key commodities is increasingly tight with significant pressure on supplies. Our goal is to maintain our high standards of ethical sourcing and where full compliance with our standards is not yet achieved, to apply our influence as a customer and find shared paths forward to improve standards.

Health & Safety

A cornerstone of Sustainability in LM Wind Power is the Global HSE Policy which highlights HSE as critical for the well-being of our employees, for satisfying our customers and for our success as a 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 where our employees are guided 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 Global HSE Policy has a primary emphasis on the safety of people but furthermore covers the internal and external impacts on the environment including climate related issues. Key performance indicators related to Health, Safety, Environment and Climate are tracked on a monthly basis and reported on through the company's sustainability reporting software. The core metrics for Health and Safety and work environment are the Lost Time Accident (LTA) and Absentee rates which have generally decreased year on year for the past five years. In 2015, however, the Absentee rate for hourly paid employees increased, primarily driven by performance in Brazil. The Lost Time Accident (LTA) rate per million work hours ended at 1.9 in 2015. This is the lowest rate in the company's history. The target for 2016 is an LTA rate of 1.8.

Safety awareness activities reached a very high level in 2015, with the number of plant safety inspections by senior management increasing significantly. More than 20,000 safety walks were conducted compared with just over 5,000 the previous year.

Despite the high level of focus and awareness across the organization, LM Wind Power's Management recognizes that more needs to be done to continuously ensure world class health and safety standards and maintain a culture of safety excellence. Therefore several initiatives have been launched for 2016 including a global safety awareness campaign.

As part of the company's efforts to take care of its people, all locations have initiatives or programs in place to encourage a healthy life style among the employees and their families, from attractive fitness memberships, fruit arrangements in the offices, to flexible work hours etc. Health is not only about keeping fit, watching your diet and getting enough sleep, it's also having a good working environment and a positive social atmosphere with colleagues. Therefore, all plants went through health workshops in 2015 focusing on stress prevention, how to keep fit even on a busy schedule, and highlighting the importance of nurturing good relations at work.

Human rights and social issues

LM Wind Power 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.

The LM Wind Power Code of Conduct clearly states that we support and respect the protection of internationally proclaimed human rights and that we ensure that we do not endorse or allow 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.

The company encourages diversity at all levels and the Code of Conduct clearly states that we hire and treat our employees in a manner that doesn't discriminate 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. There are various examples of initiatives to achieve a more balanced representation, for example in China where our plant in Qin Huang Dao designed a specific initiative to recruit women for the plant. Manufacturing work is not widely perceived as being attractive to women in China but with a focused campaign from plant management and Human Resources, a group of women joined the team. Apart from delivering consistent high quality work, the increased diversity in the team has improved collaboration and the general atmosphere among the 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. We see diversity as key for ensuring a long term, sustainable management solution and gender is one aspect that we are looking at when developing and building the strongest possible, global team at all levels.

At the management level, LM Wind Power still has a target to further promote gender diversity in its highest governance body, the Supervisory Board. In 2015, this body consisted of four representatives from our owners Doughty Hanson, one of whom is the Chairman, two members who are also in the executive management team of LM Wind Power and two employee representatives. They are all male. The company has set a target to also have one female member of the Supervisory Board by 2017. The Board did not progress toward this target in 2015 as generally, new members of the Board are not considered unless specifically requested by our owners and that was not the case in 2015.

The company has established 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 redesigning the organizational set up, structured career reviews of all salaried employees to ensure female talent is not overlooked, together with the establishment of 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 explore how we match the aspirations of female employees already with us as well as those joining the company. This body reports to the Global HSE & Sustainability Council.

Employee engagement

Every second year, the company conducts a global Employee Engagement Survey (EES) for all employees, to measure the workforce's perception of LM Wind Power and to ensure management gathers and receives structured feedback for improvements. The EES was first conducted in 2013, creating the baseline for measured improvements and we were highly pleased to see that the 2015 results indicated a very high level of satisfaction and motivation in the workforce. The outcome of the EES 2013 indicated a need for introducing even more development programs, leadership training and company reputation initiatives. These started in 2014 and were further intensified in 2015, with several actions initiated under these headlines.

One of the most wide ranging programs was the global 'Grow Plant Leaders' initiative that was kicked off in 2015 to strengthen plant leaders at various levels, and boost their capabilities in ensuring safety, quality, work environment and delivering high performance.

So far more than 1,400 managers, supervisors and team leaders have been through the 'Grow Plant Leaders' training which consists of five modules.

A version of the Grow Plant Leaders program called 'Grow Functions Leaders' has been launched in the staff functions as well and will run during 2016. Training and development programs are a key element to ensure motivation and retention of our talented people.

In parallel with the focus on personal leadership in the plants, the training of new employees was also further formalized and structured under 'Centers of Excellence' at each plant in 2015. The Center of Excellence concept allows colleagues to study the materials, tools, and processes of blade manufacturing hands on before being released onto the real production floor. The idea originated in India and was expanded to cover all LM Wind Power plants. It will be further developed in 2016.

Communities

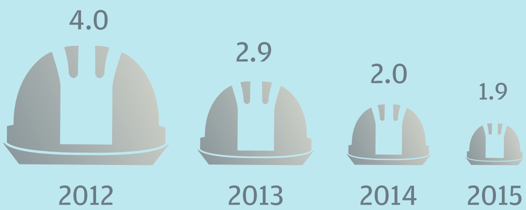
LM Wind Power regularly receives questionnaires on its Sustainability performance as part of supplier assessments from major customers. In one such assessment at the end of 2015, the company achieved a silver rating in the company category 'Manufacture of general purpose machinery'. This puts LM Wind Power in the top 9% of companies assessed in this category and in the top 12% of all companies assessed. LM Wind Power showed particularly strong performance on environmental measures where it ranked in the top 1%.

LM Wind Power's employees once again engaged in a wide range of community activities across the world in 2015 and supported several causes and organizations. Traditionally, each plant selected which charities and causes they support, in line with the company's values and based on their status in the local community. In 2016, however, there will be a greater focus on activities that support the UN Sustainable Development Goals – particularly Quality Education, Diversity & Gender Equality, and Affordable and Clean Energy. This is in line with the newly introduced Global HSE & Sustainability Council structure, chaired by the CEO, which will strengthen the organization of LM Wind Power's Sustainability work and nurture progress to further enhance enterprise value.

Non-financial highlights

Wind power brings sustainable energy to remote communities around the world. Photo from China.

Non financial highlights

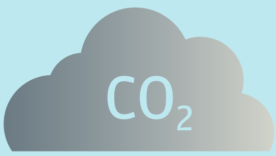


Record low Lost Time Accident (LTA) rate per million work hours

€ 5.9 million saved from waste reduction program in 2015

23% of total waste to recycling

32 nationalities



10% reduction in carbon footprint per kg blade produced

3.8 savings ideas per employee implemented

Annual report non-financial highlights

Working environment	2015	2014	2013	2012	2011
Number of employees, end of year	6,332*	4,505	4,844	5,122	5,803

* The employee number now includes Brazil which was fully integrated into the LM Wind Power Group as of December 2015. The number excludes contractors and trainees

Accident rates (involving lost time)
per million work hours

	2015	2014	2013	2012	2011
Total	1.9	2.0	2.9	4.0	5.7

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 1.9 in 2015. The target for 2016 is 1.8.

Absentee rates

	2015	2014	2013	2012	2011
Salaried employees (% of absent days out of planned workdays per year)	0.4	0.6	0.5	0.7	
Hourly paid employees (% of absent work hours out of planned work hours per year)	1.6	1.3	1.2	1.5	

The absentee rates for hourly paid employees increased in 2015 primarily driven by the performance in Brazil where we see significantly higher absentee rates than in the rest of the world. Several measures are continuously introduced to retain employees, including training and development programs, attractive benefits, social events and teambuilding activities.

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 at least annual performance reviews

	2015	2014	2013	2012	2011
Total	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 Process (PMP) which follows a cycle of annual objective setting, performance review and development planning. The PMP system is designed to ensure that our people know and agree to what they need to contribute and how, and we help them obtain the right competencies to pursue the career that adds value for them and LM Wind Power as a whole.

Certifications

Percentage of sites certified by end 2015

	2015	2014	2013	2012
ISO 9001:2008	95	94	100	100
ISO 14001:2004 and OHSAS 18001	89	82	-	-

LM Wind Power had 14 blade manufacturing sites in 2015, two addresses in Little Rock, which both need individual certification 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.

	2015	2014	2013	2012	2011
Blades produced	9,474	8,262	7,173	8,856	10,333
Raw material used (tons)	89,270	65,758	59,097	93,135	69,078
Energy consumption					
Fuel not used for transport (GJ)	237,039	247,047	346,981	678,181	332,681
Electricity (GWh)	103	97	80	96	90
Waste					
Total waste for landfill (tons)	9,210	10,616	6,364	9,241	9,289
Total waste for incineration (tons)	10,982	7,710	7,399	9,757	11,002
Total waste for recycling (tons)	5,874	2,934	2,348	3,005	3,447
Total waste (tons)	26,066	21,260	16,111	22,002	23,738
Total carbon footprint for Blades (tons CO_2 equivalent)	552,517	461,850	388,950	539,932	491,451
Carbon footprint (kg) / kg blade produced	5.9	6.5	6.9	8	7.4

Many of LM Wind Power's plants operate with almost zero waste to landfill, and targeted efforts to increase recycling in 2015 reorganized the waste distribution considerably. Waste to landfill reduced from 50% of total waste in 2014 to 35% in 2015 for example. And waste to recycling increased from 14% of total waste in 2014 to 23% of total waste sent to recycling in 2015.

The total carbon footprint has increased in line with the increased activity in the business. The Brazil plant became fully operational and plant expansions across the board ensured the highest number of blades produced in four years. Despite this increase in output, the carbon footprint per kg blade produced is showing a decrease. This is due to the intense focus on utilizing materials in the optimum way and targeted efforts to optimize energy consumption through a global energy efficiency and savings program which embraced the whole business in 2015 and will expand its activities to deliver further savings in 2016.

	2015	2014	2013	2012	2011
Water consumption (m^3)	212,036	184,863	210,790	237,422	249,888

None of our operations use water in the production processes. The water consumption recorded is primarily from daily activities at the site. In India, all water is recycled as required by local law.

Human Rights and Anti-Corruption

	2015	2014	2013	2012	2011
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 endorse or allow human rights abuses. We train our employees in the requirements and expectations to them and the Code of Conduct is an integrated part of the framework agreements with suppliers. The majority 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 required to show their ID card or birth certificate as part of the recruitment process.

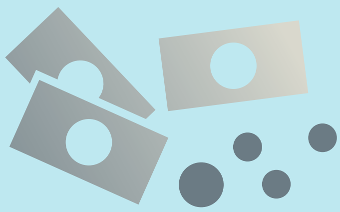
	2015	2014	2013	2012	2011
Charitable donations (EUR)	104,955	75,812	63,335	20,000	55,234
Community work (hours provided)	6,476	12,155	3,127	n/a	1,184

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.

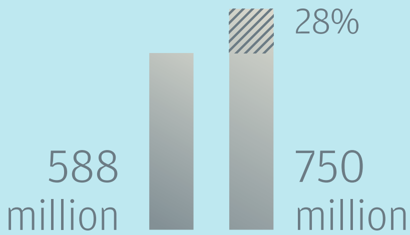
	2015	2014	2013	2012	2011
Employees trained in anti-corruption policies and procedures % of employees eligible for training	96	75	75	n/a	-

Since 2012, LM Wind Power has trained all salaried employees in the Code of Conduct, anti-corruption and UK Anti-Bribery Act aligned with our commitment to the UN Global Compact principles. All new office staff employees go through this e-learning program as part of their onboarding, and recertification was repeated in 2015.

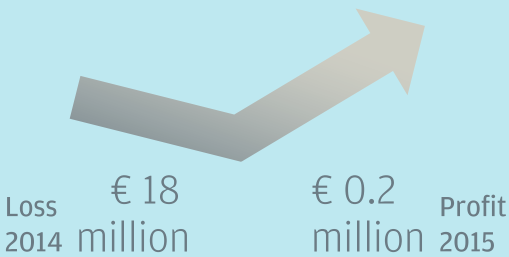
Financial highlights



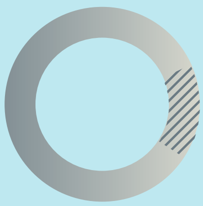
€ 750 million revenue



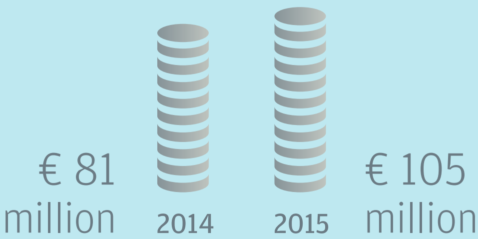
28% increase in revenue



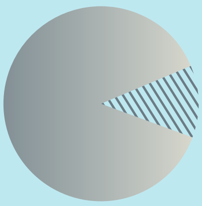
Net loss was turned into profit in 2015



13.8% EBITDA margin



Cash flow from operations before financial items and tax



11% total market share

Financial review 2015

Strong growth continues

2015 was another year of strong growth for LM Wind Power, which led to a net profit for the first time in several years. Sales increased by 28% to EUR 750 million, due to higher volumes driven by strong demand for the company´s products and positive currency developments (as a result of a weaker Euro). At constant exchange rates, sales grew by 13%, with good growth in Europe, China and India, whilst sales in the Americas declined due to changeovers to longer blades to meet future demand. Market demand in the US remains strong.

EBITDA increased by 34% to EUR 103 million, due to revenue growth and positive currency developments. At constant exchange rates, EBITDA growth was 10%. The EBITDA margin increased from 13.1% in 2014 to 13.8% in 2015, thanks to operational leverage, with higher volumes through a cost base which is partly fixed.

Depreciation and amortization fell by EUR 5 million to EUR 51 million, largely because of a one-off impairment of EUR 10 million in 2014. EBIT (Results from operating activities before special items) increased by EUR 31 million to EUR 52 million, with the EBIT margin increasing from 3.6% to 6.9%.

On 14 December 2015, the Group completed the acquisition of the remaining 49% interest of LM Wind Power do Brasil S.A. from its joint venture partner, such that the Group now owns 100% of this business. The pre-acquisition result for the year for the joint venture was a net loss of EUR 16 million, compared with a loss of EUR 8 million in 2014. The higher loss in 2015 was caused by the slower than expected ramp-up to full production and the depreciation of the Brazilian Real against the Euro and US Dollar. Goodwill of EUR 33 million was recognized on the acquisition.

Net finance costs increased from EUR 12 million in 2014 to EUR 16 million in 2015, entirely due to an EUR 4 million reduction in foreign exchange gains, from EUR 15 million in 2014 to EUR 11 million in 2015. These gains largely arose from the effect of a weakening Euro on US Dollar-denominated inter-company receivables in Denmark.

The Group's tax charge amounted to EUR 15 million in 2015 compared with EUR 16 million in 2014. The effective tax rate reduced significantly to 99% in 2015, largely due to recognition of deferred tax assets in the US and Spain, as a result of the envisaged improved financial performance of the relevant entities.

The Group's net result was a profit of EUR 0.2 million compared with a loss of EUR 18 million in 2014, thanks to sales growth and better operational performance, partially offset by increased losses in the Brazilian joint venture.

Low leverage and high liquidity

On 8 October 2015, the Group successfully issued its first Green Bond, amounting to NOK 475 million floating rate senior secured notes (swapped into fixed rate EUR 50 million) which will mature in October 2020. This enables the Group to further invest in both new and existing plants to increase manufacturing capacity, and in new technology for longer, lighter blades in order to meet continuing strong demand.

As at 31 December 2015, net debt was EUR 264 million, with leverage (net debt / EBITDA) of 2.6x. This compares with net debt of EUR 247 million and leverage of 3.2x as at 31 December 2014. Following the Green Bond issue, as at 31 December 2015, net cash and cash equivalents were EUR 88 million (2014: EUR 48 million), which together with unutilised credit facilities of EUR 42 million resulted in liquidity of EUR 130 million (2014: EUR 80 million).

Cash flows from operations before financial items and tax were EUR 105 million versus EUR 81 million in 2014, largely due to the better profitability. This is despite an increase in working capital of EUR 35 million (2014: decrease of EUR 11 million), with Q4 2014 benefiting from temporary positive cash effects, which unwound in Q1 2015. As demonstrated by the improved liquidity, cash management remains a priority for the Group, in order to fund expected growth.

Serrations mounted on the blades reduce noise from the turbine in operation. Photo from Poland.

Following three years of restraint, 2015 saw significant investment in the business with higher capital expenditure, which increased to 86 million, from EUR 33 million in 2014. The increase was partly due to the catch-up of low spending in previous years, but largerly to support anticipated future growth. This included the start of investment in a second factory in India, 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.

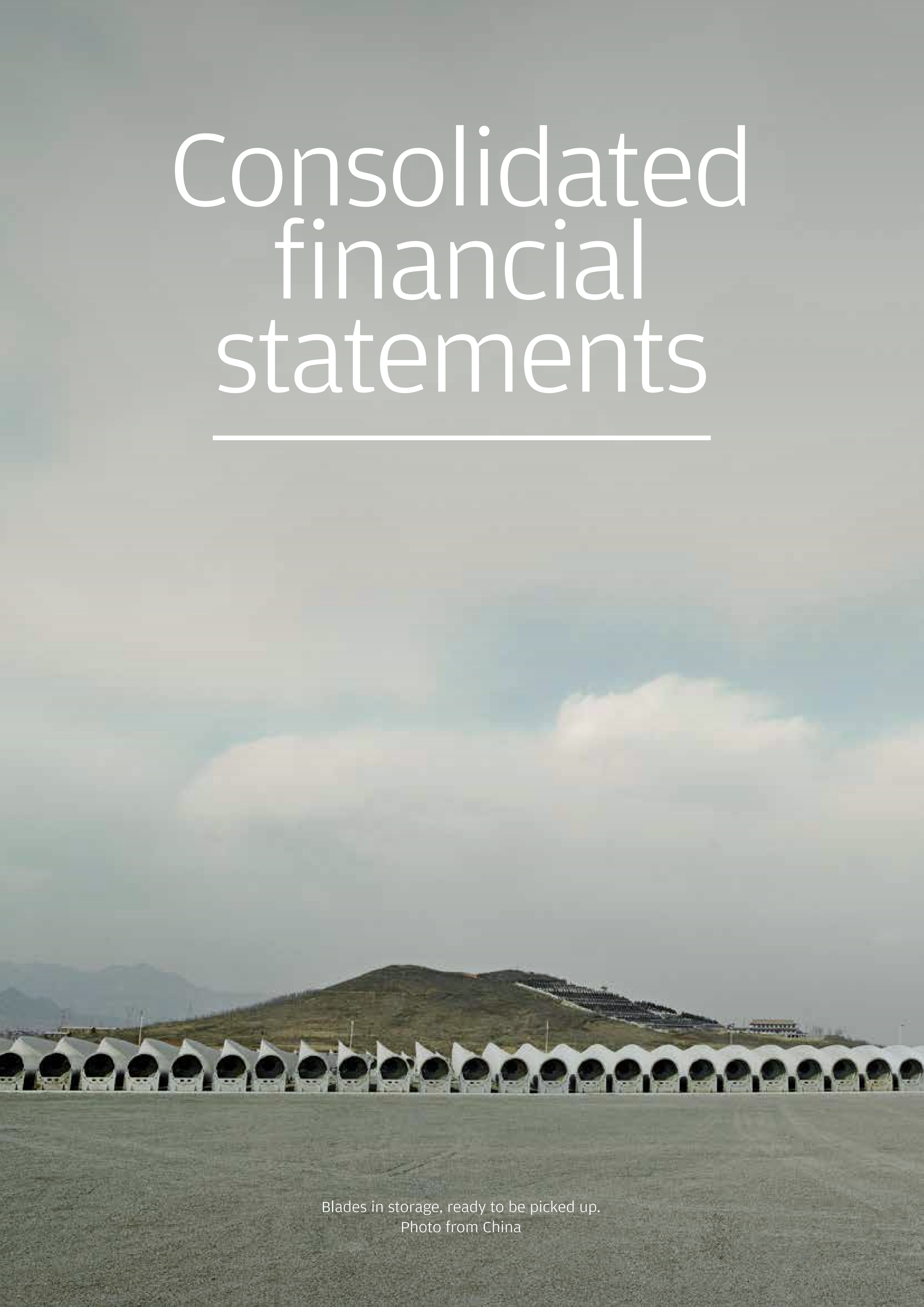
In addition, due to a change in business model, on 1 October 2015, the Group reclassified transportation equipment from inventory to fixed assets, resulting in a reclassification of EUR 48 million at the year-end.

Outlook

LM Wind Power outperformed the expectations included in last year's Annual Report for 2015, with sales growth at constant exchange rates of 13% (2015 Outlook was "in excess of 5%") and an EBITDA margin of 13.8% (2015 Outlook was "at least 13%").

In 2016, LM Wind Power expects sales growth (at constant exchange rates) of at least 20%, thanks to continued strong market demand, plus the consolidation of Brazil and the start-up of operations at Vadodara, our second Indian manufacturing facility which has begun blade production in February 2016. Despite both of these businesses being in ramp-up mode in 2016, LM Wind Power expects to maintain an EBITDA margin of at least 13%.

Consolidated financial statements



Blades in storage, ready to be picked up.
Photo from China

Consolidated income statement, 1 January-31 December

EUR thousands	Notes	2015	2014
Continuing operations			
Revenue	4	750,336	587,739
Other income		1,182	432
Operating Income		**751,518**	**588,171**
Cost of sales		(315,907)	(254,691)
Other external expenses	8	(130,101)	(95,714)
Staff expenses	5	(202,294)	(160,759)
Depreciation and amortization	6	(51,334)	(55,890)
Operating expenses before special items		**(699,636)**	**(567,054)**
Profit from operating activities before special items		**51,882**	**21,117**
Special items	7	(5,566)	(2,136)
Profit from operating activities		**46,316**	**18,981**
Share of loss of equity accounted investment	12	(15,531)	(8,256)
Financial income	9	19,305	16,878
Financial expenses	10	(35,078)	(29,296)
Net finance costs		**(15,773)**	**(12,418)**
Profit/(loss) before income tax		**15,012**	**(1,693)**
Income tax	11	(14,784)	(16,375)
Profit/(loss) for the year from continuing operations		**228**	**(18,068)**
Discontinued operations			
Profit for the year from discontinued operations		-	539
Profit/(loss) for the year		**228**	**(17,529)**

Consolidated statement of comprehensive income, 1 January-31 December

EUR thousands	2015	2014
Profit/(loss) for the year	**228**	**(17,529)**
Other comprehensive income, net of income tax:		
Items that may be subsequently reclassified to profit or loss:		
Exchange rate adjustment at year-end rates	(401)	385
Exchange rate adjustment, foreign entities	4,927	2,947
Fair value adjustment of hedge instruments	(545)	1,613
Other comprehensive income for the year, net of income tax	**3,982**	**4,945**
Total comprehensive income for the year	**4,210**	**(12,584)**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2015	2014
Assets			
Goodwill		277,694	244,761
Completed development projects		28,483	21,610
Development projects in progress		4,177	4,429
Intangible assets	13	**310,354**	**270,800**
Land and buildings		97,718	92,560
Plant and machinery		132,861	57,737
Fixtures, fittings and equipment		7,249	3,962
Leasehold improvements		2,678	4,890
Property, plant and equipment under construction		29,603	7,852
Property, plant and equipment	14	**270,109**	**167,001**
Equity accounted investment	12	-	-
Other securities		131	245
Deferred tax assets	15	78,620	41,454
Other non-current assets		**78,751**	**41,699**
Total non-current assets		**659,214**	**479,500**
Inventories	16	77,092	88,763
Trade and other receivables	17	160,602	148,936
Income taxes		25,968	15,690
Prepayments		9,943	5,809
Cash & cash equivalents		87,804	47,540
Total current assets		**361,409**	**306,738**
Total assets		**1,020,623**	**786,238**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2015	2014
Liabilities and equity			
Share capital	18	40,787	40,891
Other reserves		7,511	3,137
Retained earnings		113,829	113,890
Total equity		**162,127**	**157,918**
Provisions	19	39,441	29,914
Loans and borrowings	20	344,599	292,756
Finance leases	22	1,258	158
Prepayments from customers		80,823	34,529
Deferred tax liabilities	15	-	-
Deferred income	21	39,934	23,445
Total non-current liabilities		**506,055**	**380,802**
Provisions	19	41,349	31,578
Loans and borrowings	20	5,211	1,498
Finance leases	22	294	187
Prepayments from customers		48,132	19,815
Income taxes		49,276	25,803
Trade payables		124,047	113,106
Other payables		74,122	52,097
Deferred income	21	10,010	3,434
Total current liabilities		**352,441**	**247,518**
Total liabilities		**858,496**	**628,320**
Total equity and liabilities		**1,020,623**	**786,238**

Consolidated statement of changes in equity, at 31 December

		Other reserves			
EUR thousands	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total
Equity at 1 January 2015	**40,891**	**3,026**	**111**	**113,890**	**157,918**
profit for the year	-	-	-	228	228
Other comprehensive income	(104)	4,919	(545)	(289)	3,981
Equity at 31 December 2015	**40,787**	**7,945**	**(434)**	**113,829**	**162,127**
Equity at 1 January 2014	**40,799**	**(1,035)**	**(385)**	**131,123**	**170,502**
Loss for the year	-	-	-	(17,529)	(17,529)
Other comprehensive income	92	4,061	496	296	4,945
Equity at 31 December 2014	**40,891**	**3,026**	**111**	**113,890**	**157,918**

Consolidated cash flows, 1 January - 31 December

EUR thousands	Notes	2015	2014
Profit/(loss) for the year		228	(17,529)
Adjustments for non-cash transactions	28	139,646	86,919
Changes in inventory		(23,233)	(16,939)
Changes in receivables		(28,850)	5,212
Changes in trade and other payables		17,078	22,870
Cash flows from operations before financial items and tax		104,869	80,533
Financial income		981	872
Financial expenses		(17,981)	(11,834)
Cash flows from operations before tax		87,869	69,571
Income tax paid		(16,281)	(17,315)
Cash flow from operating activities		**71,588**	**52,256**
Purchase of property, plant and equipment	29	(72,634)	(24,438)
Sale of property, plant and equipment		989	441
Purchase of intangible assets	30	(13,672)	(8,556)
Loans to JV		-	(3,140)
Acquisition of subsidiary, net of remaining cash	12	2,417	-
Cash flow from investing activities		**(82,900)**	**(35,693)**
Repayment of long-term debt		(1,498)	(160,681)
Proceeds from long-term debt		50,000	130,000
Cash flow from financing activities		**48,502**	**(30,681)**
Net change in cash and cash equivalents		37,190	(14,118)
Cash and cash equivalents beginning of year		47,540	61,148
Net change in cash and cash equivalents		37,190	(14,118)
Exchange rate adjustments on cash & cash equivalents		3,074	510
Cash and cash equivalents at year end		**87,804**	**47,540**

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

List of notes

1. Accounting policies
2. Critical accounting estimates and judgements
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Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

LM Wind Power Holding A/S is a limited company based in Denmark. The Consolidated Financial Statements for 1 January - 31 December 2015 include the consolidated financial statements for LM Wind Power Holding A/S and its subsidiaries (the Group). The consolidated financial statements for LM Wind Power Holding A/S for 2015 are prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU.

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

Change of presentation of balance sheet items
As of 1 October 2015, the Group has reclassified transportation equipment to Fixed Assets (Plant and machinery) instead of Inventory in the prior years' financial statements. This is due to a change of the transportation equipment business model, driven by the commercial arrangement with customers, whereby deposits will be obtained or rental fees will be charged for the use of the transportation equipment. On the date of transfer, the transportation equipment held by the Group was transferred at the net realizable value. The useful lives of the transportation equipment are between 5-7 years depending on the economic and technical aspects of the equipment item. The depreciation of the transportation equipment in Q4 2015 amounted to EUR 4.0 million. Further details on the reclassification of the transportation equipment are disclosed in Note 14.

Change of presentation of finance income and expenses
In 2015, the Group has reassessed the accounting principle with regard to the interest income and interest expenses arising from the cash pooling arrangement and determined that such income and expenses fulfill the offset principle stipulated by IFRS. As a result, the Group has decided to present the interest income and interest expenses from the cash pooling arrangement on the net basis. The comparative figures are restated to reflect this change.

IFRS accounting standards adopted as from 2015 and onwards
With effect from 1 January 2015, LM Wind Power Holding A/S adopted the following new or revised standards and amendments that have been endorsed by the EU. The application has no effect on the Group's financial statements.

Amendments to IAS 19: Defined Benefit Plans, Employee Contributions
The amendment requires the entity to consider contributions from employees or third parties when accounting for defined benefit plans. If contributions are linked to service, they should be attributed to periods of service as a negative benefit. The amendment does not require additional disclosures. These amendments do not have any effect on the Group consolidated financial statements.

Annual improvements to IFRS's 2010-2012 Cycle
The annual improvements cycle addresses a few minor issues and clarification in the existing seven standards. The Group concluded that these improvements do not have any impact on the consolidated financial statements.

Annual improvements to IFRS's 2011-2013 Cycle
The annual improvements cycle addresses a few minor issues and clarification in the existing four standards. The Group concluded that these improvements do not have any impact on the consolidated financial statements.

New accounting standards not yet adopted
The IASB has issued the following new accounting standards effective after 31 December 2015:

* 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

The Group is currently assessing the impact of these new standards. 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 Wind Power 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.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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 Wind Power 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 is 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 the joint venture. Unrealized gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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 services 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.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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 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
Moulds	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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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 estimate of the future free net cash flows is based on the budget and on projections for subsequent years. The budget is apporved by the Board of Directors, forming the basis for a one-year budget period and subsequent two year forecasting period. The budget and projections plans for the coming three years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognized in estimated future free cash flows.

Key assumptions used in the value in use calculations:

Assumption	Method of determination
Budgeted EBITDA	Calculated using operating profit before interest, tax, depreciation and amortization as input to derive free cash flow
Budgeted capital expenditure	Input derived from the latest budget approved by the management
Pre-tax discount rate	Calculated using the weighted average cost of capital (WACC) model as an input to determine the discount rate of 10.15%
Long-term growth rate	Estimated growth rate of 2% was used to extrapolate the free cash flow beyond 3 years

Key parameters are the revenue growth rate, EBITDA margin and capital expenditure. The budgeted EBITDA and capital expenditure used to estimate cash flows are based on past performance, order backlog, external market growth assumptions and historical industry long-term growth averages. The assumptions take into account the approved government policy in various countries, start-up of a second factory in India, continued turnaround of Brazil and expected developments in both the onshore and offshore markets.

These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group’s impairment evaluation and hence results.

The carrying value of remaining goodwill excluding goodwill from Brazil acquisition mentioned separately below was EUR 244.3 million at 31 December 2015.

Fair value measurement on obtaining control
On obtaining control over LM Wind Power do Brasil S.A. ("LM Brazil") through the purchase in December 2015 of all the shares held by the Brazilian partner, the equity interest was re-measured at fair value.

Management has determined that due to the fact that liabilities of LM Brazil exceeded the value of the assets, the transaction price for the shares acquired from the partner does not necessarily reflect fair value of the previously held shares. Management has therefore determined the fair value of LM Brazil by applying a discounted cash flow model based on the expected future cash flows discounted at an appropriate discount rate at 21.26 %, i.e. a level 3 fair value measurement. Fair value is based on projections for three years. Cash flow beyond this period are projected using a growth rate of 4 % p.a..

As a result of the fair value measurement, the Group has recognized goodwill amounting to EUR 33.4 million upon the date of acquisition.

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 2015 is EUR 32.7 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 the income statement in the period in which the change occurs.

The accounting value of deferred tax assets was EUR 78.6 million at 31 December 2015.

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. At year-end, 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 51.4 million at 31 December 2015.

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

LM Wind Power maintains provisions for doubtful debts 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 debts, customer concentration, customer creditworthiness 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 the allowance for doubtful trade receivables is EUR 9.9 million as at 31 December 2015.

For one customer, the outstanding receivable balance is EUR 19.1 million (2014: EUR 27.7 million). However, management has concluded that there is no need to make provision for impairment with respect to this outstanding trade receivable balance as at 31 December 2015 because:

- The Group retains physical control over the blades, which will only be released to the customer on payment of overdue amounts.
- Certain of the customer’s projects are expected to proceed during the course of 2016, undertaken by either the customer, or parties who will take over these projects.
- The blades can be sold to other customers and the Group has been in discussions with several customers who have already committed to or show strong interest for the blades.

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 India.

The non-current assets per geographical region are Europe EUR 383.4 million (2014: EUR 337.9 million), Americas EUR 174.2 million (2014: EUR 79.8 million) and Asia EUR 101.6 million (2014: EUR 61.8 million)

Revenue in 2015 of approximately EUR 304.8 million (2014: EUR 228.9 million) and EUR 186.3 million (2014: EUR 135.5 million) are derived from two external customers.

4. REVENUE

EUR thousands	2015	2014
Europe	181,514	109,696
Americas	240,528	237,417
Asia	328,294	240,626
	750,336	**587,739**

The allocation of revenue in the above schedule is derived from the location in which the sales were originated as compared with prior years where it was based on the location to which the invoices were issued. Management adopts this allocation as it provides a more meaningful year on year comparison on how sales develop. As a result of the new allocation, the comparative figures were restated to enable like for like comparison.

5. STAFF EXPENSES

EUR thousands	2015	2014
Staff expenses are specified as follows:		
Wages and salaries	169,454	136,064
Pensions	3,401	1,991
Other social security expenses	29,439	22,704
	202,294	**160,759**
Average number of employees	5,225	4,301
Number of employees at 31 December	6,332	4,505

EUR thousands	2015 Executive Board of Management	2015 Supervisory Board	2014 Executive Board of Management	2014 Supervisory Board
Total salaries and remuneration to the Executive Board of Management and the Supervisory Board amount to:				
Wages and Salaries	1,211	10	1,033	15

The Executive Board of Management and some in the management level below, have incentive bonus schemes depending on various specified 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	2015	2014
Depreciation and amortization are specified as follows:		
Development projects	7,074	7,349
Land and buildings	5,599	5,092
Plant and machinery	32,450	27,617
Fixtures, fittings and equipment	2,959	2,502
Leasehold improvements	3,252	2,968
Depreciation and amortization	**51,334**	**45,528**
Impairment plant and machinery	-	10,362
	51,334	**55,890**

In 2014, an impairment loss of EUR 10.4 million was recognised. The loss related to the impairment of certain tangible fixed assets as a result of the Group's annual assessment of ongoing investment projects and their expected return.

7. SPECIAL ITEMS

EUR thousands	2015	2014
Staff costs	1,582	1,303
Other	3,984	833
	5,566	**2,136**

Other in the special items is mainly related to consultancy services provided to the Brazil joint venture entity 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 2015 of EUR 16.1 million (2014 EUR 14.2 million). The higher research and development costs in 2015 was to increase research and development activities to meet future market growth.

9. FINANCIAL INCOME

EUR thousands	2015	2014
Interest income, etc.	981	872
Exchange rate gains	18,324	16,006
	19,305	**16,878**

Notes to the consolidated financial statements

10. FINANCIAL EXPENSES

EUR thousands	2015	2014
Interest expenses, etc.	27,340	28,653
Exchange rate losses	7,738	643
	35,078	**29,296**

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

11. INCOME TAX

EUR thousands	2015	2014
Income tax expenses for the year are specified as follows:		
Income tax expense	14,784	16,375
Income tax recognized directly in equity	(364)	523
	14,420	**16,898**
Income tax expense comprises of:		
Current tax expense for the year	29,091	19,461
Deferred tax expense for the year	(16,535)	(314)
Adjustment for prior periods	2,228	(2,772)
	14,784	**16,375**
Reconciliation of effective tax rate:		
Income tax using the Company's domestic tax rate (23.5%)	23.5%	24.5%
Effect of tax rates in foreign jurisdictions	(11.9%)	120.5%
Reduction in tax rate	6.2%	64.5%
Non-deductible expenses	88.9%	0.0%
Recognition of deferred tax assets	(73.9%)	(283.3%)
Tax losses for which no deferred tax asset are recognized	63.9%	(938.3%)
Tax under/(over) provided in prior years	1.8%	77.6%
Effective tax rate for the year before impairment	**98.5%**	**(934.5%)**

The 2015 effective tax rate of 98.5% is mainly the result of non-deductible expenses and the recognition of a deferred tax asset for previous year's losses.

The reducing impact of the 'Effect of tax rates in foreign jurisdictions' is caused by the higher tax rates in Spain and the United States where the Group has incurred losses. The negative tax charge on those losses has a reducing impact on the overall effective tax rate.

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

The Group has a conservative approach to the recognition of a deferred tax asset for incurred tax losses. Due to this conservative approach, the losses incurred in Spain and the United States have not fully resulted in a deferred tax asset. Due to the improved outlook on the profitability of the entities in Spain and the United States, in 2015 the Group has however recognized a deferred tax asset for a conservative part of the losses.

Notes to the consolidated financial statements

12. ACQUISITION OF EQUITY ACCOUNTED INVESTMENTS

On 14 December 2015, LM Wind Power Holding A/S completed the acquisition of the remaining 49% interest of LM Wind Power do Brasil S.A. from the joint venture partner. Following the acquisition, the Group owns 100% of LM Wind Power do Brasil S.A. through its subsidiary LM Wind Power A/S.

The decision to acquire full ownership was agreed with the joint venture partner, given the funding needs going forward to expand capacity to meet the ambitious growth plans of the Group's global customers. Taking full ownership of the Brazilian business will simplify some of the decision making around investments, thereby allowing the Group to operate with more flexibility and speed.

The following table summarizes the consideration transferred and the goodwill determination arising from the acquisition date.

EUR thousands	2015
Consideration transferred	575
Previously held investment	599
Release previously accrued losses	7,098
	8,272
Net assets acquired	(57,687)
Previously recognised obligation to the company	32,568
	(25,119)
Goodwill	**33,391**

Goodwill arising in the acquisition was due to the benefits of expected revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The following table summarizes the recognized amount of assets acquired and liabilities assumed and the net cash effect at the acquisition date.

Goodwill	33,391
Fixed assets	18,638
Current assets	22,874
Cash and cash equivalents	2,992
Deferred taxes	26,328
Current liabilities	(92,483)
Provisions	(20,765)
Borrowings	(15,271)
	(24,296)
Less:	
Previously recognized obligation to the company	32,568
Previously held investment	(599)
Release previously accrued loss	(7,098)
Consideration transferred	575

Consideration transferred	(575)
Cash and Cash equivalents in subsidiaries acquired	2,992
Net cash flow effect	**2,417**

The net assets acquired are based on the provisional basis. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the net assets acquired, then the accounting for the acquisition will be revised.

Notes to the consolidated financial statements

12. ACQUISITION OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

The following table summarizes the gains and losses related to the joint venture of LM Wind Power do Basil S.A. until the date of acquisition.

EUR thousands	2015
Joint venture result up to acquisition date	(22,629)
Release previously accrued loss	7,098
Net effect in the income statement	**(15,531)**

Had the acquisition been effected at 1 January 2015, the revenue of the Group from continuing operations would have been EUR 789.7 million, and the net result for the year from the continuining operations would have been a loss of EUR 27.6 million.

Notes to the consolidated financial statements

13. INTANGIBLE ASSETS

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
Disposals during the year	-	-	-	-
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**

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Total
Cost at 1 January 2014	286,214	73,640	1,471	361,325
Exchange rate adjustment at year-end rates	1,671	160	3	1,834
Additions during the year	-	5,601	7,923	13,524
Disposal during the year	-	(709)	-	(709)
Transferred upon completion	-	-	(4,968)	(4,968)
Cost at 31 December 2014	287,885	78,692	4,429	371,006
Amortization and impairment at 1 January 2014	41,846	50,403	-	92,249
Exchange rate adjustment at year-end rates	1,278	(670)	-	608
Amortization during the year	-	7,349	-	7,349
Amortization and impairment at 31 December 2014	43,124	57,082	-	100,206
Carrying amount at 31 December 2014	**244,761**	**21,610**	**4,429**	**270,800**

Goodwill

Management has performed an annual impairment test on the carrying amount of goodwill. The impairment test was done based on the budget as well as other assumptions required to comply with IAS 36 (refer to Note 1).

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

	2015
Blades	244.3
Goodwill related to the acquisition of the remaining shares in LM Wind Power do Brasil S.A.	33.4
	277.7

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

Notes to the consolidated financial statements

13. INTANGIBLE ASSETS (CONTINUED)

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 3.9 years as of 31 December 2015.

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).

14. 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 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 has been reclassified from inventory to fixed assets as a result of changes in the business model, see note 1 for further explanation. On the date of transfer, transport equipment amounted to EUR 47.8 million.

Notes to the consolidated financial statements

14. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

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 2014	135,452	259,383	34,202	25,637	18,068	472,742
Exchange rate adjustment at year-end rates	8,109	16,225	580	2,535	1,459	28,908
Additions during the year	2,246	28,861	1,124	2,063	24,978	59,272
Disposals during the year	-	(7,890)	(3,598)	(198)	(1,819)	(13,505)
Transferred upon completion	-	-	-	-	(34,834)	(34,834)
Cost at 31 December 2014	145,807	296,579	32,308	30,037	7,852	512,583
Depreciation and impairment at 1 January 2014	45,553	195,242	29,126	20,086	-	290,007
Exchange rate adjustment at year-end rates	2,602	13,070	528	2,291	-	18,491
Depreciation for the year	5,092	27,617	2,502	2,968	-	38,179
Impairment loss	-	10,362	-	-	-	10,362
Depreciation on disposed assets	-	(7,449)	(3,810)	(198)	-	(11,457)
Depreciation and impairment at 31 December 2014	53,247	238,842	28,346	25,147	-	345,582
Carrying amount at 31 December 2014	**92,560**	**57,737**	**3,962**	**4,890**	**7,852**	**167,001**
Assets held under finance leases included above	-	491	-	-	-	491

Notes to the consolidated financial statements

15. DEFERRED TAX ASSETS AND LIABILITIES

EUR thousands	2015	2014
At the beginning of the year	41,454	36,919
Credited to the income statement	19,919	4,535
Additions through business combinations	17,247	-
Total deferred tax assets/liabilities net	**78,620**	**41,454**

	2015			2014		
Recognised deferred tax assets and liabilities	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	(3,873)	-	(3,873)	917	-	917
Property, plant and equipment	24,398	-	24,398	27,349	-	27,349
Inventories	2,072	-	2,072	1,544	-	1,544
Trade and other receivables	9,338	-	9,338	6,567	-	6,567
Provisions	8,533	-	8,533	3,349	-	3,349
Loans and borrowings	83	-	83	486	-	486
Other liabilities	3,607	-	3,607	4,813	-	4,813
Deferred income	411	-	411	38	-	38
Tax losses carried forward - gross	37,028	-	37,028	1,701	-	1,701
Other	(2,977)	-	(2,977)	(5,310)	-	(5,310)
	78,620	**-**	**78,620**	**41,454**	**-**	**41,454**

Property, plant and equipment

The deferred tax asset on intangible assets relates mainly to the commercial capitalization of certain development projects. The increase compared with 2014 is caused mainly by the increased development activities and additional goodwill capitalization.

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 2014 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 2014 is mainly caused by consolidation of the Brazil results and the improved outlook on the profitability of the entities in Spain and the United States.

Notes to the consolidated financial statements

16. INVENTORIES

EUR thousands	2015	2014
Raw materials and consumables	49,147	65,134
Work in progress	10,289	5,760
Finished goods	17,656	17,869
	77,092	**88,763**

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

Provision for obsolete inventories	2015
Provision for obsolete inventories at 1 January	5,982
Exchange rate adjustments at year-end rates	347
Additions during the year	5,899
Utilized during the year	(1,719)
Reversed during the year	(1,434)
Provision for obsolete inventories at 31 December	**9,075**

17. TRADE AND OTHER RECEIVABLES

EUR thousands	2015	2014
Trade receivables	119,319	120,023
Other receivables	41,283	28,913
	160,602	**148,936**

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

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:

	2015
Impairment loss at 1 January	13,751
Exchange rate adjustments at year-end rates	520
Impairment charge for the year	162
Realized during the year	(2,797)
Reversal during the year	(1,775)
Impairment loss at 31 December	**9,861**

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.

Notes to the consolidated financial statements

18. SHARE CAPITAL

EUR thousands	2015	2014
The share capital is divided into the following classes of shares		
Ordinary shares: 42,674,751 of 1 DKK nominal value	5,720	5,734
Convertible preference shares: 261,687,954 of 1 DKK nominal value	35,067	35,157
	40,787	**40,891**

EUR thousands	2015 Number of shares	2014 Number of shares	2015 Nominal value	2014 Nominal value
Portfolio at 1 January	304,362,705	304,362,705	40,891	40,799
Exchange rate adjustments at year-end rates	-	-	(104)	92
Issued during the year, net	-	-	-	-
Portfolio at 31 December	**304,362,705**	**304,362,705**	**40,787**	**40,891**

Holders of convertible preference shares receive a cummulative dividend per share at the Group's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These preference shares do not carry the right to vote. The cumulative preference dividend, which is not recognized, amounted to EUR 557.5 million at 31 December 2015 (2014: EUR 466.8 million).

In connection with the mezzanine loan financing raised in 2001, 770,270 warrants were issued by the Company, entitling the warrant holders to subscribe for 2.5% of the fully diluted ordinary share capital. The exercise price is DKK 1 per ordinary share. The new ordinary shares shall rank pari passu with all other ordinary shares. Pursuant to the terms and conditions of the warrants, the subscription rights shall be exercisable on a realization event (sale or IPO of the Group). The anti-dilution right was waived in respect of a capital increase in 2008, and so as of 31 December 2015, the fully diluted entitlement of the warrant holders is 2.3%.

Treasury shares	2015 Number	2014 Number
Change in treasury shares can be specified as follows:		
Portfolio at 1 January	263,838	263,838
Acquired/(sold) during the year, net	-	-
Portfolio at 31 December	**263,838**	**263,838**
As percentage of issued shares	0.09%	0.09%

Treasury shares are company owned shares available for employees who, from time to time, join the company and buy shares or leave the company and sell their shares.

Notes to the consolidated financial statements

19. PROVISIONS

EUR thousands	Warranty	Other	Total
Balance at 1 January 2015	38,530	22,962	61,492
Exchange rate adjustments at year-end rates	609	1,908	2,517
Acquisitions through business combinations	3,791	10,296	14,087
Provisions made during the year	36,567	1,098	37,665
Provisions used during the year	(19,717)	(4,644)	(24,361)
Provisions reversed during the year	(7,449)	(1,716)	(9,165)
Adjustments prior years	(756)	(552)	(1,308)
Adjustments to the change in discounting	(137)	-	(137)
Balance at 31 December 2015	**51,438**	**29,352**	**80,790**
Non-current	26,233	13,208	39,441
Current	25,205	16,144	41,349
	51,438	**29,352**	**80,790**

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.

Total movement of the warranty provision in 2015 is recognized in “Other external expenses”.

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

Notes to the consolidated financial statements

20. LOANS AND BORROWINGS

2015

EUR thousands	Coorporate bonds	Senior loans	Subordinated loan notes	Other	Total
After 5 years	-	-	-	294	294
Between 1-5 years	171,688	166,176	3,145	3,296	344,305
Non-current part	171,688	166,176	3,145	3,590	344,599
Within 1 year	-	-	-	5,211	5,211
	171,688	**166,176**	**3,145**	**8,801**	**349,810**

2014

EUR thousands	Coorporate bonds	Senior loans	Subordinated loan notes	Other	Total
After 5 years	-	-	-		-
Between 1-5 years	125,043	162,120	2,871	2,722	292,756
Non-current part	125,043	162,120	2,871	2,722	292,756
Within 1 year	-	-	-	1,498	1,498
	125,043	**162,120**	**2,871**	**4,220**	**294,254**

* Corporate bonds include capitalized borrowing costs of EUR 7.9 million.

The loans and borrowings are denominated or fully swapped into EUR. The fair value of these loans is disclosed in Note 24.

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 earlier repurchased 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 per December 31, 2015. 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 earlier repurchased in accordance with their terms.

Other relates to bilateral bank loans in Brazil and India, for which the major part will mature within the coming 5 years.

The Senior loans includes drawings under a Facility Agreement from HSBC. Drawings under the HSBC Facility Agreement amount to EUR 166.3 million (excluding amortized borrowing costs). The Facility Agreement will mature in 2017.

Notes to the consolidated financial statements

21. DEFERRED INCOME

Deferred income consists of government grants received from the local authority and non-refundable contributions from customers. Government grants are usually provided in connection with the construction of new plants and are 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	2015
Non-current	39,934
Current	10,010
	49,944

Notes to the consolidated financial statements

22. CONTRACTUAL OBLIGATIONS

EUR thousands	2015	2014
Finance lease liabilities		
After 5 years	32	-
Between 1-5 years	1,226	158
Long-term part	1,258	158
Within 1 year	294	187
	1,552	**345**
Future minimum lease payments:		
Within 1 year	294	197
Between 1-5 years	1,237	164
After 5 years	32	-
	1,563	361
Future interest on lease payments:		
Within 1 year	-	(10)
Between 1-5 years	(11)	(6)
After 5 years	-	-
Present value of minimum lease payments	**1,552**	**345**

Operating lease commitments

EUR thousands	2015	2014
The minimum lease obligations relating to operating leases fall due:		
0-1 year	9,839	11,283
1 -5 years	24,808	29,928
> 5 years	2,417	6,317
Total	**37,064**	**47,528**

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 18.4 million in 2015.

23. CONTINGENT ASSETS AND LIABILITIES

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

Notes to the consolidated financial statements

24. 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 a 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.

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 Danish krone (DKK). For full year 2015, in relation to translation risks, a change in USD of one percent would lead to a EUR 2.0 million change in Group revenue and a EUR 0.4 million change in EBITDA, a change in CNY of one percent would lead to a EUR 2.3 million change in Group revenue and a EUR 0.6 million change in EBITDA and a change in INR of one percent would lead to a EUR 1.1 million change in Group revenue and a EUR 0.3 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).

Notes to the consolidated financial statements

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risks
The Group has a risk exposure related to fluctuations in interest rates through its 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 swap.

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 million. As of December 31, 2015, the Group had outstanding loans and borrowings of EUR 357.7 million of which EUR 180.0 million is at a fixed interest rate or swapped into fixed interest via interest rate swaps.

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

The Group does not account for any financial assets and liabilities at fair value through profit or loss and the Group does not designate derivative interest rate swaps as hedging instruments under a fair value hedge accounting model. 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 swaps comprises a liability of EUR 0.7 million with a termination date in April 2016 and October 2019, and this value adjustment is recognized in other comprehensive income during the hedge period. The interest rate swaps are valued according to market value reports received from a relevant bank.

With regard to the Group 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 holds a five-year EUR 35 million revolving credit facility and a EUR 170 million HSBC facility agreement subject to customary conditions, including financial credit covenants. In 2015, the Group is comfortably within the thresholds stipulated in the financial covenants.

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 87.8 million and unutilized credit facilities amounted to EUR 41.7 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

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

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
Subordinated loan notes	-	3,145	-	3,145	3,145	3,145
Loans and borrowings	23,474	392,074	294	415,842	354,532	346,665
Trade payables	124,047	-	-	124,047	124,047	124,047
Other payables	74,122	-	-	74,122	74,122	74,122
Total financial liabilities	**221,937**	**396,456**	**326**	**618,719**	**557,398**	**549,531**
Financial assets						
Cash & cash equivalents	87,804	-	-	87,804	87,804	87,804
Trade receivables	119,319	-	-	119,319	119,319	119,319
Other receivables	41,283	-	-	41,283	41,283	41,283
Total financial assets	**248,406**	**-**	**-**	**248,406**	**248,406**	**248,406**
Net	**(26,469)**	**396,456**	**326**	**370,313**	**308,992**	**301,125**

Statement of due dates at 31 December 2014,

EUR thousands	0-1 year	1-5 years	> 5 years	Total*	Fair value	Carrying amount
Financial liabilities						
Finance leases	197	164	-	361	345	345
Subordinated loan notes	-	2,871	-	2,871	2,871	2,871
Loan and borrowings	15,546	330,480	-	346,026	296,963	291,383
Trade payables	113,106	-	-	113,106	113,106	113,106
Other payables	52,097	-	-	52,097	52,097	52,097
Total financial liabilities	**180,946**	**333,515**	**-**	**514,461**	**465,382**	**459,802**
Financial assets						
Cash & cash equivalents	47,540	-	-	47,540	47,540	47,540
Trade receivables	120,023	-	-	120,023	120,023	120,023
Other receivables	28,913	-	-	28,913	28,913	28,913
Total financial assets	**196,476**	**-**	**-**	**196,476**	**196,476**	**196,476**
Net	**(15,530)**	**333,515**	**-**	**317,985**	**268,906**	**263,326**

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

Notes to the consolidated financial statements

24. 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 credit risk. Information on 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 credit risk. Actions taken by the senior management are closely followed up in order to ensure the credit risk al- ways 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 debtor insurance, 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 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 the 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.

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

25. RELATED PARTIES

Parent and ultimate controlling party
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 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.

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 Wind Power 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 5 for remuneration details of members of the Executive Board of Management and the Supervisory Board.

26. SUBSEQUENT EVENTS

No events have occurred after the balance sheet date that will have a material effect on the Group's financial standing.

Notes to the consolidated financial statements

27. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

EUR thousands	2015	2014
Audit fees:		
Statutory audit	762	697
	762	**697**
Non-audit fees:		
Other reports giving assurance	51	26
Tax services	546	743
Other services	467	1,033
	1,064	**1,802**
Total fees	**1,826**	**2,499**

28. ADJUSTMENTS FOR NON-CASH TRANSACTIONS

EUR thousands	2015	2014
Depreciation/amortization and other adjustments of property, plant and equipment and intangible assets including gains/losses on fixed assets	51,334	55,666
Exchange rate adjustments of foreign monetary assets and liabilities	18,892	(14,362)
Change in deferred income and investment grants recognized as income	23,065	2,317
Change in provisions	5,212	(320)
Financial income	(981)	(872)
Financial expenses	27,340	28,653
Income taxes	14,784	15,837
	139,646	**86,919**

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

EUR thousands	2015	2014
Purchase of property, plant and equipment, gross	141,369	59,272
Transferred from property, plant and equipment under construction	(68,735)	(34,834)
	72,634	**24,438**

30. PURCHASE OF INTANGIBLE ASSETS

EUR thousands	2015	2014
Purchase of intangible assets, gross	26,895	13,524
Transferred from development projects under construction	(13,223)	(4,968)
	13,672	**8,556**

Parent Company financial statement

Blades ready for pick up at LM Wind Power's plant in Ponferrada, Spain.

Accounting policies of the parent company

The financial statements of the parent company have been prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class C enterprises.

The accounting policies of the parent company are the same as those of the Group, however, with the addition of the policies described below.

Investment in subsidiaries
In the financial statements of the parent company, investments in subsidiaries are recognized according to the equity method with the deduction of intragroup profits.

The share of the profit on ordinary activities after tax and goodwill amortization (amortization period is 20 years) of subsidiaries is recognized at the proportionate ownership share in a single line of the parent company's statement of financial position.

The net revaluation of shares in subsidiares is recognized under net revaluation according to the equity method under equity.

Subsidiaries with a negative net asset value are recognized at zero value. A provision is made if the parent company has a legal or constructive obligation to cover the company's negative balance.

Cash flow statement
No separate cash flow statement has been prepared for the parent company.

Income statement of the parent company, 1 January-31 December

EUR thousands	Notes	2015	2014
Other external expenses		(17)	(15)
Staff expenses	2	(14)	(16)
Operating expenses		**(31)**	**(31)**
Results from operating activities		**(31)**	**(31)**
Result from investment in subsidiary after tax	1	(5,113)	(20,022)
Financial income	3	55	493
Financial expenses	4	(7,124)	(7,904)
Net finance income / costs		**(12,182)**	**(27,433)**
Loss before income tax		**(12,213)**	**(27,464)**
Income tax	5	1,459	(1,022)
Loss for the year		**(10,754)**	**(28,486)**

It is proposed that the result for the year be transferred to retained earnings.

Balance sheet of the parent company, 31 December

EUR thousands	Notes	2015	2014
Assets			
Investments in subsidiaries		233,363	234,915
Investments	1	**233,363**	**234,915**
Deferred tax asset		573	650
Other non-current assets		**573**	**650**
Total non-current assets		**233,936**	**235,565**
Receivables from group entities		3,615	3,493
Income tax receivable		3,115	1,562
Other receivables		-	-
Cash & cash equivalents		316	317
Current assets		**7,046**	**5,372**
Total assets		**240,982**	**240,937**
Liabilities and equity			
Share capital		40,787	40,891
Retained earnings		(42,239)	(35,957)
Total equity	6	**(1,452)**	**4,934**
Loans and borrowings		169,321	164,991
Total non-current liabilities	7	**169,321**	**164,991**
Current portion of non-current liabilities	7	-	-
Income tax payable		-	-
Payables to group entities		72,468	70,049
Other payables		645	963
Total current liabilities		**73,113**	**71,012**
Total liabilities		**242,434**	**236,003**
Total equity and liabilities		**240,982**	**240,937**
Related parties	8		
Contingent liabilities	9		

Notes to the financial statements of the parent company

1. INVESTMENTS

EUR thousands	Investments in subsidiaries
Cost at 1 January 2015	1,074,515
Exchange rate adjustment year-end rates	(2,721)
Cost at 31 December 2015	1,071,794
Value adjustments at 1 January 2015	(839,600)
Exchange rate adjustment year-end rates	2,126
Result from investments in subsidiaries after tax	(5,113)
Fair value adjustment of derivative financial instruments	(841)
Tax on equity investments	70
Exchange rate adjustments	4,927
Value adjustments at 31 December 2015	(838,431)
Carrying amount at 31 December 2015	**233,363**

Companies in the LM Wind Power group can be found in the "COMPANY INFORMATION" section.

Notes to the financial statements of the parent company

2. STAFF EXPENSES

EUR thousands	2015	2014
Staff expenses are specified as follows:		
Wages and fees	14	16
	14	**16**
Total salaries and remuneration to the Executive Board of Management and Supervisory Board amount to	14	16

The company has no employees.

3. FINANCIAL INCOME

EUR thousands	2015	2014
Interest income from group entities	55	131
Interest income, etc.	-	362
	55	**493**

4. FINANCIAL EXPENSES

EUR thousands	2015	2014
Interest expenses for group entities	2,445	2,665
Interest expenses, etc.	4,679	5,239
	7,124	**7,904**

5. INCOME TAX FOR THE YEAR

EUR thousands	2015	2014
Income tax (income)/expense	(1,459)	1,022
	(1,459)	**1,022**

Notes to the financial statements of the parent company

6. EQUITY

EUR thousands	Share capital	Reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2015	**40,891**	**-**	**(35,957)**	**4,934**
Exchange rate adjustment at year-end rates	(104)	-	90	(14)
Profit for the year	-	-	(10,754)	(10,754)
Exchange rate adjustment, foreign entities	-	4,927	-	4,927
Fair value adjustment of hedge instruments	-	(545)	-	(545)
Income tax on other comprehensive income	-	-	-	-
Total comprehensive income	**(104)**	**4,382**	**(10,664)**	**(6,386)**
Capital increase	-	-	-	-
Transfer	-	(4,382)	4,382	-
Other equity capital flow	**-**	**(4,382)**	**4,382**	**-**
Equity at 31 December 2015	**40,787**	**-**	**(42,239)**	**(1,452)**

EUR thousands	Share capital	Reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2014	**40,799**	**-**	**(12,004)**	**28,795**
Exchange rate adjustment at year-end rates	92	-	(27)	65
Profit for the year	-	-	(28,486)	(28,486)
Exchange rate adjustment, foreign entities	-	2,947	-	2,947
Fair value adjustment of hedge instruments	-	2,136	-	2,136
Income tax on other comprehensive income	-	(523)	-	(523)
Total comprehensive income	**92**	**4,560**	**(28,513)**	**(23,861)**
Transfer	-	(4,560)	4,560	-
Other equity capital flow	**-**	**(4,560)**	**4,560**	**-**
Equity at 31 December 2014	**40,891**	**-**	**(35,957)**	**4,934**

Specification of movements in share capital:

EUR thousands	2015	2014	2013	2012	2011
Share capital, beginning of year	40,891	40,799	40,799	33,444	33,351
Exchange rate adjustments year-end rates	(104)	92	-	(117)	93
Ordinary shares	-	-	-	7,472	-
Convertible preference shares	-	-	-	-	-
Share capital, year end	**40,787**	**40,891**	**40,799**	**40,799**	**33,444**

The cumulative preference dividend, which is not recognised, amounted to EUR 557.5 million at 31 December 2015 (2014: EUR 466.8 million).

Notes to the financial statements of the parent company

7. LOANS AND BORROWINGS

EUR thousands	Expiry	Fixed/ floating	Effective interest rate 2015	Effective interest rate 2014	Carrying amount 2015	Carrying amount 2014
Loan currency: DKK	2017	Fixed	10.00%	10.00%	2,938	2,664
Loan currency: EUR	2017	Fixed	10.00%	10.00%	207	207
Loan currency: EUR	2017	Floating	2.03%	2.25%	166,176	162,120
Total carrying amount					**169,321**	**164,991**
Weighted average effective interest rate			**2.2%**	**2.3%**		

Subordinated Loan Notes		
Non-current	169,321	164,991
Current	-	-
Total liability	**169,321**	**164,991**
Of non-current liabilities, the following fall due more than five years after the end of the financial year:	-	-

8. RELATED PARTIES

Refer to Note 25 to the consolidated financial statements for details on related party transactions.

9. CONTINGENT LIABILITIES

As at 31 December, the company had issued guarantees against customers in subsidiaries for a total of EUR 41.4 million (2014: 2.7 million).

Management's statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of LM Wind Power Holding A/S for the financial year 1 January – 31 December 2015.

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 2015 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 2015.

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, 31st of March 2016

Executive Board of Management

Marc de Jong
Chief Executive Officer

Nick Smith
Chief Financial Officer

Supervisory Board

Richard Hanson
Chairman

John Leahy

Alex Moss

Marc de Jong

Nick Smith

Christopher Harwood

Thomas Lindharth

Niels Hansen

Independent auditors' report

To the Shareholders of LM Wind Power Holding A/S

Report on Consolidated Financial Statements and the Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LM Wind Power Holding A/S for the financial year 1 January to 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are 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 Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and the Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

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 2015 and of the results of the Group's and the Parent Company's operations and the cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Vejle, 31st of March 2016

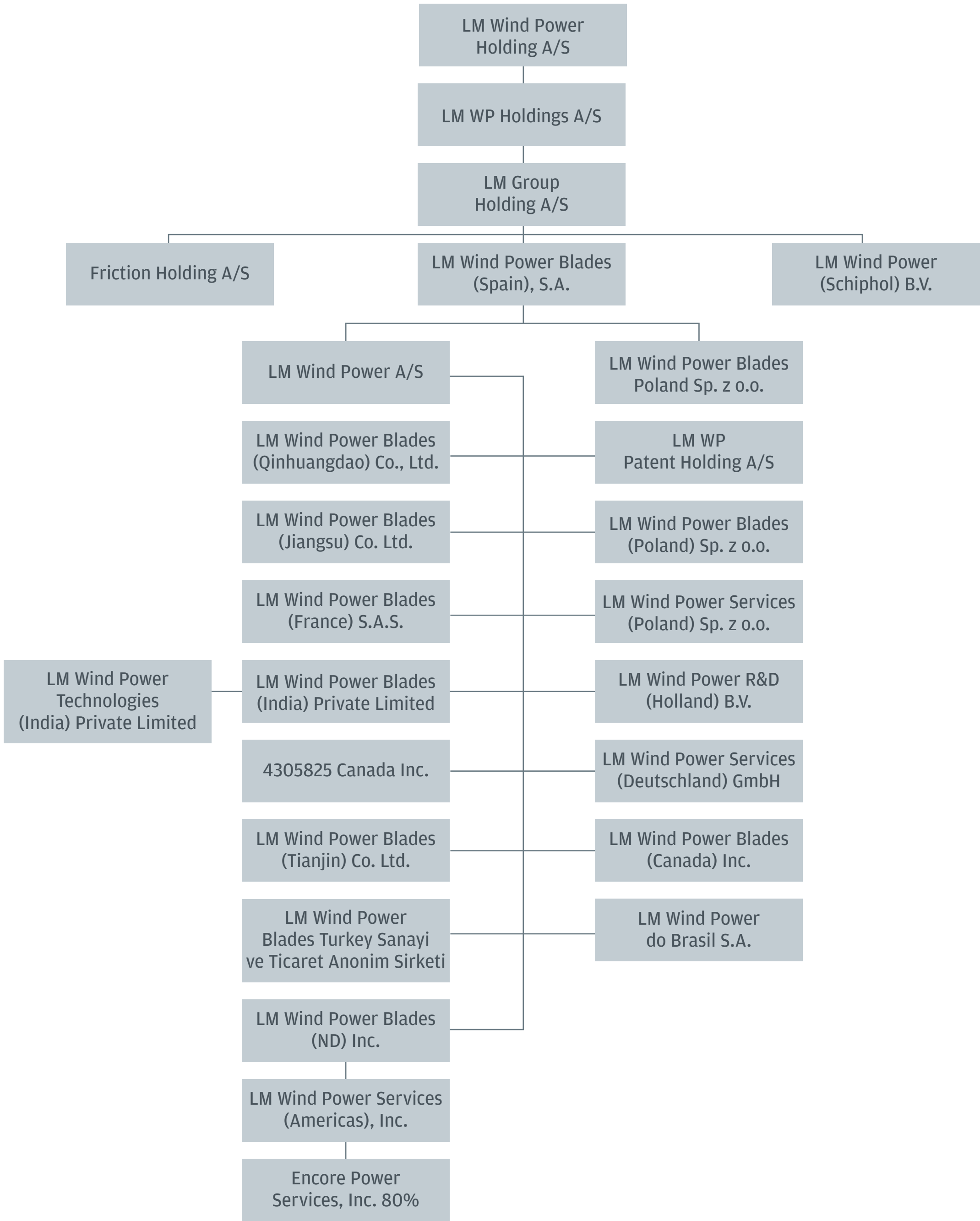
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR number 33 77 12 31

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

Company information

Wind turbine blades are mounted with bolts in the root. Photo from Denmark.

Group Structure



Directorships

Supervisory Board

Richard Hanson
Chairman

John Leahy

Alex Moss

Christopher Harwood

Marc de Jong

Nick Smith

Thomas Lindharth

Niels Hansen

Executive Board of Management

Marc de Jong
Chief Executive Officer

Nick Smith
Chief Financial Officer

Definitions

Definition of key ratios

EBITDA margin* (%)	$\frac{\text{Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*}}{\text{Sales}}$	x 100
Operating Margin (EBIT margin (%))	$\frac{\text{Operating Profit/Loss (EBIT)}}{\text{Sales}}$	x 100
Return on invested capital, including goodwill (%)	$\frac{\text{EBITA}}{\text{Average Invested Capital including Goodwill**}}$	x 100
Return on invested capital, excluding goodwill (%)	$\frac{\text{EBITA}}{\text{Average Invested Capital excluding Goodwill***}}$	x 100
Equity ratio (%)	$\frac{\text{Equity excluding Minorities}}{\text{Total assets}}$	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 The Danish Finance Society.

LM Wind Power Holding A/S
Annual Report 2015
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Photos: LM Wind Power