

Management's Review

2014 saw significant growth across the entire wind sector globally and LM Wind Power benefited accordingly as a market leader in the sector. The Company's 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, creating an enhanced platform for the future.

The performance of LM Group Holding A/S and its subsidiaries ("LM Wind Power", the "Company" or the "Group") continued to improve in the fourth quarter of 2014. Sales were EUR 165.8 million (an increase of 20.5% on the comparable period). The US, India and China all delivered strong growth in the quarter, compared with prior year.

EBITDA for Q4 was EUR 22.5 million, EUR 2.9 million higher than the comparable period in 2013. Full year 2014 EBITDA was EUR 77.1 million, EUR 11.5 million higher than the previous year. The main reason for this good result was higher sales volumes during 2014.

The Company produced positive year to date operating cash flows of EUR 52.4 million versus EUR 34.2 million in the previous year and group liquidity was EUR 80.2 million at the end of Q4 2014, compared with EUR 66.9 million at the end of Q3 2014, an improvement of EUR 13.3 million.

Forward Looking Statements

This report may be deemed to include forward-looking statements, such as statements that relate to the listing of the corporate bonds, the performance of LM Wind Power. Forward-looking statements are typically identified by words or phrases, such as "about", "believe," "expect," "plan," "goal," "target," "strategy," and similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." Forward-looking statements are LM Wind Power's current estimates or expectations of future events or future results. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties, including the risk that the bonds may not be listed on the date referenced herein. All forward-looking statements included in this press release are based on information available at the time of the release, and LM Wind Power assumes no obligation to update any forward-looking statement.

Interim Report for Q4 2014 (1 October 2014 - 31 December 2014)

LM Wind Power reports revenue of EUR 165.8 million and EBITDA of EUR 22.5 million for Q4 2014, both higher than the comparable period in 2013.

Highlights:

- Q4 and FY revenue were EUR 165.8 million and EUR 587.7 million respectively, up EUR 28.3 million and EUR 99.6 million respectively.
- Q4 and FY EBITDA were EUR 22.5 million and EUR 77.1 million respectively, up EUR 2.9 million and EUR 11.5 million respectively.
- Group liquidity comprising cash and undrawn credit facility amounted to EUR 80.2 million at the end of Q4 2014, an improvement of EUR 13.3 million from the end of Q3, 2014.

EUR millions	4th quarter		January to December	
	2014	2013	2014	2013
Revenue	165.8	137.5	587.7	488.1
Operating profit before depreciation and amortization (EBITDA)	22.5	19.6	77.1	65.6
Results from operating activities before special items	(0.4)	8.3	21.2	13.7
Profit/(Loss) before income tax	(2.0)	(8.4)	5.8	(31.8)
Profit/(Loss) for the period from continuing operations	(4.7)	(31.9)	(9.6)	(46.4)
Profit/(Loss) for the period	(4.7)	(7.4)	(9.1)	(80.1)
EBITDA:				
Results from operating activities before special items	(0.4)	8.3	21.2	13.7
Depreciation and amortization	22.8	11.3	55.9	51.9
EBITDA	22.5	19.6	77.1	65.6

This interim report for Q4 2014 has not been audited or reviewed.

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Financial Review

To facilitate a like-for-like comparison, the Q4 2013 income statement figures have been restated to reflect the disposal of the Svendborg Brakes business which took place in December 2013. The Svendborg Brakes operating result in 2013 is presented as a separate item under “discontinued operations” in the consolidated income statement.

Revenue

Revenue in Q4 2014 increased EUR 28.3 million or 20.5% to EUR 165.8 million compared with EUR 137.5 million in Q4 2013. FY revenue was EUR 587.7 million versus EUR 488.1 million last year, an increase of EUR 99.6 million or 20.4%.

The US, India and China all delivered strong growth in the quarter, compared with prior year.

Operating expenses

Q4 2014 cost of sales of EUR 75.6 million represented 45.6% of revenue, compared with 39.9% in Q4 2013. The FY 2014 cost of sales was EUR 254.7 million (43.3% of revenue) against EUR 194.9 million (39.9%) in 2013.

The key drivers for this increase in percentage are:

- Start-up costs for new blade types and new manufacturing processes to meet strong market demand in the USA.
- Declines in average selling prices.
- Cost of air-freighting certain raw materials which were in short supply.

Other external expenses of EUR 26.9 million (16.3% of revenue) in Q4 2014 were EUR 2.2 million higher than EUR 24.7 million (18.0%) in Q4 2013. For FY 2014, costs of EUR 95.7 million (16.3% of revenue) were EUR 10.0 million higher than 2013. As a percentage of revenue, the Group’s performance improved compared with the same quarter last year, as well as on the FY basis.

Fourth quarter staff expenses were EUR 40.8 million (24.6% of revenue) against EUR 36.8 million (26.8%) in the same quarter last year. For FY 2014, the staff expenses of EUR 160.7 million (27.3% of revenue) were 17.4 million higher than 2013. The year-on-year increase is largely direct labor in the US due to increased volume, as outlined above. As a percentage of revenue, the Group performed better both on the quarter and FY basis.

The depreciation and amortization charges of EUR 22.8 million in Q4 2014 were EUR 11.6 million higher than Q4 2013. The higher depreciation in the quarter is due to an impairment of EUR 10.4 million on certain tangible fixed assets as a result of the Group’s annual assessment of ongoing investment projects and their expected return. The Group recorded FY 2014 charges of EUR 55.9 million compared with EUR 51.9 million last year. The increase in depreciation and amortization charges is due to the impairment in Q4 2014, partly offset by the revision of the useful lives for certain fixed asset categories in Q2 2014. Further information on the revised useful lives is disclosed in the Q2 2014 Interim Report.

EBITDA (defined as results from operating activities before special items, after adding back depreciation and amortization)

EBITDA for Q4 2014 was EUR 22.5 million, EUR 2.9 million higher than the same period in 2013. FY 2014 EBITDA was EUR 77.1 million, EUR 11.5 million higher than the previous year. This good performance is the largely the result of higher sales.

Special items

Included within special items charged below EBITDA are costs mainly related to management restructuring. Special items for Q4 2014 was an income EUR 22 thousand compared with an expense of EUR 1.3 million in Q4 2013. Total special items in FY 2014 amounted to EUR 2.1 million versus EUR 2.5 million in 2013.

Share of loss of equity accounted investment

In Q4 2014, the Group's 51% share of the loss in the joint venture in Brazil was EUR 2.1 million. The FY 2014 share of the loss amounted to EUR 8.3 million. This continued loss was caused by slower than expected ramp-up to full production during 2014, and the costs of air-freighting certain raw materials which were in short supply.

Financial income and expenses

Net finance costs for Q4 2014 were an income of EUR 0.5 million (FX gain of EUR 6.9 million offsetting interest expense of EUR 6.1 million and amortization of borrowing costs of EUR 0.3 million) compared with an expense of EUR 13.7 million in Q4 2013 (FX loss of EUR 5.3 million, interest expense of EUR 6.7 million and amortization of borrowing costs of EUR 1.7 million).

For FY 2014, net finance costs amounted to EUR 5.0 million (FX gain of EUR 15.0 million; amortization of borrowing costs of EUR 6.6 million largely due to the redemption of Senior Facilities; interest expense of EUR 13.4 million) versus EUR 41.3 million in 2013 (FX loss of EUR 16.8 million; amortization of borrowing costs of EUR 6.9 million; interest expense of EUR 17.6 million).

Tax

In Q4 2014, the Group incurred a tax expense of EUR 2.6 million compared with a tax expense of EUR 23.5 million in the same quarter last year. Q4 2013 was heavily impacted by de-recognition of certain deferred tax assets as a result of a reassessment at the end of 2013.

For FY 2014, the Group incurred a EUR 15.4 million tax expense compared with a tax expense of EUR 14.6 million in 2013. This increase is largely due to improved profitability.

Net result

The net result for Q4 2014 was a loss of EUR 4.7 million (due to the impairment of EUR 10.4 million) compared with a loss of EUR 7.4 million in Q4 2013. The FY 2014 net result was a loss of EUR 9.1 million (largely due to the impairment of EUR 10.4 million) versus a loss of EUR 80.1 million in 2013. The higher net loss in 2013 was mainly caused by the disposal of the Svendborg Brakes business, including the related goodwill impairment. The Group sold Svendborg Brakes at the end of 2013. All results related to the Svendborg Brakes business are presented as discontinued operations.

Net debt

At the end of Q4 2014, the Group had net debt of EUR 82.4 million, compared with EUR 98.0 million at the end of Q3 2014. This reduction is largely due to temporary positive cash effects, which will unwind early in 2015.

In March 2014, the Company redeemed its senior facilities of EUR 158.4 million, partly through issuance of a corporate bond with a nominal value of EUR 130 million and a fixed interest rate of 8% per annum. The corporate bond has a five year term. The interest is payable on a semi-annual basis in arrears; the first interest payment was made in September 2014. The corporate bond was listed on NASDAQ OMX Copenhagen in May 2014.

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

Cash flows

For FY 2014, the operating activities before financial items and tax resulted in a cash inflow of EUR 80.0 million compared with a cash inflow of EUR 74.2 million in 2013, an improvement of EUR 5.8 million.

Financial expenses have resulted in a cash outflow of EUR 11.0 million in FY 2014, compared with a cash outflow of EUR 17.1 million in 2013. The decrease was mostly attributable to the different financing structure compared with 2013 that led to lower interest payments in 2014.

For FY 2014, the cash outflow from investing activities was EUR 35.7 million, compared with an inflow of EUR 22.2 million in 2013 as a result of the disposal of the Svendborg Brakes business. Excluding the disposal, the cash outflow from investing activities in 2013 amounted to EUR 38.0 million.

Group liquidity

Q4 2014 net cash and cash equivalents were EUR 47.2 million, compared with EUR 60.6 million at year-end 2013. This reduction in net cash and cash equivalents was mainly driven by the repayment of the Senior Facilities in March 2014 (see Net debt commentary earlier). In addition to the gross cash balance of EUR 52.1 million (net EUR 47.2 million), the Group had unutilized credit facilities of EUR 28.1 million, giving a total liquidity position of EUR 80.2 million at the end of Q4 2014, compared with EUR 66.9 million at the end of Q3 2014. This improvement is largely due to temporary positive cash effects, which will unwind early in 2015.

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Interim Report of LM Group Holding A/S for the financial period 1 January 2014 – 31 December 2014.

The Interim Report is prepared in accordance with IAS 34 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 Interim Report gives a true and fair view of the financial position as at 31 December 2014 of the Group and of the results of the Group's operations and the cash flows for the financial period 1 January 2014 – 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, of the results for the financial period and of the financial position of the Group as well a description of the most significant risks and elements of uncertainty facing the Group. Besides what has been in the Interim Report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated financial statements for 2013.

Kolding, 27 February 2015

Executive Board of Management

Leo Schot
Chief Executive Officer

Supervisory Board

John Leahy
Chairman

Leo Schot

Nick Smith

Søren Høffer

General information

1. Reporting entity

LM Group Holding A/S (the “**Company**”) is a company domiciled in Denmark. These **condensed consolidated interim financial statements** (“interim financial statements”) as at and for the 12 months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in a joint venture. The Group is primarily involved in manufacturing wind turbine blades.

The Company’s functional currency is Danish kroner. These interim financial statements are, however, presented in Euro rounded up to the nearest thousand.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. Any events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013 are disclosed in the “Financial Review”. These interim financial statements were authorized for issue by the Company’s Board of Directors on 27 February 2015.

(b) Judgments and estimates

In preparing these interim financial statements, Management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Except for the revised useful lives for certain fixed assets mentioned in the Q2 interim report, the significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013 on pages 40-41.

(c) Presentation change for Equity Accounted Investment

Share of profit/(loss) of equity accounted investment is reclassified from the Operating Income section to a separate item 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 operational activities. The comparatives have also been changed.

3. Significant accounting policies

Except for the changes in estimated useful lives of certain fixed assets outlined above, the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2013 on pages 26-32.

4. Segment information

The Group is a supplier of wind turbine blades for the global market. Besides offering different types of blade products, no structural or organizational aspects are taken by the Group’s management in terms of earning segmentation. In addition, production processes, internal controls and reporting are identical throughout the whole group. Therefore, the Group has not presented a segmental analysis.

5. Contingent liabilities

As previously reported, a tax audit, 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 through a pre-assessment notice of their intention to increase their assessment of pre-tax income for the years 2008 through 2012. The Group 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 authorities with the intention of clarifying the claim's factual background. 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.

Consolidated income statement

EUR thousands	4th quarter		January to December	
	2014	2013	2014	2013
Revenue	165,756	137,504	587,739	488,142
Other income	65	(1,519)	432	1,317
Operating Income	165,821	135,985	588,171	489,459
Cost of sales	75,595	54,813	254,691	194,907
Other external expenses	26,936	24,738	95,687	85,659
Staff expenses	40,840	36,844	160,743	143,250
Depreciation and amortization	22,830	11,288	55,890	51,896
Operating expenses before special items	166,201	127,683	567,011	475,712
Results from operating activities before special items	(380)	8,302	21,160	13,747
Special items	(22)	1,269	2,136	2,515
Results from operating activities	(358)	7,033	19,024	11,232
Result of equity accounted investment	(2,156)	(1,742)	(8,256)	(1,742)
Net finance costs	476	(13,656)	(5,004)	(41,297)
Profit/(Loss) before income tax	(2,038)	(8,365)	5,764	(31,807)
Income tax	2,621	23,522	15,357	14,555
Profit/(Loss) for the period from continuing operations	(4,659)	(31,887)	(9,593)	(46,362)
<u>Discontinued operations</u>				
Profit/(loss) for the period from discontinued operations	-	24,460	539	(33,791)
Profit/(Loss) for the period	(4,659)	(7,355)	(9,054)	(80,081)

Consolidated statement of comprehensive income

EUR thousands	4th quarter		January to December	
	2014	2013	2014	2013
Profit/(Loss) for the period	(4,659)	(7,355)	(9,054)	(80,081)
Other comprehensive income				
Items that may be subsequently reclassified to income statement:				
Exchange rate adjustments at period end	15	(187)	887	(6)
Exchange rate adjustment, foreign entities	(880)	329	4,301	(5,322)
Exchange rate adjustment, foreign entities recognized on disposal	-	(2,819)	-	(2,819)
Fair value adjustment of hedge instruments	-	189	(1,509)	642
Income tax on other comprehensive income	-	(99)	370	(160)
Other comprehensive income for the period, net of income tax	(865)	(2,587)	4,050	(7,665)
Total comprehensive income for the period	(5,524)	(9,942)	(5,004)	(87,746)

Consolidated balance sheet

EUR thousands	31 December 2014	31 December 2013
Assets		
Goodwill	244,761	244,368
Completed development projects	21,610	23,237
Development projects in progress	4,429	1,471
Intangible assets	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	167,001	182,735
Equity accounted investments	-	-
Other securities	535	355
Deferred tax asset	40,804	36,142
Other non-current assets	41,339	36,497
Total non-current assets	479,140	488,307
Inventories	88,763	71,823
Trade and other receivables	148,936	157,532
Receivables from Group companies	66,581	63,536
Income taxes	14,124	20,890
Prepayments	5,809	4,541
Cash & cash equivalents	47,223	60,640
Total current assets	371,436	378,962
Total assets	850,576	867,269

Consolidated balance sheet

EUR thousands	31 December 2014	31 December 2013
Liabilities and equity		
Share capital	9.399	9.378
Other reserves	1.730	(1.445)
Retained earnings	377.091	385.291
Total equity	388.220	393.224
Provisions	29.914	32.138
Loans and borrowings	127.765	4.211
Finance leases	158	275
Prepayments from customers	34.529	26.527
Deferred tax liabilities	-	53
Deferred income	23.445	21.522
Total non-current liabilities	215.811	84.726
Provisions	31.578	29.674
Loans and borrowings	1.498	152.864
Finance leases	187	208
Prepayments from customers	19.815	19.616
Income taxes	25.803	32.495
Trade payables	113.106	92.526
Other payables	51.124	58.895
Deferred income	3.434	3.040
Total current liabilities	246.545	389.319
Total liabilities	462.356	474.045
Total equity and liabilities	850.576	867.269

Consolidated statement of changes in equity

EUR thousands	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total
Equity at 31 December 2014	9,378	(2,581)	1,136	385,291	393,224
Profit for the period	-	-	-	(9,054)	(9,054)
Other comprehensive income	21	4,311	(1,136)	855	4,050
Equity at 31 December 2014	9,399	1,730	-	377,092	388,220
Equity at 31 December 2013	9,378	5,560	654	465,378	480,970
Profit for the period	-	-	-	(80,081)	(80,081)
Other comprehensive income	-	(8,141)	482	(6)	(7,665)
Equity at 31 December 2013	9,378	(2,581)	1,136	465,372	393,224

Consolidated statements of cash flows

EUR thousands	January to December 2014	January to December 2013
Loss for the period	(9.054)	(80.081)
Adjustments for non-cash transactions	77.589	121.002
Changes in working capital	11.416	33.233
Cash flows from operations before financial items and tax	79.951	74.154
Net financial expenses	(10.962)	(17.106)
Cash flows from operations before tax	68.989	57.048
Income tax paid	(16.543)	(22.826)
Cash flow from operating activities	52.446	34.222
Disposal of subsidiary net of cash	-	60.194
Purchase of property, plant and equipment	(24.438)	(27.657)
Sale of property, plant and equipment	436	392
Purchase of intangible assets	(8.556)	(10.743)
Change in loans to joint venture	(3.140)	-
Cash flow from investing activities	(35.698)	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	(13.933)	(29.663)
Cash and cash equivalents beginning of year	60.640	90.303
Net change in cash and cash equivalents	(13.933)	(29.663)
Exchange rate adjustments on cash & cash equivalents	516	.
Cash and cash equivalents at period end	47.223	60.640