

LM WP Holdings A/S

**Jupitervej 6
6000 Kolding**

CVR no 34 47 02 35

**Annual report for the period
1 January to 31 December 2016**

Adopted at the annual general
meeting on 30 March 2017

Peder Toft Nielsen
Chairman

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Statement by Management on the annual report

The Executive Board and Board of Directors have today considered and adopted the annual report of LM WP Holdings A/S for the financial year 1 January - 31 December 2016.

The annual report has been 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 2016 of the Company and of the results of the Company operations for 2016.

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

Kolding, 30 March 2017

Executive Board

Marcus J. C. de Jong

Board of Directors

John J. Leahy
Chairman

Søren Høffer

Nicholas A. Smith

Marcus J. C. de Jong

Alexander J. Moss

Independent auditor's report

To the shareholder of LM WP Holdings A/S

Opinion

We have audited the financial statements of LM WP Holdings A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 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 as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

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

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

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Vejle, 30 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Per Jansen
State Authorised Public Accountant

Company details

The Company

LM WP Holdings A/S
Jupitervej 6
6000 Kolding
Website: www.lmwindpower.com
CVR no.: 34 47 02 35
Reporting period: 1 January - 31 December
Domicile: Kolding

Board of Directors

John J. Leahy, Chairman
Søren Høffer
Nicholas A. Smith
Marcus J. C. de Jong
Alexander J. Moss

Executive Board

Marcus J. C. de Jong

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
7100 Vejle

Management's review

Business activities

The Company's main activity is to own shares in LM Group Holding A/S.

Business review

The Company's income statement for the year ended 31 December shows a loss of DKK 75, and the balance sheet at 31 December 2016 shows equity of DKK 3.854.807.

Unusual matters

The Company's financial position at 31 December 2016 and the results of its operations for the financial year ended 31 December 2016 are not affected by any unusual matters.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the group's and the parent company's financial position.

Financial review

The result for 2017 is expected to be in line with the result in 2016.

Accounting policies

The Annual Report of LM WP Holdings A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those applied last year.

The annual report for 2016 is presented in TDKK.

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 costs 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 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 from 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between the cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

Accounting policies

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 transaction date rates are recognised in financial income and expenses in the income statement.

Income statement

Other external expenses

Other external expenses comprises of office expenses etc.

Financial income and expenses

Financial income and expenses are recognized 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 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 subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in accordance to their taxable incomes.

Balance sheet

Investments in subsidiaries

Investments' in subsidiaries are measured at cost. Where the cost exceeds the recoverable amount, write-down is made to this lower value.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Accounting policies

Current tax receivables and liabilities

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

Financial debts

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

Income statement 1 January - 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Other external expenses		-84	-85
Operating profit/loss		-84	-85
Reversal of impairment of investments in subsidiaries		0	397.939
Financial expenses	1	-12	-9
Profit/loss before tax		-96	397.845
Tax on profit/loss for the year	2	21	22
Net profit/loss for the year		-75	397.867

Distribution of profit

Proposed distribution of profit

Retained earnings		-75	397.867
		-75	397.867

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Assets			
Investments in subsidiaries		<u>3.855.210</u>	<u>3.855.210</u>
Investments		<u>3.855.210</u>	<u>3.855.210</u>
Fixed assets		<u>3.855.210</u>	<u>3.855.210</u>
Receivables from group companies		70	21
Corporation tax		<u>21</u>	<u>50</u>
Receivables		<u>91</u>	<u>71</u>
Current assets		<u>91</u>	<u>71</u>
Assets		<u>3.855.301</u>	<u>3.855.281</u>

Balance sheet at 31 December 2016

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Liabilities and equity			
Share capital		47.161	47.161
Retained earnings		<u>3.807.646</u>	<u>3.807.721</u>
Equity	3	<u>3.854.807</u>	<u>3.854.882</u>
Payables to group companies		404	312
Other payables		<u>90</u>	<u>87</u>
Short-term debt		<u>494</u>	<u>399</u>
Debt		<u>494</u>	<u>399</u>
Liabilities and equity		<u>3.855.301</u>	<u>3.855.281</u>
Charges and securities	4		
Related parties	5		

Notes to the annual report

	<u>2016</u> TDKK	<u>2015</u> TDKK	
1 Financial expenses			
Interest paid to group companies	<u>12</u>	<u>9</u>	
	<u>12</u>	<u>9</u>	
2 Tax on profit/loss for the year			
Current tax for the year	<u>-21</u>	<u>-22</u>	
	<u>-21</u>	<u>-22</u>	
3 Equity			
	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January	47.161	3.807.721	3.854.882
Net profit/loss for the year	<u>0</u>	<u>-75</u>	<u>-75</u>
Equity at 31 December	<u>47.161</u>	<u>3.807.646</u>	<u>3.854.807</u>

The share capital consists of 47.161.000 shares of a nominal value of DKK 1. No shares carry any special rights.

4 Charges and securities

To secure the subsidiary loan, the share in LM Group Holding A/S has been pledged with a net book value of TDKK 3.855.210.

5 Related parties

Consolidated annual report

The Company is included in the consolidated Annual Report of LM Wind Power Holding A/S, CVR No 25 94 20 94.