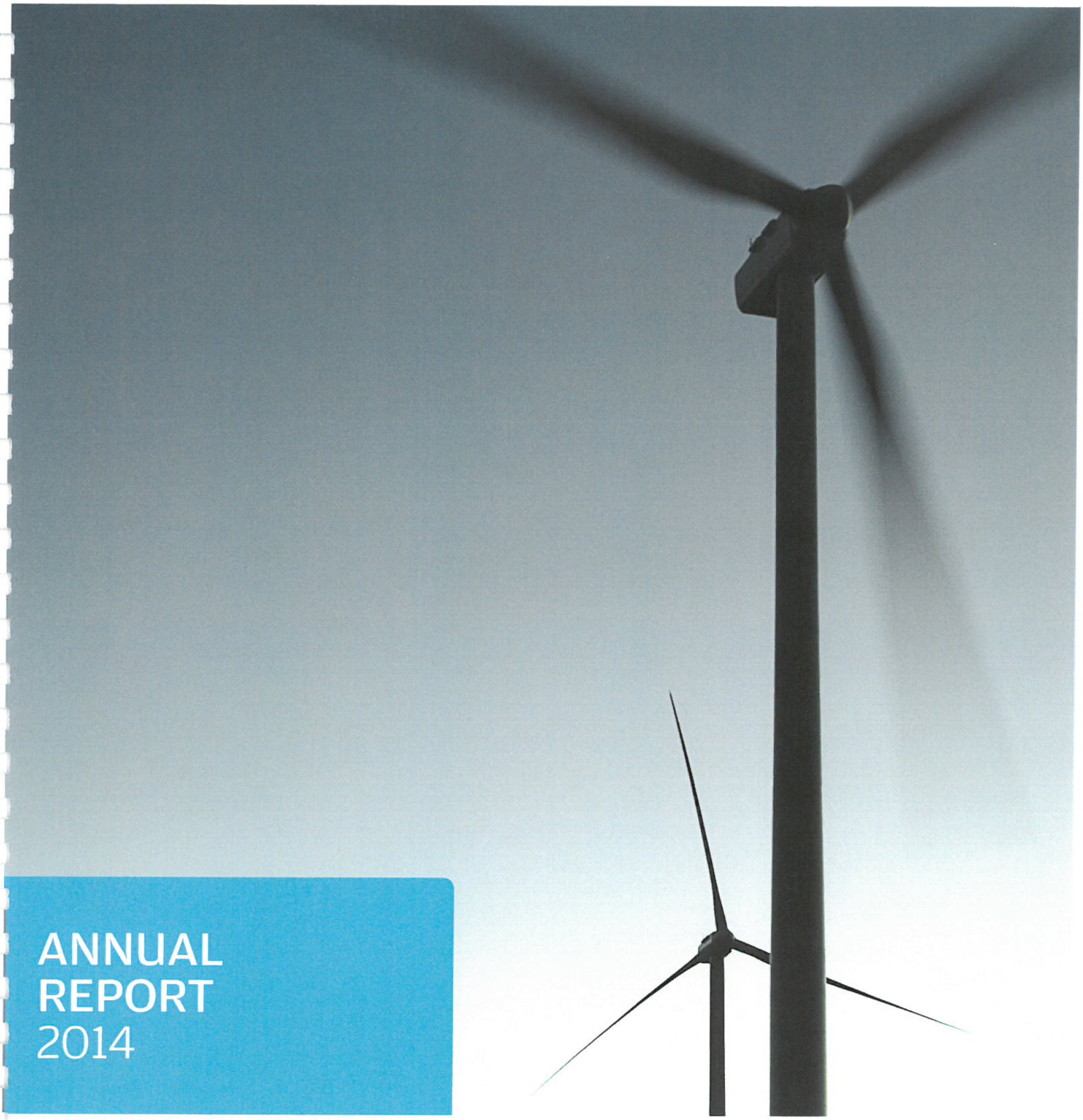


ANNUAL REPORT 2014

LM WIND POWER HOLDING A/S

lmwindpower.com

Approved at the annual general meeting on 8th April 2015
Peder Toft Nielsen, Chairman

Content

After the approval at the Annual General Meeting, the full annual report may also be obtained from the Danish Business Authority. The full annual report comprises the Statement of Management and the Independent auditors' report disclosed on pages 62 and 63.

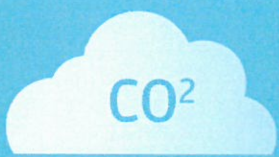
Highlights

Headquarters
Kolding, Denmark

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

13 Blade factories

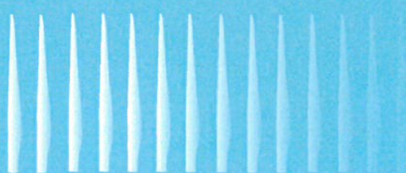
4,505 People worldwide



120 Tons of CO_2 mitigated

70 GW Installed capacity

1/4 Turbines in the world have LM Wind Power blades



8,262 Blades produced in 2014

Consolidated financial review

EUR m (unless otherwise stated)	2014	2013*	2012*	2011	2010
Income statement					
Revenue	588	488	687	707	727
Operating profit before depreciation and amortization (EBITDA)**	77	66	69	74	125
Operating profit before depreciation and amortization (EBITDA)***	75	63	66	39	(277)
Operating profit before special items and goodwill impairment	21	14	7	3	57
Operating profit/loss (EBIT)	19	11	4	(32)	(345)
Financial income and expenses, net	(12)	(50)	(29)	(19)	(4)
Profit/ (loss) before tax	(2)	(40)	(25)	(51)	(349)
Profit/ (loss) for the year from continuing operations	(18)	(52)	(47)	(117)	(362)
Profit/ (loss) for the year	(18)	(86)	(45)	(117)	(362)
Balance sheet					
Total assets	786	806	1.035	988	1.116
Goodwill on consolidation	245	244	307	308	311
Equity	158	171	264	236	351
Subordinated debt****	3	3	2	2	2
Net interest-bearing debt	244	253	294	335	300
Cash flows					
Cash flows from operating activities	52	34	8	27	55
Cash flows from investments in property, plant and equipment	(24)	(28)	(33)	(55)	(63)
Cash flows from financing activities	(31)	(86)	72	(34)	(5)
Employees					
Average number of employees	4,301	4,462	5,716	6,007	5,289
Key ratios					
EBITDA margin** (%)	13.1%	13.4%	10.1%	10.4%	17.2%
EBIT margin (%)	3.2%	2.3%	0.5%	(4.5)%	(47.4)%
Return on invested capital, including goodwill (%)	4.5%	2.2%	0.6%	(5.6)%	(45.5)%
Return on invested capital, excluding goodwill (%)	10.5%	5.0%	1.4%	(11.1)%	14.9%
Equity ratio (%)	20.1%	21.2%	25.5%	23.9%	31.5%

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

The key figures and ratios for 2010-2011 are not fully comparable with 2012-2013 as the Brakes business was disposed of in 2013 is included in the numbers of 2010-2011. 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

Blade getting ready for transport in China

LM Wind Power at a glance

LM Wind Power service technicians getting ready for work in Spain

Profile

By end of the year 2014, LM Wind Power employed 4,505 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. LM Wind Power's global presence includes factories, service and sales offices on four continents in 11 countries – on 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 is a leading pan-European private equity investor, with offices in London, Paris, Stockholm, Frankfurt, Milan and Madrid. The firm has made 63 investments since 1985 with an aggregate value of more than EUR 27 billion.

Facts

Since 1978, LM Wind Power has produced more than 175,000 blades, corresponding to approximately 70 GW installed wind power capacity which each year effectively replaces approximately 120 million tons of CO_2.

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

Contact information

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Denmark

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info@lmwindpower.com

Municipality of registered office: Kolding

Management

Executive management

Leo Schot
Chief Executive Officer

Nick Smith
Chief Financial Officer

Management team

Miguel A. Balbuena
VP Quality & HSE

Richard A. Bevan
VP Operations & Sourcing

Randall Hoeflein
VP Asia Pacific

Søren Høffer
VP Sales & Marketing

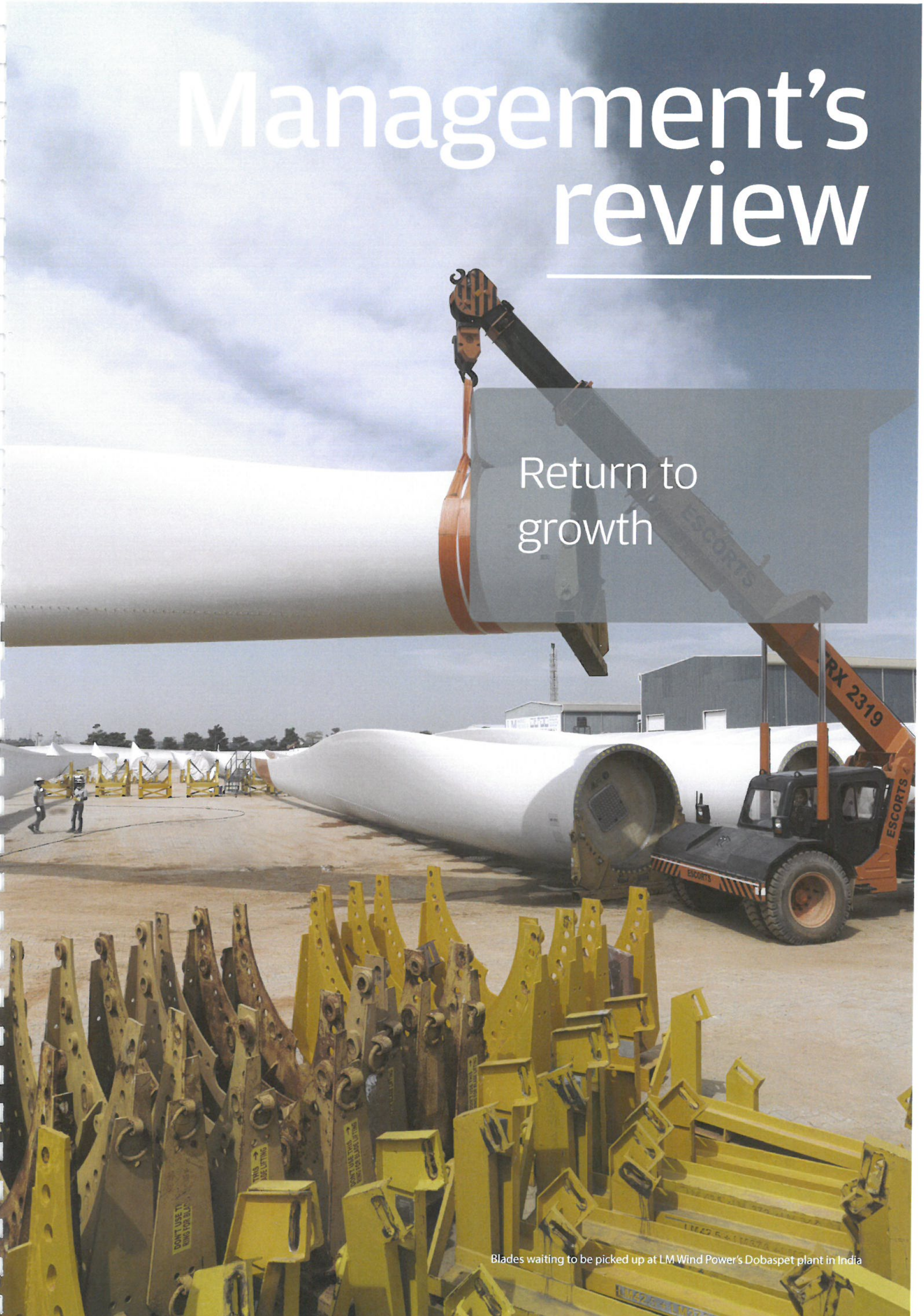
Ben Malefijt
VP Industrialization

Roel W. Schuring
VP Engineering

Christopher Springham
VP Communications & HR

Management's review

Return to growth



Blades waiting to be picked up at LM Wind Power's Dobaspet plant in India

Letter from the CEO

Growth across the entire wind sector combined with LM Wind Power's tough cost containment and reduction measures enabled the company to return to growth in 2014.

2014 saw significant growth across the entire wind sector globally, and at LM Wind Power we benefited accordingly as a market leader in the sector. As a result of the improvement programs initiated in 2012 and continued in 2013, the company was well positioned to embrace the opportunities. Tough cost containment and reduction measures continued relentlessly throughout 2014 along with management's strict focus on day-to-day cash control. Overall, the company returned to growth while strengthening in many areas. Together, these factors have supported the improved performance with clearly visible results and created a strong platform for future growth.

Platform for growth

The company successfully completed a EUR 130 million high yield bond issue and put in place a new EUR 35 million revolving credit facility. This gives a stable, long-term base to enable the business to continue to grow. In addition, new innovative manufacturing processes were introduced which increase the productivity of existing plants. In blade design, new technologies and new materials are supporting the introduction of new products to support customer requirements. And finally a new plant in Brazil expands the company's presence in high growth emerging markets.

A new Chief Financial Officer, Nick Smith, was appointed on June 16, 2014 and further, careful reorganization of management functions took place, to ensure the flexibility and capability needed to execute the increasing number of opportunities.

Improved market outlook

The global wind industry is growing strongly again and record annual installations were achieved in 2014, according to the Global Wind Energy Council (GWEC). Following a slowdown in 2013, 51,477 megawatts (MW) of new wind generating capacity were added during the year. The record-setting figure represents a 44% increase in the annual market, and a solid indication of the scale of the recovery of the industry. Total cumulative installations of wind power worldwide now stand at 369,553 MW as at the end of 2014.

Government policy has been highly influential in supporting this growth. Many governments in key markets have made significant commitments to take steps to mitigate carbon emissions in their energy mix. Increasingly, wind, as the most viable and available form of renewable energy, is being seen as the leading approach to mitigating carbon emissions in the battle against climate change.

Wind energy technology is maturing - it is reliable and competitive. Increasingly wind is an attractive option for utilities, independent power producers and companies who want to implement renewable solutions and support government policies responding to the challenge of climate change.

Market by market the trend is also upwards. China continues to dominate, and alone, it represents 45% of the global market. India, though far smaller, showed the second strongest market growth and the outlook is for further growth. Europe grew marginally in 2014. We have already seen the widely-anticipated start to offshore development in the UK and the company is making good progress in that market. LM Wind Power's largest market remains the United States. Installations recovered in 2014 from 2013's low point with 4,854 MW. Canada also set a new record with 1,871 MW.

In the African market, Morocco and South Africa led the way but the other big geographical growth story was Latin America. The strongest player was Brazil, followed by Chile and Uruguay. The ramp-up of production at the new LM Wind Power manufacturing facility at Suape in Brazil in a joint venture with Eolice is specifically intended to address this growing commercial opportunity for the sector.

Market position

LM Wind Power remains the leading independent supplier of wind turbine blades worldwide. The trend towards more outsourcing of blade manufacturing continued as wind turbine manufacturers continue to seek cost reductions and efficiencies. LM Wind Power represents a viable and reliable source for blades, and the company responded with a defined strategy for each customer to deepen the existing relationships while pursuing openings for long term partnerships with new customers based on mutual gain. No stone has been left unturned in the search for new business, and the increase in revenues of 20% in 2014 reflects the succes of this effort.

The company has shifted its focus from a regional, market-based approach to a detailed and defined strategy for each current and potential customer. The objective has been to strengthen long term and valued partnerships with existing customers and to increase share of wallet. At the same time, new potential customers are being attracted by the drive and innovation demonstrated by the company's new technologies, new manufacturing processes and more proactive engagement. The company's increased revenue derives from the increasing depth and value achieved from this partnership approach.

The joint venture manufacturing facility in Suape, Brazil illustrates the focus on growth markets. The ramp up of production has presented significant challenges and did not deliver the contribution initially expected. Swift action has been taken to improve performance and significant progress is being made. Working closely with our customers, we remain confident that it will ultimately achieve its potential.

Global players, global advantages

LM Wind Power has a unique global reach with 13 factories as well as offices and service locations in 11 countries and good proximity to the key markets. This international footprint also provides flexibility and resistance to market volatility.

The rotor blades are 'the motor' of wind turbines, and LM Wind Power is the largest and most experienced manufacturer in the sector.

Investing time and effort

In addition to continuing to invest in research and development, Management continued to focus on improvements across all areas of the business. This has fostered a new approach to customer and supplier relationships, through more technical dialogue and transparency. LM Wind Power has also introduced new technologies, materials and manufacturing processes to cope with the longer, lighter blades that the market demands.

The company's supply chain is a key driver of financial and technical performance, so specific effort has been devoted to optimizing this. It has delivered better forward planning and a new, clearer, technology roadmap. The focus on innovation has had a clear impact as new technologies have attracted more business from existing customers, new customers and industry partners.

The company is now better placed than ever to develop the next generation of blades.

Cost reduction

During the challenging market conditions of the previous two years, LM Wind Power has shown that it is capable of flexing its cost structure and adapting to difficult market conditions quickly. The drive for cost reduction continued throughout the business during 2014. However, the strong market growth limited the progress on direct materials as supply tightened, airfreighting was required and some commodity prices started to increase.

A major development throughout the year was the continued implementation and expansion of Manufacturing 2.0. The system leverages the company's existing manufacturing footprint by building more blades, faster, in the same spaces. There have been challenges ramping up the system, but the productivity gains are clearly visible and the benefits translate directly to our bottom line performance.

Research and development
At LM Wind Power, we continued to push new barriers and leverage new technologies to secure market advantage and prepare for the future. The company continues to lead and participate in a wide range of multinational and multi stakeholder programs that are seeking pioneering breakthroughs in wind energy. Close liaison with universities and other external bodies is strengthening the company's position as a leader in the field.

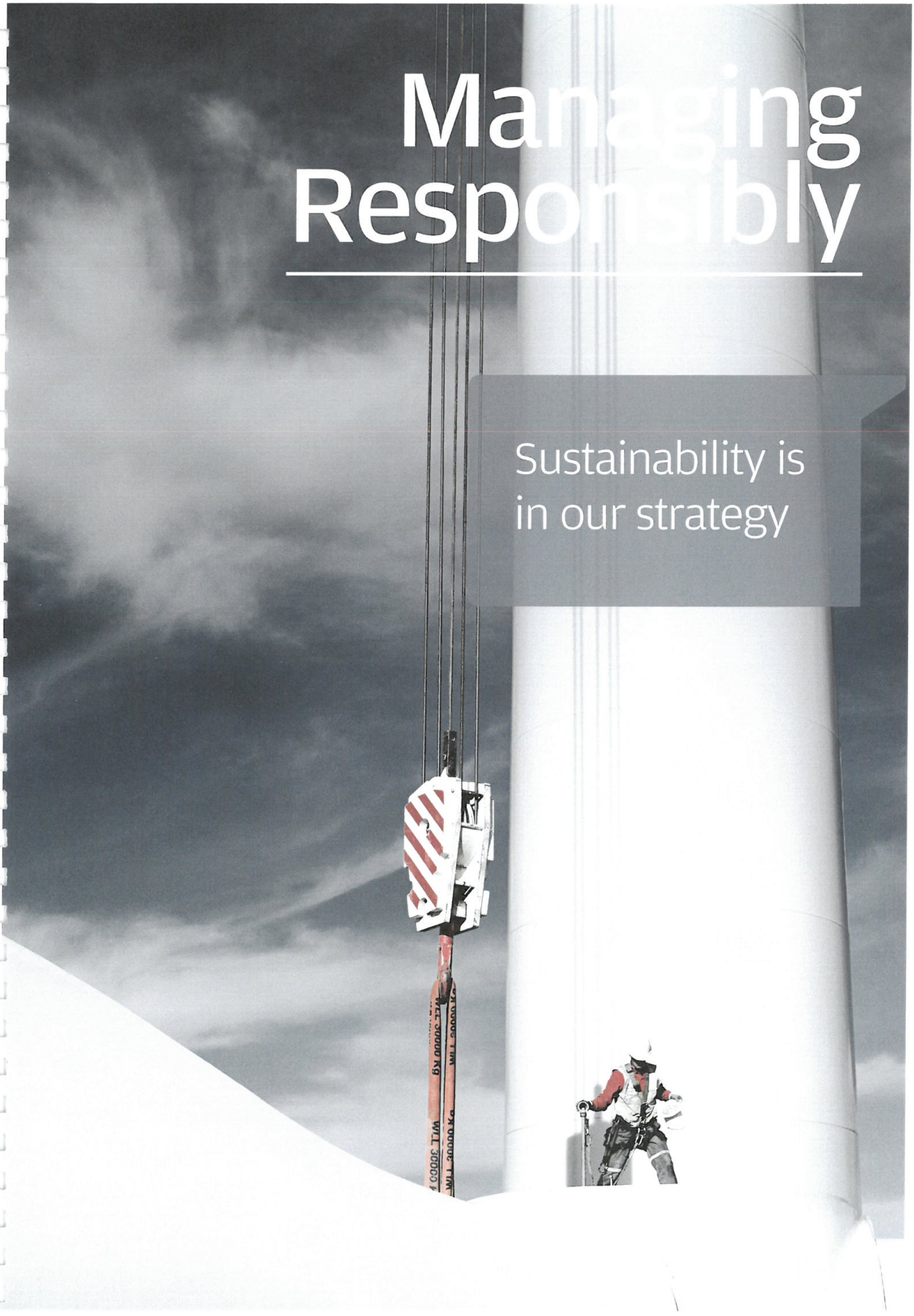
As blades grow longer, the quest for lighter, stiffer structures is key to increasing the Annual Energy Production (AEP) of turbines. New prototypes and entirely new blades have been brought into serial production. Combined with its new manufacturing technology, LM Wind Power leads the market in new approaches to reducing the overall cost of wind energy and continues to focus on the ultimate goal of achieving parity with conventional energy sources, without the need for any subsidies.

Conclusion
The market remains very competitive, and we must therefore continue to strive to reduce cost. However, I am encouraged by the return to growth, the much improved financial performance and the exciting opportunities which we are pursuing. Our continued investments in all aspects of technology and our increasingly close working relationships with customers give me great confidence that we can deliver on our objective of sustainable growth and profitability.

Leo Schot
Chief Executive Officer

Managing Responsibly

Sustainability is in our strategy



Managing Responsibly

Sustainability is a key part of the foundation of LM Wind Power's corporate strategy and is reflected in the company's functional strategies

In 2014, LM Wind Power focused on building awareness, understanding and fostering the culture to align with our Sustainability goals. The level of communication and external recognition was at an historic high and the growing number of sustainable business initiatives made significant progress.

The Code of Conduct remains a core document outlining the principles that are guiding LM Wind Power's Sustainability efforts and it is fully aligned with the United Nations (UN) Global Compact to which LM Wind Power has been a signatory since 2010. The Code of Conduct addresses:

- **Business Principles**
- **Anti-Corruption and Anti-Bribery**
- **Human Resources and Rights**
- **Environmental Principles**
- **Responsibility of Managers and Employees**

The aspirations to be a sustainable business are reflected in the company's corporate strategy and key documents governing our work, such as the Global HSE Policy and the Global Quality Policy. Over the past few years, Sustainability has increasingly been integrated into business practices and decisions, leading to safer workplaces, more efficient processes and cost savings that go straight to the bottom line.

Health, Safety & Environment

A cornerstone of Sustainability in LM Wind Power is the Global Health, Safety & Environment (HSE) Policy which highlights HSE as critical for the well-being of our people, 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 range among other things from 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 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 Accidents (LTA's) and Absentee rates which we are pleased to see improve every year. Material use, energy and waste are the key contributors to the company's environmental impact and reflected in the carbon footprint data that are included in this report and the more comprehensive annual Communication on Progress to the UN Global Compact.

LM Wind Power took the next step on the journey towards excellence within Health & Safety during 2014, through intensive training for key personnel, focused on behavior, culture and dialogue. Years of dedicated work has now ensured that the organization, systems and structures are in place, and the level of awareness has increased significantly. The next big step needs to come from working even more on culture and behavior. The safety data shows how the efforts so far paid off in terms of significantly improved safety performance in the manufacturing facilities. Safety dialogues have become a daily routine and the overall safety drive has also contributed to improved manufacturing quality and ultimately, customer satisfaction.

LM Wind Power once again beat its own target for Lost Time Accidents (LTA's) per million work hours. The LTA rate for 2014 was on target at 2.0, down from 2.9 the year before and compares very favorably with similar manufacturing industries. Efforts will continue to minimize work-related risks and to eliminate accidents, aiming for an ambitious, lower, global LTA rate of 1.6 in 2015.

Quality

LM Wind Power's Global Quality Policy addresses how we honor our commitment to customer expectations and market needs. We recognize that delivering a high quality, reliable and sustainable product is the most significant contribution we can make to build a more sustainable world. Therefore, the policy

also emphasizes how we strive for zero defects in products and services; that we work on developing an environment through which we will improve our quality performance and that we work and learn as one team, across geographical, cultural and functional boundaries to deliver uniform products and services worldwide.

Significant quality improvements were achieved in 2014 and these were reflected in the key metrics. The cost of quality issues compared to sales decreased, as did the number of customer findings during inspections which were at an historic low level. On the material side, we stepped up our efforts to ensure flawless incoming material and managed to improve the supplier performance significantly. Overall, quality performance is tracking in the right direction which was also evident in the feedback from our customers during the year. Customer satisfaction ratings improved generally and LM Wind Power was also recognized as Supplier of the Year by key global customers in India and China.

ISO and OHSAS

The company continued progress to ensure certification of all operational locations according to ISO 9001, ISO 14001 and OHSAS 18001 in 2014. All offices and manufacturing sites except Brazil are now certified according to ISO 9001. Only the plant in Brazil and the offices in Heerhugowaard and Schiphol need to go through the process to be included in the certification of our integrated HSE Management System according to ISO 14001 and OHSAS 18001. All locations are scheduled to go through certification again in first half of 2015. New sites will be certified as they begin operation.

Operational efficiency and innovation

LM Wind Power's waste reduction program, which is now in its fifth consecutive year, continued to deliver significant contributions to lowering operational cost and improving efficiency, while minimizing the environmental impact from our manufacturing facilities.

Building on the experience from previous years, the 2014 target of EUR 2.7 Million was exceeded with an actual waste saving of EUR 4.3 Million. The total saving over the past five years amounts to more than EUR 20 Million, and thousands of tons of waste to landfill have been avoided – approximately 3,000 tons in 2014 alone.

The majority of the saving initiatives was generated on the shop floor by creative employees dedicated to working smarter and cutting out waste from the manufacturing process. The idea generation culture is stronger than ever. In fact, on average each LM Wind Power employee in 2014 generated 3.6 ideas that were implemented, exceeding the target of 2.

Waste reduction was also a strong theme in the Engineering function where especially the Materials & Process department delivered and implemented a range of innovative solutions in 2014. Focus was and is on reducing material waste or eliminating components or substances with HSE-related risks from the product or manufacturing process. Examples include new developments to equipment and tools, substitution of materials, increased use of recycled material, as well as redesign or changes to processes and managing of materials that reduce waste. The activities initiated and implemented in 2014 are expected to generate significant sustainability benefits and more than EUR 8 Million in annual savings.

Human Rights

LM Wind Power's 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.

Working with the Supply Chain

As of 2014, 98% of the suppliers of core commodities (65 out of 66 suppliers) were covered by a Supplier Quality Agreement which includes requirements for sustainability practices. LM Wind Power does business with over 200 suppliers, a handful of which are our strategic partners representing the majority of our spend. These are big, reputable companies, with well-established brands and certified quality management systems to ensure security of supply and high standards for their operations. Nevertheless, we have intensified the dialogue with our suppliers on Sustainability, recognizing how the supply chain presents an increasing risk but also opportunities. At the second, high profile Supplier's Conference in October 2014, the suppliers were surveyed on their maturity level and willingness to join forces to improve sustainability in a mutually beneficial collaboration. More than 70 suppliers were represented at the summit, many of which have comprehensive programs on Sustainability in place.

During the year, we had looked at how we could develop and launch a Supplier's Charter as announced in 2013. However, we realized that a charter would not make the required difference. Instead we decided to review the Code of Conduct and strengthen the processes around enforcement while prioritizing the informal but structured direct dialogue. Part of this is a regular Supplier Quality Bulletin, which is issued by our Supply Quality Development team, continuously informing and inviting the suppliers to get closer to us. The updated Code of Conduct will be launched in 2015.

Diversity, People and Communities

LM Wind Power is a diverse, global company with 26 different nationalities employed. 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 at 86% of the total workforce. Looking at salaried employees in isolation, the gender split is 25% female and 75% male.

It is the aim of LM Wind Power to increase gender and other forms of diversity in the business, further building on the existing practices of promoting talents through individual performance and career reviews as part of the company's Performance Management Process. In 2014, the company completed a talent review of all salaried employees looking at capabilities and mobility as part of a new Human Resource strategy named GET, KEEP, GROW. 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 set a target to further promote gender diversity in its highest governance body, the Supervisory Board of LM Wind Power Holding A/S. In 2014, this body consisted of three representatives from our owners, Doughty Hanson, and two employee representatives (one female who stepped out after October 27), the rest 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 2014 as generally, new members of the Board are not considered unless specifically requested by our owners and that has not been the case in 2014. The topic of how to increase the representation of women in the Board and in general in the company will be further discussed in 2015. Already, female candidates have been considered for the company's industrial board which acts as industry expert advisors to executive management.

2014 was a very active year in terms of communication and community involvement in all LM Wind Power locations. From a corporate perspective, we focused heavily on promoting the case for wind to and through the employees with a new animation launched on Global Wind Day. LM Wind Power recognizes that a big part of our Sustainability commitment lies in the product we make and the global climate and energy challenge we address. This will be a key focus area in our Sustainability strategy going forward and is closely aligned with our lobbying efforts to promote wind in key markets. This view was further cemented at an historic event in 2014, a Global Sustainability Summit with representation from our investor, Doughty Hanson, the CEO and CFO as well as key people from across the business. Together, we set out to define the strategy and focus areas for the coming year, aiming to take the Sustainability drive to the next level.

The Sustainability summit was the culmination of a remarkable year. LM Wind Power's internal Sustainability campaign 'The Sustainables' was recognized with a global communications award; the Global Operations leadership team dedicated their annual gathering to addressing and committing to Sustainability; the Dobaspet plant in India was once again nominated for a Corporate Social Responsibility (CSR) award in Denmark, and the company delivered its first GRI G4 report, pioneering the latest version of the Global Reporting Initiative (GRI) framework and taking the first step towards integrated reporting.

LM Wind Power plants and offices engaged actively in the local communities in 2014 supporting a number of causes and institutions with employee time and money donations. Again, focus was on education and welfare for the local communities, with activities ranging from food donations, blood drives, sponsorships of under privileged schools and students, sports activities, medical check-ups and safety training for employees' families. The level of activity was even higher than in previous years not least due to the strong inspiration from the Indian plant which was leading the efforts as always.

Non-financial highlights

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

€ 4.3 million saved from waste program in 2014

3,000 tons of waste to landfill avoided

26 nationalities

12% reduction in water consumption

3.6 savings ideas per employee implemented

*All specifications of tons refer to metric tons

Annual report non-financial highlights

Working environment

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

Injury rates (involving lost time)
per million work hours

	2014	2013	2012	2011
Total	2.0	2.9	4.0	5.7

2014 is the first year of reporting for the Group without Svendborg Brakes. LM Wind Power achieved its global target of a Lost Time Accident (LTA) rate per million work hours at 2.0. The target for 2015 is even more ambitious aiming for an LTA rate at 1.6, corresponding to best in class industry standards.

Absentee rates

	2014	2013	2012	2011
Salaried employees	0.6	0.5	0.7	
Hourly paid employees	1.3	1.2	1.5	

Employees represented in formal Health & Safety committees
approximated (% reported in intervals of 0-25, 25-50 etc)

	2014	2013	2012	2011
Total	between 25-50			

Percentage of employees receiving regular performance reviews

	2014	2013	2012	2011
Total	25.2%	21.4%	20.2%	

These numbers reflect the fact that all salaried employees are covered by LM Wind Power's Performance Management System which follows a cycle of annual objective setting, performance review and development planning. In 2014, 1269 employees out of 5040 at the time of counting were covered by this system which has been in place since 2007 to ensure 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 2014

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

LM Wind Power had 13 blade manufacturing sites in 2014 and four main office locations in Denmark, the Netherlands, and India. The company started the process of combining the ISO 14001 and OHSAS 18001 requirements in one Health, Safety & Environment (HSE) Management System. Therefore the data for previous years where the certifications percentages were split are not included in the above presentation.

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.

	2014	2013	2012	2011	2010
Blades produced	8,262	7,173	8,856	10,333	10,241
Raw material used (tons)	65,758	59,097	93,135	69,078	64,374
Energy consumption					
Fuel not used for transport (GJ)	247,047	346,981	678,181*	332,681	329,576
Electricity (GWh)	97	80	96	90	77
* (403.612 - adjusted)					
Waste					
Total waste for landfill (tons)	10,616	6,364	9,241	9,289	7,381
Total waste for incineration (tons)	7,710	7,399	9,757	11,002	7,132
Total waste for recycling (tons)	2,934	2,348	3,005	3,447	2,944
Total waste (tons)	21,260	16,111	22,002	23,738	17,458
Total carbon footprint for Blades (ton CO_2 equivalent)	461,850	388,950	539,932**	491,451	360,554
** (508,731)					
Carbon footprint (kg) / kg blade produced	6.5	6.9	8.0***	7.4	5.4
*** (7.5)					

Although many of our plants operate with almost zero waste to landfill, the total waste to landfill amount increased in 2014. This is a direct result of increased activity in our American plants where the lack of local recycling or incineration solutions for waste disposal means that they represent more than half of our total waste to landfill globally. We are not satisfied with this situation and are working on finding better solutions with suppliers who might be able to use our waste as input to new products.

The total carbon footprint has increased in line with the increased activity in the business. However, despite having produced more blades in 2014 compared to 2013, the carbon footprint per kg blade produced showed a minor decrease. This is due to the intense focus on utilizing materials in the optimum way and the measures installed to further optimize energy consumption and efficiency. In 2015, further emphasis will be placed on energy efficiency to reap even more significant savings and improve the carbon footprint.

Water consumption (m^3)	184,863	210,790****	237,422	237,474	249,88

**** reported as 345,172 in 2013 with the higher consumption ascribed to a leak. The high discrepancy in the reported number was, however, also mainly caused by a reporting error. The correct number was in fact much lower supporting a general trend of decreased water consumption across the locations.

None of our operations use water in the production processes. The water consumption recorded is primarily from daily activities at the site. Our detailed reporting for the UN Global Compact has a specific focus on water consumption in selected geographies such as India due to the water scarcity issues in that region.

The 2014 number is lower than in previous years which reflects an increased focus on recycling and limiting water consumption in the plants.

Human Rights and Anti-Corruption

	2014	2013	2012	2011	2010
Incidents of child labor identified at LM Wind Power sites	0	0	0	0	0
Incidents of child labor identified at supplier's sites	0	0	0	0	0

The majority of the LM Wind Power workforce is employed in China and India and LM Wind Power employs a large number of young people. We have a clear policy that we do not hire people under the age of 18 and applicants have to show their ID card or birth certificate as part of the recruitment process.

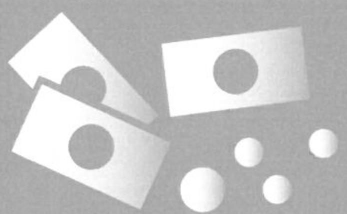
	2014	2013	2012	2011	2010
Charitable donations (EUR)	75,812	63,335	20,000	55,234	
Community work (hours provided)	12,155	3,127	n/a	1,184	

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.

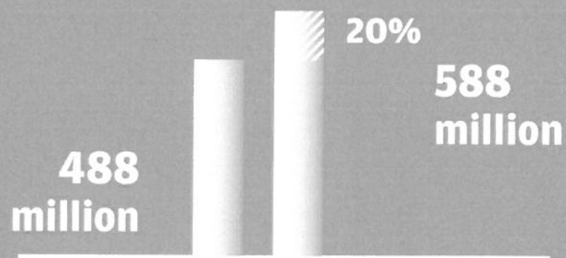
	2014	2013	2012	2011	2010
Employees trained in anti-corruption policies and procedures % of total workforce	23	20	23	23	15

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 salaried employees go through this e-learning program. In 2014, a new round of re-certification was initiated for a large but limited selection of functions (Finance, Global Operations, Quality & HSE, Sales & Marketing and Sourcing) identified to be in higher risk of potentially being faced with corruption and bribery issues. It is expected that all employees will go through re-certification in 2015.

Financial performance



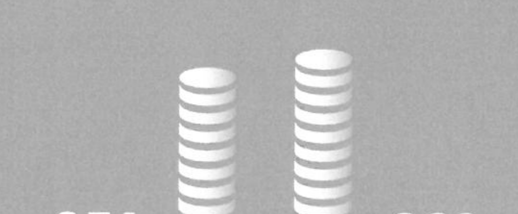
€ 588 million revenue



20% increase in revenue

13.1% EBITDA margin

12% total market share



Cash flow from operations before financial items and tax

Capital spending reduced

Financial Review 2014

Return to growth

LM Wind Power delivered a much improved financial performance in 2014, with over 20% growth in sales and nearly 18% growth in EBITDA.

Sales increased by EUR 100 million to EUR 588 million in 2014, driven largely by renewal of regulatory support in the US and India, plus strong growth in China. Only Europe showed a decline, although sales were above our expectations.

EBITDA increased by EUR 12 million to EUR 77 million, primarily due to the increase in sales. Despite the sales growth, EBITDA margin remained at 13%, largely due to start-up costs for new blade types and new manufacturing processes to meet strong market demand in the USA. Other factors included declining average selling prices, and the cost of airfreighting certain raw materials which were in short supply, particularly in Q4.

Depreciation and amortization charges increased from EUR 52 million to EUR 56 million, entirely due to a one-off impairment of EUR 10 million.

The Group's 51% share of the loss in the Brazilian joint venture was EUR 8.3 million. This disappointing result was due to difficulties in ramping up production, although significant progress is now being made to rectify the situation.

Financial costs reduced significantly, from EUR 50 million in 2013 to EUR 12 million in 2014. Whilst interest costs fell due to the refinancing (reduction in both net debt and interest), the most significant contributor was from foreign exchange movements, with a gain of EUR 15 million in 2014, compared with a loss of EUR 17 million in 2013. These are largely non-cash movements on inter-company balances.

The tax charge increased from EUR 12 million in 2013 to EUR 16 million in 2014.

As a result of the items above, the net loss from continuing operations reduced significantly from EUR 86 million to EUR 18 million, which bodes well for the future.

Stable financial platform

On 26 March, 2014, the company successfully completed a EUR 130 million high yield bond issue and put in place a new revolving credit facility of EUR 35 million. The Group used the proceeds to repay the existing senior facilities, with the revolving credit facilities available for general corporate purposes. The bond expires in March 2019 and the revolving credit facility in December 2018.

Net debt at 31 December, 2014 was EUR 244 million, compared with EUR 255 million at 31 December 2013, leaving the company conservatively geared with net debt to EBITDA of 1.1x. Despite repaying EUR 31 million of debt during the course of 2014, liquidity at 31 December 2014 was EUR 80 million, compared with EUR 83 million at the prior year end.

Cash flow from operations before financial items and tax was EUR 80 million versus EUR 74 million in 2013 reflecting the continuing, more disciplined approach to cash management. This cash generation included an EUR 11 million net reduction in working capital, with the working capital demands from strong sales growth being balanced by a reduction in receivables. However, this net reduction in working capital is largely due to temporary positive cash effects, which will unwind in early 2015. This of course also benefited the aforementioned December 2014 net debt and liquidity.

There is evidence of improving liquidity in the wind sector, albeit that the overall position remains poor. It therefore remains necessary for the Group to continue to manage cash very tightly.

2014 capital spending of EUR 33 million was EUR 5 million lower than the previous year. However, this is largely due to timing, with a number of projects in the pipeline to meet increasing customer demand. While careful management of plant, property and equipment continued, expenditure on development projects was maintained in response to forthcoming customer demands and the emerging opportunities in growth sectors.

Unique global reach

LM Wind Power has a unique global reach with factories service and sales offices in 11 countries and good proximity to the key markets. This international footprint also provides flexibility and resistance to market volatility. Where demand in domestic markets weakens, export opportunities also arise. Where capacity in one region is stretched, the company can supplement by utilizing under-used capacity in other locations. At the same time, global standards in manufacturing processes ensure that customers benefit from the same high quality wherever they are buying blades.

The wind energy sector as a whole has been subject to significant volatility in the past and those challenges remain. The largest effects derive from uncertainty around legislation supporting the sector with subsidies and tariffs. While the cost of wind energy has been reduced by around 40% every decade since its inception, these interruptions caused by political uncertainty have not diminished the company's appetite to continue investing and working to reduce the total cost. Increasingly new turbines with longer blades, are approaching parity with conventional sources of energy. Throughout 2014, the capability of the company to adapt to the changing policy environment and develop where the opportunities present themselves was clearly in evidence.

A sustainable business

LM Wind Power has been reporting its progress on non-financial measures for a number of years in combination with the annual financial statements. It is pioneering the G4 standards with the Global Reporting Initiative in support of its obligations under the UN Global Compact, which was signed in 2010.

Sustainability now lies at the heart of the business model from the supply chain, through the manufacturing operations. The company is also engaged in a pioneering project examining approaches to the disposal and recycling of used blades. Sustainability metrics are applied with the specific aim of driving business improvements like waste and energy reductions and there are internal programs in four, focused areas: Safety, Environment, Technology and People.

Outlook 2015

In 2015, LM Wind Power expects sales to grow in line with anticipated market growth (in excess of 5%) and to maintain an EBITDA margin of at least 13%.

Consolidated financial statements

Reducing cost of energy with game changing technology

...tning protection in the blades is crucial for safe operation. ...e receptor is installed in the root.

Consolidated income statement, 1 January-31 December

EUR thousands	Notes	2014	2013
Continuing operations			
Revenue	4	587,739	488,142
Other income		432	1,317
Operating Income		**588,171**	**489,459**
Cost of sales		(254,691)	(194,907)
Other external expenses	8	(95,714)	(85,689)
Staff expenses	5	(160,759)	(143,266)
Depreciation and amortization	6	(55,890)	(51,896)
Operating expenses before impairment and special items		**(567,054)**	**(475,758)**
Results from operating activities before impairment and special items		**21,117**	**13,701**
Special items	7	(2,136)	(2,515)
Results from operating activities		**18,981**	**11,186**
Share of result of equity accounted investment	**12**	**(8,256)**	**(1,742)**
Financial income	9	28,128	5,757
Financial expenses	10	(40,546)	(55,577)
Net finance costs		**(12,418)**	**(49,820)**
Results before income tax		**(1,693)**	**(40,376)**
Income tax	11	(16,375)	(12,028)
Loss for the year from continuing operations		**(18,068)**	**(52,404)**
Discontinued operations			
Profit/(loss) for the year from discontinued operations	31	539	(33,719)
Loss for the year		**(17,529)**	**(86,123)**

Consolidated statement of comprehensive income, 1 January-31 December

EUR thousands	2014	2013
Loss for the year	**(17,529)**	**(86,123)**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange rate adjustment at year-end rates	385	3
Exchange rate adjustment, foreign entities	2,947	(5,325)
Exchange rate adjustment, foreign entities recognized on disposal	-	(2,819)
Fair value adjustment of hedge instruments	2,136	716
Income tax on other comprehensive income	(523)	(179)
Other comprehensive income for the year, net of income tax	**4,945**	**(7,604)**
Total comprehensive income for the period	**(12,584)**	**(93,727)**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2014	2013
Assets			
Goodwill		244,761	244,368
Completed development projects		21,610	23,237
Development projects in progress		4,429	1,471
Intangible assets	13	**270,800**	**269,076**
Land and buildings		92,560	89,899
Plant and machinery		57,737	64,141
Fixtures, fittings and equipment		3,962	5,076
Leasehold improvements		4,890	5,551
Property, plant and equipment under construction		7,852	18,068
Property, plant and equipment	14	**167,001**	**182,735**
Equity accounted investment	12	-	-
Other securities		245	63
Deferred tax asset	15	41,454	36,972
Other non-current assets		**41,699**	**37,035**
Total non-current assets		**479,500**	**488,846**
Inventories	16	88,763	71,823
Trade and other receivables	17	148,936	158,461
Income taxes		15,690	20,890
Prepayments		5,809	4,541
Cash & cash equivalents		47,540	61,148
Total current assets		**306,738**	**316,863**
Total assets		**786,238**	**805,709**

Consolidated balance sheet, at 31 December

EUR thousands	Notes	2014	2013
Liabilities and equity			
Share capital	18	40,891	40,799
Other reserves		3,137	(1,420)
Retained earnings		113,890	131,123
Total equity		**157,918**	**170,502**
Provisions	19	29,914	32,138
Loans and borrowings	20	292,756	6,817
Finance leases	22	158	275
Prepayments from customers		34,529	26,527
Deferred tax liabilities	15	-	53
Deferred income	21	23,445	21,522
Total non-current liabilities		**380,802**	**87,332**
Provisions	19	31,578	29,674
Loans and borrowings	20	1,498	309,544
Finance leases	22	187	208
Prepayments from customers		19,815	19,616
Income taxes		25,803	30,863
Trade payables		113,106	92,526
Other payables		52,097	62,404
Deferred income	21	3,434	3,040
Total current liabilities		**247,518**	**547,875**
Total liabilities		**628,320**	**635,207**
Total equity and liabilities		**786,238**	**805,709**

Consolidated statement of changes in equity, at 31 December

EUR thousands	Share capital	Other reserves: Translation reserve	Other reserves: Hedging reserve	Retained earnings	Total
Equity at 1 January 2014	**40,799**	**(1,035)**	**(385)**	**131,123**	**170,502**
Profit 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**
Equity at 1 January 2013	**40,799**	**7,109**	**(922)**	**217,243**	**264,229**
Profit for the year	-	-	-	(86,123)	(86,123)
Other comprehensive income	-	(8,144)	537	3	(7,604)
Equity at 31 December 2013	**40,799**	**(1,035)**	**(385)**	**131,123**	**170,502**

Consolidated cash flows, 1 January-31 December

EUR thousands	Notes	2014	2013
Loss for the year		(17,529)	(86,123)
Adjustments for non-cash transactions	28	86,919	126,994
Changes in inventory		(16,939)	(9,972)
Changes in receivables		5,212	34,011
Changes in trade and other payables		22,870	9,204
Cash flows from operations before financial items and tax		**80,533**	**74,115**
Financial income		-	5,168
Financial expenses		(10,962)	(22,274)
Cash flows from operations before tax		**69,571**	**57,009**
Income tax paid		(17,315)	(22,826)
Cash flows from operating activities		**52,256**	**34,183**
Disposal of subsidiary net of cash		-	60,194
Purchase of property, plant and equipment	27	(24,438)	(27,657)
Sale of property, plant and equipment		441	392
Purchase of intangible assets	30	(8,556)	(10,743)
Investments in equity accounted investment		(3,140)	-
Cash flow from investing activities		**(35,693)**	**22,186**
Repayment of long-term debt		(30,681)	(86,071)
Cash flow from financing activities		**(30,681)**	**(86,071)**
Net change in cash and cash equivalents		**(14,118)**	**(29,702)**
Cash and cash equivalents beginning of year		61,148	90,850
Net change in cash and cash equivalents		(14,118)	(29,702)
Exchange rate adjustments on cash & cash equivalents		510	-
Cash and cash equivalents at year end		**47,540**	**61,148**

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

List of notes

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

LM Wind Power Holding A/S is a limited company based in Denmark. The Consolidated Financial Statement for 1 January - 31 December 2014 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 2014 are prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the EU.

Basis of preparation

The Consolidated Financial Statement is presented in EUR.

In 2014 except the revised useful lives for certain fixed assets as outlined below, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimating uncertainties were the same as those that were applied to the consolidated financial statements at the year end 31 December 2013.

Changes in useful lives of fixed assets

Based on the actual and planned usage of its fixed assets, the Group has reassessed and revised the estimated useful lives of certain of its fixed assets for the purpose of calculating depreciation and amortization, starting from 1 April 2014.

The table below shows the estimated useful lives before and after the changes:

	Estimated useful lives (years)	
Category of fixed assets	**Before changes**	**After changes**
Tangible fixed assets		
Buildings	25	25-30
Plant and Machinery	5	5-10
Intangible fixed assets		
Development projects	4	6

These changes in the estimated useful lives of fixed assets are accounted for as changes in accounting estimates and applied prospectively. Such changes will not impact on previous periods financial statements that already have been disclosed by the Group.

These changes in accounting estimates reduced the Group's depreciation and amortization expense for the year ending 31 December 2014 by approximately EUR 4.5 million.

Presentation change for equity accounted investment

Share of profit/(loss) of equity accounted investment is reclassified from the Operating Income section to a separate line before finance items. This reclassification was made in order to reflect that the equity accounted investment is not to be considered as a financial investment but instead is to be considered as an investment supporting the operating activities. Comparatives have been changed.

IFRS accounting standards adopted as from 2014 and onwards

With effect from 1 January 2014, LM Wind Power Holding A/S adopted the following new or revised standards and amendments that have been endorsed by the EU and relevant to the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. They also introduce disclosure requirements for investment entities into IFRS 12 and amend IAS 27. These amendments do not impact the Group reporting requirements.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group has applied these amendments and made necessary disclosure accordingly.

Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

Again, this is a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. These amendments do not have any effect on the Group consolidated financial statements.

IFRIC 21 Levies

The IASB has issued IFRIC 21, 'Levies', an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation does not have any impact on the Group's consolidated financial statements.

Accounting policies applied

Consolidated financial statements

The consolidated financial statements concern LM Wind Power Holding A/S (the parent company) and its subsidiaries. LM Wind Power Holding A/S and its subsidiaries are 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

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 arose 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 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 IFRS5. 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).

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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 to the exchange rate effective on the balance sheet date. The difference between balance sheet date rate and that at the time when the receivables or payables arose or the rate in the most recent annual report is recognized in the income sheet 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 primarily to manage its foreign currency risks and to some extent also for managing interest rate and commodity price 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 derived 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 provision of services.

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

- all significant risk 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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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

Income tax
Income tax comprises current and deferred tax. Income tax is recognized in the income statements 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 include 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 impairments. 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 being maintenance are recognized in the income statement upon 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.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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

Leasing

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

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of consolidated financial statements

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

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

Management believes the following are the critical accounting estimates and judgements used in the preparation of the consolidated financial statements. This information below should also be read in conjunction with the Group's disclosures of significant IFRS accounting policies which are provided in the consolidated financial statements, Note 1. "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 budgets and on projections for subsequent years. Budget is approved by the Board of Directors, forming the basis for a one-year budget period and subsequent two year forecasting period. Key parameters are revenue development, EBIT, proposed capital expenditure as well as growth expectations for the following years. Budgets and business 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 8.07%
Long-term growth rate	Estimated growth rate of 2% was used to extrapolate the free cash flow beyond 3 years

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 was EUR 244.8 million at 31 December 2014.

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 2014 is EUR 26.0 million.

Impairment test of plant & machinery

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

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

Notes to the consolidated financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

assets. This requires taking assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income statement in the period in which the change occurs.

The accounting value of deferred tax assets was EUR 41.5 million at 31 December 2014.

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 the historical information to reflect the estimated cost for replacement and free-of charge services for the products 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 38.5 million at 31 December 2014.

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 concentrations, 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 doutbful trade receivables.

The carrying amount of the allowance for doubtful trade receivables is EUR 13.7 million as at 31 December 2014.

For one customer, the outstanding receivable balance is EUR 27.7 million (2013: EUR 34.3 million). The original reason this customer was not able to make the payments on time was that this customer had an unexpected contractual dispute with its end customer, which caused working capital disruption. The contractual dispute was fully resolved before the end of 2013. The Group's customer won the legal proceeding and received a significant amount as compensation. This resulted in a payment to the Group in H1 2014. However, the customer continues to face financial difficulties such that its projects continue to be delayed.

However, management has concluded that there is no need to make provision for impairment with respect to this outstanding trade receivable balance from this customer as at 31 December 2014 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 2015, undertaken by either the customer, or parties who will take over these projects.
- The blades might also be sold to other customers which further mitigates potential risks.
- The Group is in discussions with several customers regarding the remaining blades.

Notes to the consolidated financial statements

3. SEGMENT

The internal reporting framework used for reporting on revenue and expenses to the Executive Leadership Team and the Board of Directors has been set up to reflect and report on the global functional responsibility setup at LM Wind Power. The functional responsibility setup consolidates functions by type, and management reviews the results of the Group as a whole to assess performance thus there is only one operating segment.

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

Revenues in 2014 of approximately EUR 229 million and EUR 136 million are derived from two external customers. In 2013, revenues of approximately EUR 107 million, EUR 78 million, EUR 77 million and EUR 68 million are derived from four external customers.

4. REVENUE

EUR thousands	2014	2013
Europe	177,546	219,405
Americas	276,052	169,718
Asia	134,141	99,019
	587,739	**488,142**

The allocation of revenue in the above schedule is derived from sales statistics showing to which country invoices were issued. The statistical information does not provide information as to where the products were shipped or the territory where the products were finally erected.

5. STAFF EXPENSES

EUR thousands	2014	2013
Staff expenses are specified as follows:		
Wages and salaries	136,064	120,318
Pensions	1,991	2,123
Other social security expenses	22,704	20,825
	160,759	**143,266**
Average number of employees	4,301	4,462
Number of employees at 31 December	4,505	4,392

EUR thousands	2014 Executive Board of Management	2014 Supervisory Board	2013 Executive Board of Management	2013 Supervisory Board
Total salaries and remuneration to the Executive Board of Management and the Supervisory Board amount to:				
Wages and Salaries	1,033	15	1,484	16

Executive board of management and some in the management level below have incentive bonus schemes depending of various specified non market performance measures. Some of the bonus's will be pay by the parent company.

Notes to the consolidated financial statements

6. DEPRECIATION AND AMORTIZATION

EUR thousands	2014	2013
Depreciation and amortization are specified as follows:		
Development projects	7,349	7,061
Land and buildings	5,092	6,186
Plant and machinery	27,617	32,231
Fixtures, fittings and equipment	2,502	3,181
Leasehold improvements	2,968	3,237
Depreciation and amortization before impairment	**45,528**	**51,896**
Impairment plant and machinery	10,362	-
	55,890	**51,896**

See Note 2 for further details on impairment on plant and machinery.

7. SPECIAL ITEMS

EUR thousands	2014	2013
Staff costs	1,303	952
Other	833	1,563
	2,136	**2,515**

8. OTHER EXTERNAL EXPENSES - RESEARCH AND DEVELOPMENT

Other external expenses includes research and development cost 2014 EUR 14.2 million (2013 EUR 15.9 million). The cost saving initiatives continue to lower the research and development costs in 2014 whilst maintaining strong commitment to research and develop innovative new products and technology.

9. FINANCIAL INCOME

EUR thousands	2014	2013
Interest income, etc.	12,122	5,168
Exchange rate gains	16,006	589
	28,128	**5,757**

Notes to the consolidated financial statements

10. FINANCIAL EXPENSES

EUR thousands	2014	2013
Interest expenses, etc.	39,903	38,295
Exchange rate losses	643	17,282
	40,546	**55,577**

Interest income and expenses consist of interest income and expenses on bank accounts, loans and amortization of borrowing costs. Furthermore, interest expenses include discount costs and revaluation of shares held in the parent company.

11. INCOME TAX

EUR thousands	2014	2013
Income tax expenses for the year are specified as follows:		
Income tax expense	16,375	12,028
Income tax recognized directly in equity	523	179
	16,898	**12,207**
Income tax expense comprises of:		
Current tax expense for the year	19,461	4,143
Deferred tax expense for the year	(314)	6,840
Adjustment for prior periods	(2,772)	1,045
	16,375	**12,028**
Reconciliation of effective tax rate:		
Income tax using the Company's domestic tax rate (24.5%)	24.5%	25.0%
Effect of tax rates in foreign jurisdictions	120.5%	9.1%
Reduction in tax rate	64.5%	(7.3%)
Non-deductible expenses	0.0%	(10.4%)
Derecognition of deferred tax assets	(283.3%)	(14.2%)
Recognition of previously unrecognized tax losses	0.0%	0.0%
Current year losses for which no deferred tax asset is recognized	(938.3%)	(21.6%)
Tax under/(over) provided in prior years	77.6%	(10.4%)
Effective tax rate for the year	**(934.5%)**	**(29.8%)**

The 2014 effective tax rate of -934.5% is negatively impacted by 'tax losses for which no deferred tax asset is recognized'.

The company has a conservative approach in the recognition of a deferred tax asset for incurred tax losses. Due to this conservative approach the losses incurred in some countries have not resulted in a deferred tax asset hence the negative impact on the effective tax rate.

Notes to the consolidated financial statements

12. EQUITY ACCOUNTED INVESTMENT

EUR thousands	2014	2013
Investment at 1 January	-	-
Share of result	(8,256)	(1,742)
Investment in joint venture	3,100	1,742
Provision for result exceeding the investment	5,156	-
Carrying amount at 31 December	**-**	**-**

Nature of equity accounted investment

Name	Investment	Country of incorporation	% of ownership interest	Measurement method
LM Wind Power do Brasil S.A.	Joint Venture	Brazil	51%	Equity

LM Wind Power do Brazil S.A. manufactures and supplies wind turbine blades to Brazil, the rest of Latin America and other regions. The joint venture is a strategic partner for the Group to further expand its footprint into one of the fastest growing wind power markets in the world.

Financial information for equity accounted investment

EUR thousands	2014	2013
Summarized balance sheet		
Non-current assets	30,035	9,076
Current assets	23,047	6,214
Total assets	**53,082**	**15,290**
Non-current liabilities	1,713	5,131
Current liabilities	62,834	12,203
Total liabilities	**64,547**	**17,334**
Net assets	**(11,465)**	**(2,044)**
Summarized income statement		
Revenue	24,342	36
Operating expenses	(40,322)	(3,080)
Operating profit	(15,980)	(3,044)
Depreciation	(2,618)	(133)
Finance charges	(5,639)	(202)
Operating result before income tax	(24,237)	(3,379)
Income tax income/(expense)	8,048	(37)
Result for the year	**(16,189)**	**(3,416)**
Share of result	(8,256)	(1,742)

Notes to the consolidated financial statements

13. INTANGIBLE ASSETS

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Customer relationships	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 continued operations	-	5,601	7,923	-	13,524
Disposal during the year continued operations	-	(709)	-	-	(709)
Transferred upon completion continued operations	-	-	(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 continued operations	-	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**

Notes to the consolidated financial statements

13. INTANGIBLE ASSETS (CONTINUED)

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Customer relationships	Total
Cost at 1 January 2013	733,401	58,175	10,471	24,330	826,377
Exchange rate adjustment at year-end rates	(135)	(1)	2	-	(134)
Additions during the year continued operations	-	16,281	8,450	-	24,731
Additions during the year discontinued operations	-	2,174	-	-	2,174
Disposal during the year discontinued operations	(447,052)	(2,989)	(1,290)	(24,330)	(475,661)
Transferred upon completion continued operations	-	-	(15,659)	-	(15,659)
Transferred upon completion discontinued operations	-	-	(503)	-	(503)
Cost at 31 December 2013	286,214	73,640	1,471	-	361,325
Amortization and impairment at 1 January 2013	426,134	43,866	-	24,330	494,330
Exchange rate adjustment at year-end rates	(958)	(4)	-	-	(962)
Impairment loss continued operations	-	79	-	-	79
Impairment loss discontinued operations	35,978	-	-	-	35,978
Amortization during the year continued operations	(1)	6,982	-	-	6,981
Amortization during the year discontinued operations	-	58	-	-	58
Amortization/impairment on assets sold discontinued operations	(419,307)	(578)	-	(24,330)	(444,215)
Amortization and impairment at 31 December 2013	41,846	50,403	-	-	92,249
Carrying amount at 31 December 2013	**244,368**	**23,237**	**1,471**	**-**	**269,076**

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 million) is allocated to the cash generating units (CGU):

	2014
Blades	245

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

Development costs

Recognized completed development projects and development projects in progress comprise development of new blade types and its 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 3.2 years as of 31 December 2014.

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

Notes to the consolidated financial statements

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 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 continued operations	2,246	28,861	1,124	2,063	24,978	59,272
Disposals during the year continued operations	-	(7,890)	(3,598)	(198)	(1,819)	(13,505)
Transferred upon completion continued operations	-	-	-	-	(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 continued operations	5,092	27,617	2,502	2,968	-	38,179
Impairment loss continued operations	-	10,362	-	-	-	10,362
Depreciation on disposed assets continued operations	-	(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

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 2013	147,535	268,698	33,411	26,484	24,600	500,728
Exchange rate adjustment at year-end rates	(7,163)	(9,579)	(364)	(881)	(144)	(18,131)
Additions during the year continued operations	951	29,694	1,821	568	28,642	61,676
Additions during the year discontinued operations	356	450	-	-	213	1,019
Disposals during the year continued operations	(13)	(25,273)	(594)	(236)	(4)	(26,120)
Disposals during the year discontinued operations	(6,214)	(4,607)	(72)	(298)	(201)	(11,392)
Transferred upon completion continued operations	-	-	-	-	(34,222)	(34,222)
Transferred upon completion discontinued operations	-	-	-	-	(816)	(816)
Cost at 31 December 2013	135,452	259,383	34,202	25,637	18,068	472,742
Depreciation and impairment at 1 January 2013	41,937	198,252	26,914	18,110	-	285,213
Exchange rate adjustment at year-end rates	(1,693)	(7,514)	(348)	(817)	-	(10,372)
Depreciation for the year continued operations	6,186	31,892	3,181	3,237	-	44,496
Depreciation for the year discontinued operations	238	712	15	-	-	965
Impairment loss continued operations	-	339	-	-	-	339
Depreciation on disposed assets continued operations	(13)	(24,981)	(587)	(146)	-	(25,727)
Depreciation on disposed assets discontinued operations	(1,102)	(3,458)	(49)	(298)	-	(4,907)
Depreciation and impairment at 31 December 2013	45,553	195,242	29,126	20,086	-	290,007
Carrying amount at 31 December 2013	**89,899**	**64,141**	**5,076**	**5,551**	**18,068**	**182,735**
Assets held under finance leases included above	**-**	**735**	**-**	**-**	**-**	**735**

Notes to the consolidated financial statements

15. DEFERRED TAX ASSETS AND LIABILITIES

EUR thousands	2014	2013
At the beginning of the year	36,919	48,956
(Charged)/credited to the income statement	4,535	(12,037)
Total deferred tax assets/liabilities net	**41,454**	**36,919**

	2014			2013		
Recognised deferred tax assets and liabilities	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible assets	917	-	917	900	-	900
Property, plant and equipment	27,349	-	27,349	24,023	2,772	21,251
Inventories	1,544	-	1,544	1,123	-	1,123
Trade and other receivables	6,567	-	6,567	435	-	435
Provisions	3,349	-	3,349	5,163	(2,719)	7,882
Loans and borrowings	486	-	486	-	-	-
Other liabilities	4,813	-	4,813	2,738	-	2,738
Deferred income	38	-	38	(1,309)	-	(1,309)
Tax losses carried forward – gross	1,701	-	1,701	10,303	-	10,303
Other	(5,310)	-	(5,310)	(6,404)	-	(6,404)
	41,454	**-**	**41,454**	**36,972**	**53**	**36,919**

Property, plant and equipment
The main deferred tax asset is related to the Property, plant and equipment. This is the result of different fiscal depreciation and valuation principles.

Tax losses carried forward
The reduction of the deferred tax asset for Tax losses carried forward in 2014 is caused by the utilization of tax losses.

Notes to the consolidated financial statements

16. INVENTORIES

EUR thousands	2014	2013
Raw materials and consumables	65,134	47,283
Work in progress	5,760	6,631
Finished goods	17,869	17,909
	88,763	**71,823**

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

Provision for obsolete inventories	2014
Provision for obsolete inventories at 1 January	6,781
Exchange rate adjustements at year-end rates	579
Additions during the year	1,551
Utilized during the year	(982)
Reversed during the year	(1,947)
Provisions of obsolete inventories at 31 December	**5,982**

17. TRADE AND OTHER RECEIVABLES

EUR thousands	2014	2013
Trade receivables	120,023	131,986
Other receivables	28,913	26,457
	148,936	**158,461**

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 loss based on an individual assessment of each receivable, an analysis of which is as follows:

	2014
Impairment loss at 1 January	12,396
Exchange rate adjustments at year-end rates	895
Impairment charge for the year	5,401
Realized during the year	(2,714)
Reversal during the year	(2,227)
Impairment loss at 31 December	**13,751**

The impairment relates to a few customers, which according to Management's assessment have a 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	2014	2013
The share capital is divided into the following classes of shares		
Ordinary shares: 42,674,751 of 1 DKK nominal value	5,734	5,721
Convertible preference shares: 261,687,954 of 1 DKK nominal value	35,156	35,078
	40,890	**40,799**

EUR thousands	2014 Number of shares	2013 Number of shares	2014 Nominal value	2013 Nominal value
Portfolio at 1 January	304,362,705	304,362,705	40,799	40,799
Exchange rate adjustments at year-end rates	-	-	92	-
Portfolio at 31 December	**304,362,705**	**304,362,705**	**40,891**	**40,799**

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 467 million at 31 December 2014 (2013: EUR 380 million).

In connection with the Mezzanine Loan raised in 2001, Dresdner Kleinwort Wasserstein received subscription rights of 2.5% of the increased share capital in case of changes in the ownership control of LM Wind Power Holding A/S or in case of a share issue. The exercise price is 2 DKK per share. Some of the subscription rights have been sold by Dresdner Kleinwort Wasserstein. Pursuant to the terms and conditions, all subscription rights will automatically be exercised in case of a share issues. The various holders of subscription rights will receive a total of 770,270 new shares. The new shares shall rank pari passu with all other ordinary shares.

Treasury shares	2014 Number	2013 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	Warranties	Restructuring	Other	Total
Balance at 1 January 2014	42,914	261	18,637	61,812
Exchange rate adjustments at year-end rates	1,144	3	1,845	2,992
Provisions made during the year	29,780	7	9,741	39,528
Provisions used during the year	(22,596)	(73)	(5,315)	(27,984)
Provisions reversed during the year	(11,339)	(198)	(1,946)	(13,483)
Adjustments to the change in discounting	(1,373)	-	-	(1,373)
Balance at 31 December 2014	**38,530**	**-**	**22,962**	**61,492**
Non-current	19,530	-	10,384	29,914
Current	19,000	-	12,578	31,578
	38,530	**-**	**22,962**	**61,492**

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 2014 is recognized in "Other external expenses".

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

Notes to the consolidated financial statements

20. LOANS AND BORROWINGS

2014

EUR thousands	Corporate* 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**

2013

EUR thousands	Senior loans	Subordinated loan notes	Other	Total
After 5 years	-	-	-	-
Between 1-5 years		2,608	4,209	6,817
Non-current part		2,608	4,209	6,817
Within 1 year	308,441	-	1,103	309,544
	308,441	**2,608**	**5,312**	**316,361**

* Corporate bonds including capitalized borrowing costs of EUR 5 million.

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

In 2014 the company repaid its Senior loans through the isssuance of corporate bonds with a nominal value of EUR 130 million and a fixed interest rate of 8% per annum. Total borrowings of the corporate bond and Senior loans include amortized borrowing costs. The corporate bond is listed on NASDAQ OMX Copenhagen and will expire on March 26, 2019.

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

The Senior loans includes drawings under the a new Facility Agreement from HSBC. Drawings under the HSBC Facility Agreement amount to EUR 157 million (excluding amortized borrowing costs). The Facility Agreement matures in 2016.

Other relate to IFU loans, which shall be repaid by the end of 2018.

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 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	2014
Non-current	23,445
Current	3,434
	26,879

Notes to the consolidated financial statements

22. CONTRACTUAL OBLIGATIONS

EUR thousands	2014	2013
Finance lease liabilities		
After 5 years	-	-
Between 1-5 years	158	275
Long-term part	158	275
Within 1 year	187	208
	345	**483**
Future minimum lease payments:		
Within 1 year	197	223
Between 1-5 years	164	285
After 5 years	-	-
	361	508
Future interest on lease payments:		
Within 1 year	(10)	(15)
Between 1-5 years	(6)	(10)
After 5 years	-	-
Present value of minimum lease payments	**345**	**483**

Operating lease commitments

The minimum lease obligations relating to operating leases fall due:		
0-1 year	11,283	10,824
1 -5 years	29,928	27,382
> 5 years	6,317	8,772
Total	**47,528**	**46,978**

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 profit and loss in respect of operating leases amounted to EUR 17 million in 2014.

23. CONTINGENT ASSETS AND LIABILITIES

As disclosed in the press release issued on 14 May 2014, a tax audit in Denmark mainly relating to transfer pricing, in relation to LM Wind Power A/S was commenced in June 2012.

On 1 May 2014, the Danish tax authorities notified LM Wind Power A/S through a pre-assessment notice of their intention to increase their assessment of pre-tax income for the years 2008 through 2012.

The LM Wind Power A/S strongly disagrees with the views of the Danish tax authorities as expressed in the pre-assessment notice and has entered into a dialogue with the Danish tax authorities.

To the extent additional tax liabilities crystallize, the Group would seek to reduce such liabilities against any available tax loss carry-forwards and recover such liabilities in other jurisdictions in accordance with OECD guidance.

The Group does not intend to quantify any contingent tax liabilities regarding this assessment at this time due to impracticability.

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 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) and Danish kroner (DKK). A change in USD, CNY and DKK of one percent will have no material impact on the result (assume all other variables remain constant).

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

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

The primary interest rate exposure is related to fluctuations in EURIBOR. As of December 31, 2014, the Group had outstanding loans and borrowings of EUR 294 million of which EUR 130 million is with fixed interest rate.

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

The Group does not account any financial assets and liabilities at fair value through profit or loss 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 loss of EUR 0.1 million with a remaining period of 4 months and this value adjustment is recognized in other comprehensive income during the hedge period. Interest rate swap is valued according to market value reports received from 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.

Notes to the consolidated financial statements

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

The Group entered into a EUR 35 million Revolving Credit facility with a bank. There are minimal financial covenants to comply with.

The Group has various sources to mitigate the liquidity risk. At the reporting date, the Group's financial resources comprise cash and cash equivalents and unutilized credit facilities. The cash resources amounted to EUR 47.5 million and unutilized credit facilities amounted to EUR 28.9 million. The Group uses cash pooling to the extent legally and economically feasible; cash not pooled remains available for local operational and investment needs.

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

Notes to the consolidated financial statements

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Statement of due dates at 31 December 2014,

EUR thousands	0-1 year	1-5 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
Loans and borrowings	1,498	295,464	296,962	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	**166,898**	**298,499**	**465,397**	**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	**(29,578)**	**298,499**	**268,921**	**268,906**	**263,326**

Statement of due dates at 31 December 2013,

EUR thousands	0-1 year	1-5 years	Total*	Fair value**	Carrying amount
Financial liabilities					
Finance leases	223	285	508	483	483
Subordinated loan notes	-	2,608	2,608	2,608	2,608
Senior loans	315,609	4,211	319,820	319,829	313,753
Trade payables	92,526	-	92,526	92,526	92,526
Other payables	62,404	-	62,404	62,404	62,404
Total financial liabilities	**470,762**	**7,104**	**477,866**	**477,850**	**471,774**
Financial assets					
Cash & cash equivalents	61,148	-	61,148	61,148	61,148
Trade receivables	131,986	-	131,986	131,986	131,986
Other receivables	26,475	-	26,475	26,475	26,475
Total financial assets	**219,609**	**-**	**219,609**	**219,609**	**219,609**
Net	**251,153**	**7,104**	**258,257**	**258,241**	**252,165**

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

**) The fair value of financial liabilities is calculated using discounted cash flow models based on the market rates and credit conditions prevailing at the balance sheet date.

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 Group derived financial instruments (interest rate instruments) is fixed as fair value measurement at level 2, since fair value can be determined directly based on the actual forward rates and instalments on balance sheet dates.

Credit risks

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

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

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

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. Trade receivables are secured using 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 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.

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 separate nominee companies. 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

There have been no significant events after 31 December 2014.

Notes to the consolidated financial statements

27. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

EUR thousands	2014	2013
Audit fees:		
Statutory audit	697	678
	697	**678**
Non-audit fees:		
Other reports giving assurance	26	45
Tax services	743	388
Other services	1,033	1,712
	1,802	**2,145**
Total fees	**2,499**	**2,823**

28. ADJUSTMENTS FOR NON-CASH TRANSACTIONS

EUR thousands	2014	2013
Depreciation/amortization and other adjustments of property, plant and equipment and intangible assets including gains/losses on fixed assets	55,666	88,663
Exchange rate adjustments of foreign monetary assets and liabilities	(21,010)	(12,298)
Change in deferred income and investment grants recognized as income	2,317	3,040
Change in provisions	(320)	(19,915)
Financial income	(12,122)	(8,564)
Financial expenses	46,551	55,879
Income taxes	15,837	20,189
	86,919	**126,994**

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

EUR thousands	2014	2013
Purchase of property, plant and equipment, gross	59,272	62,695
Transferred from property, plant and equipment under construction	(34,834)	(35,038)
	24,438	**27,657**

30. PURCHASE OF INTANGIBLE ASSETS

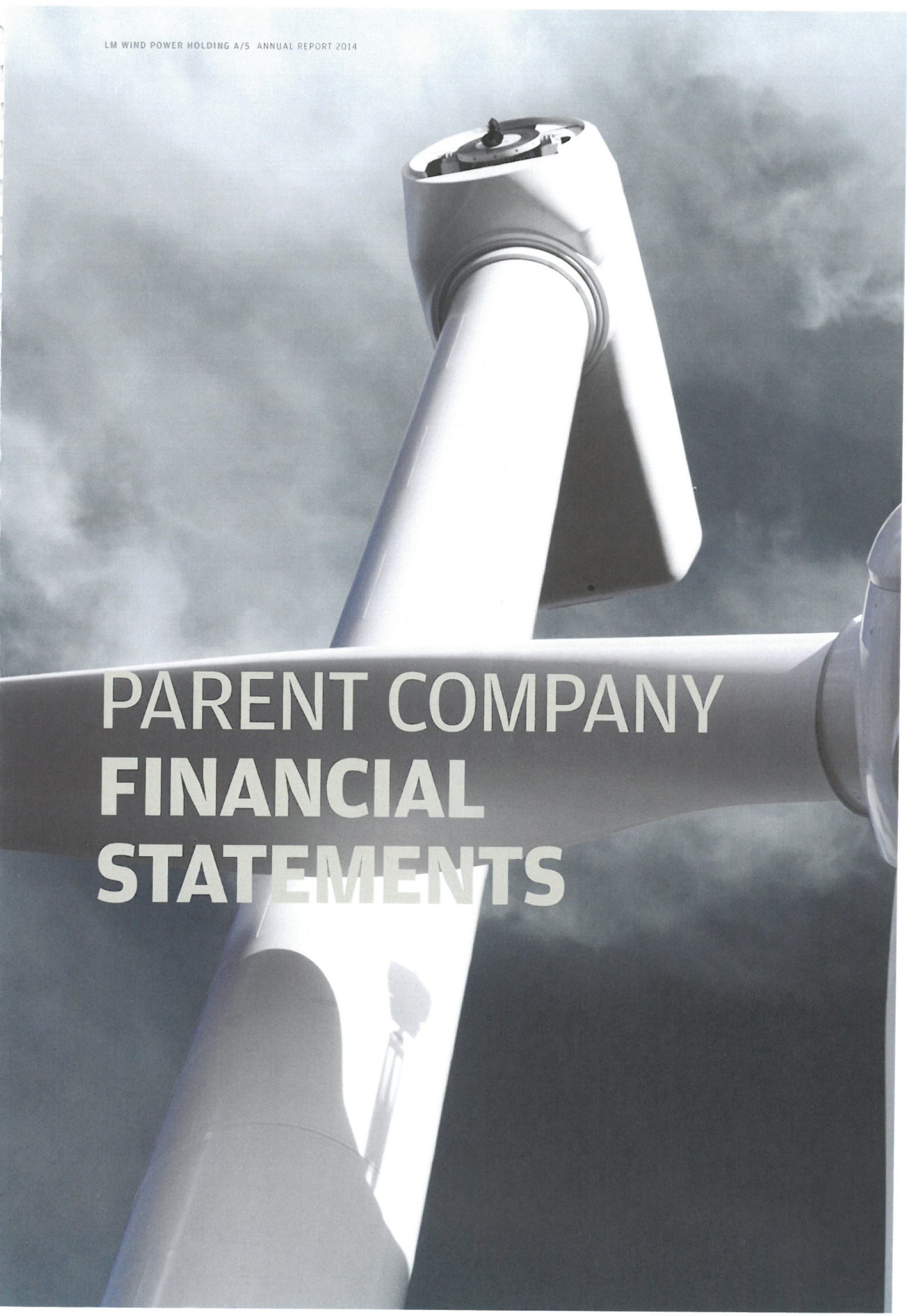
EUR thousands	2014	2013
Purchase of intangible assets, gross	13,524	26,906
Transferred from development projects under construction	(4,968)	(16,162)
	8,556	**10,743**

Notes to the consolidated financial statements

31. DISCONTINUED OPERATIONS

In December 2013, the Group completed the sale of the Brakes division. In 2014, a release of a tax liability of EUR 539k is recognized in the results, relating to the sale of the Brakes division completed in 2013. The analysis of the result of discontinued operations and the result recognized on the re-measurement of disposal group is as follows:

EUR thousands	2014	2013
(i) Summary of results		
Revenue	-	61,510
Cost of goods sold	-	(30,325)
Gross profit	-	31,185
Other operating expenses	-	(23,266)
Operating profit	-	7,919
Impairment of goodwill	-	(35,978)
Finance charges	-	(314)
Profit/(loss) before tax	-	(28,373)
Tax	539	(8,165)
Profit/(loss) after tax	539	(36,538)
Profit/(Loss) on disposal (iii)	-	2,819
Net profit/(loss)	**539**	**(33,719)**
(ii) Cash flows		
Net cash flows from operating activities	-	8,956
Net cash flows from investing activities	-	58,348
Net cash flows from financing activities	-	(74,904)
Net cash flows	**-**	**(7,600)**



PARENT COMPANY **FINANCIAL STATEMENTS**

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	2014	2013
Other external expenses		(15)	(22)
Staff expenses	2	(16)	(16)
Operating expenses		**(31)**	**(38)**
Results from operating activities		**(31)**	**(38)**
Income from investment in subsidiary after tax	1	(20,022)	(86,070)
Financial income	3	493	142
Financial expenses	4	(7,904)	(10,665)
Net finance income / costs		**(27,433)**	**(95,593)**
Profit/(loss) before income tax		**(27,464)**	**(96,632)**
Income tax	5	(1,022)	2,527
Profit/(loss) for the year		**(28,486)**	**(94,104)**

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	2014	2013
Assets			
Investments in subsidiaries		234,915	251,203
Investments	1	**234,915**	**251,203**
Deferred tax asset		650	830
Other non-current assets		**650**	**830**
Total non-current assets		**235,565**	**252,033**
Receivables from group entities		3,493	3,347
Income tax receivable		1,562	1,629
Other receivables		-	931
Cash & cash equivalents		317	508
Current assets		**5,372**	**6,415**
Total assets		**240,937**	**258,448**
Liabilities and equity			
Share capital		40,891	40,799
Retained earnings		(35,957)	(12,004)
Total equity	6	**4,934**	**28,795**
Loans and borrowings		164,991	2,608
Total non-current liabilities	7	**164,991**	**2,608**
Current portion of non-current liabilities	7	-	156,680
Payables to group entities		70,049	66,867
Other payables		963	3,498
Total current liabilities		**71,012**	**227,045**
Total liabilities		**236,003**	**229,653**
Total equity and liabilities		**240,937**	**258,448**
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 2014	1,072,095
Exchange rate adjustment year-end rates	2,420
Cost at 31 December 2014	1,074,515
Value adjustments at 1 January 2014	(820,892)
Exchange rate adjustment year-end rates	(1,815)
Income from investments in subsidiaries after tax	(20,022)
Fair value adjustment of derivative financial instruments	241
Tax on equity investments	(59)
Exchange rate adjustments	2,947
Value adjustments at 31 December 2014	(839,600)
Carrying amount at 31 December 2014	**234,915**

Companies in LM Wind Power can be fond in the "COMPANY INFORMATION" section. All companies in LM Wind Power are 100% owned except for the joint venture "LM Wind Power do Brasil S.A.".

Notes to the financial statements of the parent company

2. STAFF EXPENSES

EUR thousands	2014	2013
Staff expenses are specified as follows:		
Wages and fees	16	16
	16	**16**
Total salaries and remuneration to the Executive Board of Management and Supervisory Board amount to	16	16

The company has no employees.

3. FINANCIAL INCOME

EUR thousands	2014	2013
Interest income from group entities	131	142
Interest income, etc.	362	-
	493	**142**

4. FINANCIAL EXPENSES

EUR thousands	2014	2013
Interest expenses for group entities	2,665	2,744
Interest expenses, etc.	5,239	7,921
	7,904	**10,665**

5. INCOME TAX FOR THE YEAR

EUR thousands	2014	2013
Income tax (income)/expense	1,022	(2,527)
	1,022	**(2,527)**

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 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**

EUR thousands	Share capital	Reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2013	**40,799**	**-**	**89,705**	**130,504**
Exchange rate adjustment at year-end rates	-	-	2	2
Profit for the year	-	-	(94,104)	(94,104)
Exchange rate adjustment, foreign entities	-	(8,144)	-	(8,144)
Fair value adjustment of hedge instruments	-	716	-	716
Income tax on other comprehensive income	-	(179)	-	(179)
Total comprehensive income	**-**	**(7,607)**	**(94,102)**	**(101,709)**
Capital increase	-	-	-	-
Transfer	-	7,607	(7,607)	-
Other equity capital flow	**-**	**7,607**	**(7,607)**	**-**
Equity at 31 December 2013	**40,799**	**-**	**(12,004)**	**28,795**

* Restated due to prior period error

Specification of movements in share capital:

EUR thousands	2014	2013	2012	2011	2010
Share capital, beginning of year	40,799	40,799	33,444	33,351	33,410
Exchange rate adjustments year-end rates	92	-	(117)	93	(59)
Ordinary shares	-	-	7,472	-	-
Share capital, year end	**40,891**	**40,799**	**40,799**	**33,444**	**33,351**

The cumulative preference dividend, which is not recognised, amounted to EUR 467 million at 31 December 2014 (2013: EUR 380 million).

Notes to the financial statements of the parent company

7. LOANS AND BORROWINGS

EUR thousands	Expiry	Fixed/ floating	Effective interest rate 2014	Effective interest rate 2013	Carrying amount 2014	Carrying amount 2013
Loan currency: DKK	2017	Fixed	10.00%	10.00%	2,664	2,401
Loan currency: EUR	2017	Fixed	10.00%	10.00%	207	207
Loan currency: EUR	2016	Floating	2.25%	3.68%	162,120	156,680
Total carrying amount					**164,991**	**159,288**
Weighted average effective interest rate			**2.3%**	**3.7%**		

Subordinated Loan Notes		
Non-current	164,991	2,608
Current	-	156,680
Total liability	**164,991**	**159,288**
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 2.7 million (2013: 9 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 2014.

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 2014 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 2014.

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, 24th of March 2015

Executive Board of Management

Leo Schot
Chief Executive Officer

Nick Smith
Chief Financial Officer

Supervisory Board

pp

Richard Hanson
Chairman

John Leahy

pp

Francisco Churtichaga

Thomas Engelstoft Lindharth

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 2014, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 2014 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 2014 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.

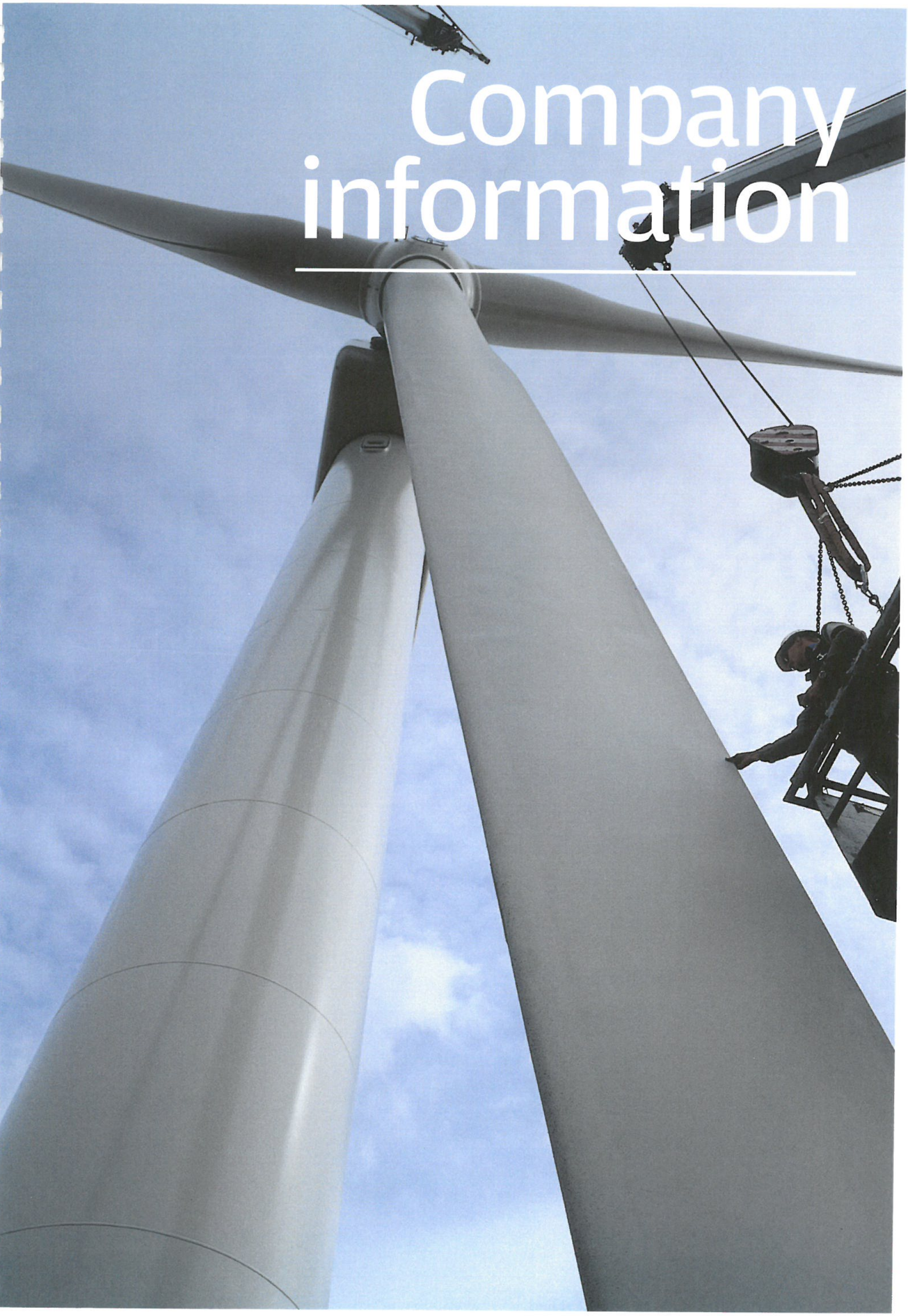
Vejle, 24th of March 2015

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard
State Authorized
Public Accountant

Per Jansen
State Authorized
Public Accountant

Company information



Group Structure

- LM Wind Power Holding A/S
  - LM WP Holdings A/S
    - LM Group Holding A/S
      - Friction Holding A/S
      - LM Wind Power Blades (Madrid), S.A.
      - LM Wind Power Blades (Ponferrada), S.A.
        - LM Wind Power Services (Spain) S.L.
        - LM Wind Power Blades Poland Sp. z o.o.
        - LM Wind Power Blades (Castellon), S.A.
          - LM Wind Power Blades (As Pontes), S.A.
        - LM Wind Power A/S
          - LM Wind Power Blades (Qinhuangdao) Co., Ltd.
          - LM WP Patent Holding A/S
          - LM Wind Power Blades (Jiangsu) Co. Ltd.
          - LM Wind Power Blades (Poland) Sp. z o.o.
          - LM Wind Power Blades (India) Private Limited
          - LM Wind Power Technologies (India) Private Limited
          - LM Wind Power Services (Poland) Sp. z o.o.
          - LM Wind Power R&D (Holland) B.V.
            - 4305825 Canada Inc.
            - LM Wind Power Services (Deutschland) GmbH
            - LM Wind Power Blades (France) S.A.S.
            - LM Wind Power Blades (Canada) Co., Inc.
            - LM Wind Power Blades (Tianjin) Co., Ltd.
            - LM Wind Power do Brasil S.A. 51%
            - LM Wind Power Blades (ND) Inc.
              - LM Wind Power Blades (Arkansas) Inc.
              - LM Wind Power Services (Americas), Inc.
                - Encore Power Services, Inc. 80%
      - LM Wind Power (Schiphol) B.V.

Directorships

Supervisory Board

Richard Hanson
Chairman

John Leahy

Francisco Churtichaga

Thomas Engelstoft Lindharth

Executive Board of Management

Leo Schot
Chief Executive Officer

Nick Smith
Chief Financial Officer

Definitions

Definition of key ratios

EBITDA margin* (%):	Operating profit before depreciation, amortization and impairment (EBITDA) * / Revenue	x 100
EBIT margin (%):	Operating profit (EBIT) / Revenue	x 100
Return on invested capital, including goodwill (%):	EBIT including goodwill / Average invested capital including goodwill **	x 100
Return on invested capital, excluding goodwill (%):	EBIT excluding goodwill impairment / Average invested capital excluding goodwill ***	x 100
Equity ratio (%):	Equity, year-end / Total assets	x 100

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 2010 by the Danish Society of Financial Analysts.

LM Wind Power Holding A/S

Annual Report 2014
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Photos: LM Wind Power