
Friction Holding A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2017

CVR No 31 51 51 22

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/6 2018

Peder Toft Nielsen
Chairman



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	4
Financial Statements	
Income Statement 1 January - 31 December	5
Balance Sheet 31 December	6
Statement of Changes in Equity	8
Notes to the Financial Statements	9

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Friction Holding A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

Kolding, 26 June 2018

Executive Board

Jesper Korshøj Byrialsen Ritz
CEO

Board of Directors

Duncan Gee Berry
Chairman

Rodrigo Carneiro da Cunha
Torres

Jesper Korshøj Byrialsen Ritz

Independent Auditor's Report

To the Shareholder of Friction Holding A/S

Opinion

We have audited the financial statements of Friction Holding A/S for the financial year 1 January - 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

Independent Auditor's Report

audit. We also

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

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

Århus, 26 June 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Henrik O. Larsen
State Authorised Public Accountant
mne15839

Michael Stenskrog
State Authorised Public Accountant
mne26819

Company Information

The Company

Friction Holding A/S
Jupitervej 6
DK-6000 Kolding

CVR No: 31 51 51 22

Financial period: 1 January - 31 December

Incorporated: 25 June 2008

Municipality of reg. office: Kolding

Board of Directors

Duncan Gee Berry, Chairman
Rodrigo Carneiro da Cunha Torres
Jesper Korshøj Byrialsen Ritz

Executive Board

Jesper Korshøj Byrialsen Ritz

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Århus V

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Other operating income		932	0
Other external expenses		-195	-82
Gross profit/loss		737	-82
Financial income	4	10,487	43,655
Financial expenses	5	-19,425	-30
Profit/loss before tax		-8,201	43,543
Tax on profit/loss for the year	6	1,804	-22,140
Net profit/loss for the year		-6,397	21,403

Distribution of loss

Proposed distribution of loss

Retained earnings	-6,397	21,403
	-6,397	21,403

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Receivables from group enterprises		504,422	495,874
Other receivables		56	0
Corporation tax		14,491	0
Receivables		518,969	495,874
Cash at bank and in hand	7	24,005	24,005
Currents assets		542,974	519,879
Assets		542,974	519,879

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		3,755	3,755
Retained earnings		-2,279,362	-2,272,965
Equity		-2,275,607	-2,269,210
Trade payables		32	0
Payables to group enterprises		2,794,548	2,755,448
Corporation tax		0	9,591
Other payables		24,001	24,050
Short-term debt		2,818,581	2,789,089
Debt		2,818,581	2,789,089
Liabilities and equity		542,974	519,879
Going concern	1		
Subsequent events	2		
Key activities	3		
Contingent liabilities and other financial obligations	8		
Related parties	9		
Accounting Policies	10		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	3,755	-2,272,965	-2,269,210
Net profit/loss for the year	0	-6,397	-6,397
Equity at 31 December	3,755	-2,279,362	-2,275,607

Notes to the Financial Statements

1 Going concern

The group entity, LM Wind Power Holding A/S, Jupitervej 6, 6000 Kolding, CVR-no. 25 71 17 77 has issued a letter of support to Friction Holding A/S securing payment to all creditors of Friction Holding A/S at least until 31 May 2019.

Based on this, the management of Friction Holding A/S has prepared the Financial Statements under the assumption of going concern.

Management expect to re-establish the share capital and continue the Company by a combination of future earnings and a remission of debt.

2 Subsequent events

As of March 2018, Friction Holding A/S entered into a settlement agreement to settle a claim relating to the former sale of a subsidiary. As a result of this agreement the restricted cash was released with 50% to Friction Holding A/S and 50% to the counter party. As a provision was made for the expected outcome, the settlement will result in a positive income of DKK 12 million in 2018. No other subsequent events should be noted.

3 Key activities

The company's main activity is to settle obligations relating to the sale of former subsidiary.

4 Financial income

	2017 TDKK	2016 TDKK
Interest received from group enterprises	9,847	30,146
Other financial income	0	476
Exchange gains	640	13,033
	10,487	43,655

5 Financial expenses

Interest paid to group enterprises	15,890	0
Exchange loss	3,535	30
	19,425	30

Notes to the Financial Statements

6 Tax on profit/loss for the year

Current tax for the year	-1,804	9,576
Adjustment of tax concerning previous years	0	12,564
	<u>-1,804</u>	<u>22,140</u>

7 Cash at bank and in hand

Other cash at bank and in hand	24,005	24,005
	<u>24,005</u>	<u>24,005</u>

Other cash at bank and in hand is restricted as this is an escrow account from sale of a subsidiary. The funds can only be released upon agreement with the buyer of the shares in the subsidiary.

8 Contingent liabilities and other financial obligations

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. AcceptFinans ApS is the management company of the joint taxation. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company has received a claim for withholding tax in the amount of DKK 28 million including interests. The claim has been rejected and management expect the court to rule in favor of the Company.

Notes to the Financial Statements

9 Related parties

The Company is included in the Group Annual Report of the Parent Company, which is the smallest group in which the Company is consolidated.

Name	Place of registered office
General Electric Company	Boston, MA 02210, USA

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Friction Holding A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK. In former years the Financial Statements were presented in TEUR. The change in presentation has no impact on the result, assets, liabilities and equity.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Other external expenses

Other external expenses comprise office expenses, etc.

Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Receivables

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes

Notes to the Financial Statements

10 Accounting Policies (continued)

in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Additional payments and repayment in form of interests or discounts under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.