

LM WP Patent Holding A/S

Jupitervej 6

6000 Kolding

CVR no. 34 61 91 90

Annual report for 2015

Adopted at the annual general meeting on 21 April 2016

Peder Toft Nielsen
Chairman

Contents

	Page
Management's Statement and Auditors' Report	
Statement by Management on the annual report	1
Independent auditor's report	2
Management's Review	
Company details	4
Management's review	5
Financial Statements	
Accounting policies	6
Income statement 1 January - 31 December	10
Balance sheet at 31 December	11
Notes to the annual report	13

Statement by Management on the annual report

Today, the Executive and Supervisory Boards have discussed and approved the annual report of LM WP Patent Holding A/S for the financial year 1 January - 31 December 2015.

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 Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015.

In our opinion, Management's Review includes a fair review of the matters dealt with in the Management's review

We recommend the adoption of the annual report at the annual general meeting.

Kolding, 31 March 2016

Executive Board

Roel Shuring

Board of directors

Søren Høffer
Chairman

Roel Schuring

Nick Smith

Independent auditor's report

To the Shareholder of LM WP Patent Holding A/S

Report on the financial statements

We have audited the financial statements of LM WP Patent Holding A/S for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of the 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

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 Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Vejle, 31 March 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no.33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Per Jansen
State Authorised Public Accountant

Company details

LM WP Patent Holding A/S
Jupitervej 6
DK-6000 Kolding
Website: www.lmwindpower.com

CVR no. 34 61 91 90
Financial year: 1 January - 31 December
Domicile: Kolding

Board of directors

Søren Høffer, Chairman
Roel Schuring
Nick Smith

Executive Board

Roel Shuring

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
7100 Vejle

Consolidated financial statements

The Company is included in the group annual report of LM Group Holding A/S, Kolding, CVR No 25 71 17 77.

The group annual report of LM Group Holding A/S, Kolding, CVR No 25 71 17 77, may be obtained at the following address:

LM Group Holding A/S
Jupitervej 6
DK - 6000 Kolding

Management's review

Main activity

The company's main activity is to own and possess exclusive rights, including patents, and make sure these are used in correct matter through license agreements and similar.

Trends in activities and financial aspects

The income statement

Profit/loss for the year comprises a profit of DKK 33 million.

The balance sheet

The value of patents is DKK 286 million as of 31 December 2015.

Equity

The equity is DKK 390 million as of 31 December 2015.

Result for the year

The result for the year for the company ended at DKK 33 million, compared to last year this is an increase of DKK 12 million. The result is in line with what the management's expectations for the company was at the beginning of the year.

Expectations for the coming year

The management expects that the activity levels for the company will remain the same for the coming financial period. The management expects the result for the coming financial period will be in line with what was seen in the result for the current period.

Accounting policies

The Annual Report of LM WP Patent Holding A/S for 2015 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 are consistent with those applied last year.

The Annual Report for 2015 is presented in DKK

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 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.

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 cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Accounting policies

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 recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustment are recognized 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 transaction date rates are recognized in financial income and expenses in the income statement.

Income statement

Revenue

Revenue, which consists of revenue from license agreements, is recognized exclusive of VAT and net of discounts relating to sale.

Revenue recognition occurs when delivery has taken place according to the agreements.

Staff expenses

Staff expenses comprises of wages and salaries as well as payroll expenses.

Other external expenses

Other external expenses comprises of expenses for premises, sales and distribution as well as office expenses, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprises of the year's amortisation, depreciation and impairment of intangible assets.

Financial income and expenses

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

Accounting policies

Tax on profit/loss for the year

Tax for the year consists of current tax for 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 proportion of their taxable incomes.

Balance sheet

Intangible assets

Patents and licenses are measured at cost price less accumulated amortisation and impairment or recoverable amount. Patents are amortized over the remaining patent period, licenses are amortized over the agreement period, however a maximum of 15 years.

Impairment of fixed assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

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.

Prepayments

Prepayments comprises of costs incurred concerning subsequent financial years.

Accounting policies

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 purpose on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, 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 in the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

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

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Revenue		83,028,619	59,339,177
Other external expenses		<u>-2,829,775</u>	<u>-2,933,348</u>
Gross profit		80,198,844	56,405,829
Staff expenses	1	-1,469,383	-2,163,572
Depreciation and amortisation		<u>-27,282,221</u>	<u>-24,293,026</u>
Earnings before financial income and expenses		51,447,240	29,949,231
Financial income	2	3,267,000	1,704,989
Financial costs	3	<u>-4,742,464</u>	<u>-71,137</u>
Profit/loss before tax		49,971,776	31,583,083
Tax on profit/loss for the year	4	<u>-16,973,226</u>	<u>-10,886,592</u>
Net profit/loss for the year		<u>32,998,550</u>	<u>20,696,491</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>32,998,550</u>	<u>20,696,491</u>
		<u>32,998,550</u>	<u>20,696,491</u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Assets			
Patents		<u>285,911,191</u>	<u>308,077,842</u>
Intangible assets	5	<u>285,911,191</u>	<u>308,077,842</u>
Fixed assets			
Receivables from group companies		250,131,345	134,063,438
Deferred tax asset		0	1,468,088
Prepayments		<u>738,385</u>	<u>509,891</u>
Receivables		<u>250,869,730</u>	<u>136,041,417</u>
Current assets total		<u>250,869,730</u>	<u>136,041,417</u>
Assets total		<u>536,780,921</u>	<u>444,119,259</u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Liabilities and equity			
Share capital		14,877,400	14,877,400
Retained earnings		<u>375,120,208</u>	<u>342,121,658</u>
Equity total	6	<u>389,997,608</u>	<u>356,999,058</u>
Provision for deferred tax		<u>7,999,990</u>	<u>0</u>
Provisions total		<u>7,999,990</u>	<u>0</u>
Banks		603,006	0
Trade payables		1,079,360	2,196,300
Payables to group companies		117,364,398	72,755,864
Corporation tax		19,299,018	11,793,871
Other payables		<u>437,541</u>	<u>374,166</u>
Short-term debt		<u>138,783,323</u>	<u>87,120,201</u>
Debt total		<u>138,783,323</u>	<u>87,120,201</u>
Liabilities and equity total		<u>536,780,921</u>	<u>444,119,259</u>
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

Notes to the annual report

	<u>2015</u> DKK	<u>2014</u> DKK
1 Staff expenses		
Wages and salaries	1,460,321	2,152,900
Other social security costs	<u>9,062</u>	<u>10,672</u>
	<u>1,469,383</u>	<u>2,163,572</u>
2 Financial income		
Interest received from group companies	<u>3,267,000</u>	<u>1,704,989</u>
	<u>3,267,000</u>	<u>1,704,989</u>
3 Financial costs		
Interest expenses to group companies	4,599,917	0
Exchange adjustments costs	<u>142,547</u>	<u>71,137</u>
	<u>4,742,464</u>	<u>71,137</u>
4 Tax on profit/loss for the year		
Current tax for the year	15,286,041	11,793,872
Deferred tax for the year	778,825	-907,280
Adjustment of tax concerning previous years	<u>908,360</u>	<u>0</u>
	<u>16,973,226</u>	<u>10,886,592</u>

Notes to the annual report

5 Intangible assets

	<u>Patents</u>
Cost at 1 January 2015	481,604,029
Additions for the year	<u>5,115,569</u>
Cost at 31 December 2015	<u>486,719,598</u>
Impairment losses and depreciation at 1 January 2015	173,526,187
Amortisation for the year	<u>27,282,220</u>
Impairment losses and depreciation at 31 December 2015	<u>200,808,407</u>
Carrying amount at 31 December 2015	<u><u>285,911,191</u></u>

Notes to the annual report

6 Equity

	<u>Share capital</u>	<u>Retained ear- nings</u>	<u>Total</u>
Equity at 1 January 2015	14,877,400	342,121,658	356,999,058
Net profit/loss for the year	<u>0</u>	<u>32,998,550</u>	<u>32,998,550</u>
Equity at 31 December 2015	<u>14,877,400</u>	<u>375,120,208</u>	<u>389,997,608</u>

The share capital consists of 14,877,400 shares of a nominal value of DKK 1. No shares carry any special rights.

7 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Disposal of patents at net book value will cause a tax payment of DKK 48.8 million, which accordance with the accounting policies is not recognized in the balance sheet.

8 Related parties and ownership

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

LM Wind Power A/S
Jupitervej 6
DK - 6000 Kolding

The company's nearest parent company preparing a consolidated annual report is LM Group Holding A/S, CVR No 25 71 17 77. The consolidated annual report of LM Group Holding A/S can be obtained of the following address:

LM Group Holding A/S
Jupitervej 6
DK-6000 Kolding

The company's ultimate parent company is LM WP III Holding S.à r.l.