INTERIM REPORT
Q2 2016

LM GROUP HOLDING A/S
CVR number 25 71 17 77

lmwindpower.com

Management's review

Summary

LM Group Holding A/S and its subsidiaries ("LM Wind Power", the "Company" or the "Group") delivered strong growth in revenue and profitability in the second quarter of 2016 reflecting the continued demand for the Company's products.

Revenue for the Group in Q2 2016 increased by EUR 81.1 million or 45.4% to EUR 259.7 million compared with EUR 178.6 million in Q2 2015, driven by higher volumes. At constant exchange rates, Q2 revenue grew 53.8% from the same quarter last year. H1 2016 revenue was EUR 491.3 million, up EUR 139.7 million or 39.7% from the same period last year. At constant exchange rates, year-on-year H1 revenue increased by 44.6%. All regions showed double-digit year-on-year revenue growth, at both actual and constant exchange rates, for both Q2 and H1.

EBITDA for Q2 2016 increased to EUR 48.8 million, up EUR 21.4 million or 78.0% compared with Q2 2015 driven by continued volume growth. At constant exchange rates, EBITDA for Q2 2016 was EUR 22.0 million or 82.0% higher than the same quarter last year. H1 2016 EBITDA was EUR 87.3 million, up EUR 39.2 million or 81.3% from EUR 48.1 million in H1 2015. At constant exchange rates, H1 2016 EBITDA was EUR 42.6 million or 95.6% higher than the same period last year.

The net result for Q2 2016 was a profit of EUR 17.7 million compared with a loss of EUR 4.2 million in Q2 2015. Year-to-date, the Group has delivered a net profit of EUR 26.2 million, versus EUR 3.0 million in the same period last year.

Operating cash inflow in H1 2016 was EUR 78.9 million versus EUR 14.2 million in H1 2015. This improvement was mainly due to higher profitability and an increase in customer downpayments, despite an adverse working capital movement. Group liquidity at the end of Q2 2016 was EUR 133.6 million compared with EUR 93.1 million in Q1 2016.

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.

Cover page caption: Transportation of the world's longest blade of 88.4 meters, produced by LM Wind Power, Lunderskov Denmark.

Interim report for Q2 2016 (1 April – 30 June 2016)

LM Wind Power reports:

- For Q2 2016, revenue of EUR 259.7 million (up 45.4% year-on-year) and EBITDA of EUR 48.8 million (up 78.0% year-on-year).
- EBIT of EUR 30.4 million for Q2 2016, compared with EUR 15.7 million in Q2 2015.
- A net profit of EUR 17.7 million for Q2 2016, compared with a loss of EUR 4.2 million in Q2 2015.
- Liquidity of EUR 133.6 million as at 30 June 2016, compared with EUR 93.1 million as at 31 March 2016.
- Net debt of EUR 90.3 million as at 30 June 2016 and a leverage ratio (Net Debt / EBITDA) of 0.63x, compared with net debt of EUR 131.2 million as at 31 March 2016 and a leverage ratio of 1.08x.

	2nd quarter		**January to June**	
EUR millions	**2016**	**2015**	**2016**	**2015**
Revenue	259.7	178.6	491.3	351.6
Operating profit before depreciation and amortization (EBITDA)	48.8	27.4	87.3	48.1
Results from operating activities before special items (EBIT)	30.4	15.7	52.6	25.5
Profit before income tax	25.8	1.8	39.8	15.9
Profit/(loss) for the period	17.7	(4.2)	26.2	3.0
EUR millions				
Results from operating activities before special items (EBIT)	30.4	15.7	52.6	25.5
Depreciation and amortization	18.4	11.7	34.7	22.6
EBITDA	**48.8**	**27.4**	**87.3**	**48.1**

This interim report for Q2 2016 has not been audited or reviewed.

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Financial review

Revenue

Revenue in Q2 2016 was EUR 259.7 million, an increase of EUR 81.1 million or 45.4% compared with EUR 178.6 million in Q2 2015. The increase at constant exchange rates was 53.8%. H1 2016 revenue was up EUR 139.7 million or 39.7% at EUR 491.3 million compared with EUR 351.6 million in the same period in 2015. At constant exchange rates, year-to-date growth was 44.6%.

The strong revenue growth was primarily driven by higher volumes as a result of the market growth and higher demand for the Group's products. The inclusion of Brazil (which was not consolidated in H1 2015 when it was a joint venture) and the second plant in India contributed EUR 40.9 million of the year-on-year revenue increase. Revenue increased year-on-year in all regions at both actual and constant exchange rates, with Europe showing the highest growth rate.

Operating expenses

Q2 2016 cost of sales was EUR 100.7 million (38.8% of revenue) compared with EUR 73.8 million (41.3%) in Q2 2015. Improved performance in cost of sales is partly attributable to the Group's cost saving programmes, and also sales benefitting from the release of deferred income i.e. the release of non-refundable downpayments from customers, which have been rising in line with capital expenditure. H1 2016 cost of sales was EUR 187.0 million (38.1% of revenue) compared with EUR 152.7 million (43.4% of revenue) in the same period last year.

Q2 2016 other external expenses were EUR 42.0 million (16.2% of revenue), which is EUR 13.4 million higher than EUR 28.6 million (16.0%) in Q2 2015. The absolute increase is primarily due to volume but as a percentage of revenues it is broadly in line with the same quarter last year. H1 2016 other external expenses amounted to EUR 86.0 million (17.5% of revenue) compared with EUR 56.3 million (16.0% of revenue) in the same period last year, with the increase as a percentage of sales largely due to the addition of Brazil and the new Indian plant, neither of which are yet at the operational efficiency of the Group's more mature plants.

Q2 2016 staff expenses were EUR 68.4 million (26.4% of revenue), EUR 19.6 million higher than EUR 48.9 million (27.4% of revenue) in Q2 2015 due to both volume and the addition of Brazil and the new Indian plant. H1 2016 staff expenses amounted to EUR 131.4 million (26.7% of revenue) compared with EUR 94.6 million (26.9% of revenue) in the same period last year.

Q2 2016 depreciation and amortization charges were EUR 18.4 million, up EUR 6.8 million compared with Q2 2015. H1 2016 was EUR 34.7 million compared with EUR 22.6 million in H1 2015. The increase was mainly driven by the higher capital expenditure in 2015 and 2016 to support growth, and the additional depreciation on transport equipment, which was reclassified from inventory to tangible fixed assets in October 2015, as disclosed in the 2015 annual report.

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

The Group delivered a strong EBITDA of EUR 48.8 million in Q2 2016 (18.8% of revenue), which represents an increase of EUR 21.4 million or 78.0% compared with the EBITDA of EUR 27.4 million (15.3% of revenue) in Q2 2015. The increase at constant exchange rates was 82.0%. The higher EBITDA was due to higher sales volumes, continued cost control and operational leverage with higher revenues over a cost base which is partly fixed.

H1 2016 EBITDA was EUR 87.3 million (17.8% of revenue), an increase of EUR 39.2 million or 81.3% compared with the same period in 2015 of EUR 48.1 million (13.7% of revenue). At constant exchange rates, H1 2016 EBITDA was 95.6% higher than H1 2015. The YTD EBITDA of EUR 87.3 million included an EBITDA loss of EUR 1.5 million from the additions of Brazil (which generated a positive year-to-date EBITDA) and the new Indian plant (which reported an EBITDA loss in H1 2016 due to only starting production in February 2016).

Special items

There were no special items in Q2 and H1 2016 compared with costs of EUR 2.3 million in Q2 2015 and EUR 4.8 million in H1 2015. The costs in 2015 were mainly related to consultancy costs to improve the performance of the Brazilian business, which was a joint venture at that time.

Share of loss of equity accounted investment

H1 2015 share of loss was from the joint venture in Brazil. On 14 December 2015, the Group acquired the remaining 49% interest in LM Wind Power do Brasil S.A. from its joint venture partner. The plant is now a fully owned subsidiary of the Group and is therefore fully consolidated in 2016.

Financial income and expenses

Q2 2016 net finance expense was EUR 4.6 million (FX gain of EUR 2.4 million, interest expense of EUR 6.5 million and amortization of borrowing costs of EUR 0.5 million) compared with net finance expense of EUR 7.9 million in Q2 2015 (FX loss of EUR 3.8 million, interest expenses of EUR 3.6 million and amortization of borrowing costs of EUR 0.5 million).

H1 2016 net finance expense was EUR 12.7 million (FX gain of EUR 0.5 million, interest expense of EUR 12.2 million and amortization of borrowing costs of EUR 1.0 million) against an income of EUR 3.1 million in H1 2015 (FX gain of EUR 10.7 million, interest expense of EUR 6.7 million and amortization of borrowing costs of EUR 0.9 million)

Tax

The Group reported a tax expense of EUR 8.1 million in the second quarter of 2016, compared with EUR 6.0 million in Q2 2015. H1 2016 tax expense was EUR 13.7 million compared with EUR 12.9 million in H1 2015. The effective tax rate was 34.3% in H1 2016 compared with 81.1% in H1 2015. The lower effective tax rate in H1 2016 was largely due to the consolidation of Brazil and recognition of deferred tax assets for tax losses in Spain and the US as a result of the improved profitability in these entities.

Net result

The net result for Q2 2016 was a profit of EUR 17.7 million compared with a loss of EUR 4.2 million in Q2 2015. The higher net profit was due to higher sales and better operational performance. For H1 2016, the Group recorded a net profit of EUR 26.2 million, an increase of EUR 23.2 million from the net profit of EUR 3.0 million in H1 2015.

Net debt

Net debt at the end of Q2 2016 was EUR 90.3 million compared with EUR 131.2 million at the end of Q1 2016 and EUR 94.6 million at the end of 2015. The higher net debt in Q1 2016 was due to high capital expenditure (including investment in the new factory in India), plus an adverse working capital movement, primarily driven by two factors – (i) bringing overdue supplier payments up to date in Brazil, following the acquisition of the joint venture partner's 49% share in December 2015; and (ii) certain customers delaying payment at the end of Q1 (the payments from customers were received in early April). Q2 net debt benefited from downpayments received in advance from customers for future capital expenditure.

Cash flows

For the first half of 2016, operating activities resulted in a cash inflow of EUR 78.9 million, compared with a cash inflow of EUR 14.2 million in the first half of 2015. The positive development in operating cash flows was mainly due to higher profitability and an increase in customer downpayments, partly offset by an adverse working capital movement.

Capital expenditure amounted to EUR 69.6 million in H1 2016 compared with EUR 31.2 million in the same period in 2015. However, this higher capital expenditure was partially funded by downpayments received from customers. The increase in capital expenditure includes the completion of the new plant in India, which started production in February 2016, ahead of schedule.

Group liquidity

The net cash and cash equivalents were EUR 98.7 million as at 30 June 2016, compared with EUR 87.5 million at the end of 2015. In addition to the cash balance, the Group had unutilized credit facilities of EUR 34.9 million giving a total liquidity position of EUR 133.6 million at the end of June 2016, compared with EUR 93.1 million in Q1 2016 and EUR 129.2 million at the end of 2015. The higher liquidity in Q2 2016 was partly due to customer downpayments received in advance for future capital expenditure.

Management's statement

The Board of Directors and the Executive Board have today considered and adopted the Interim Report of LM Group Holding A/S for the financial period 1 January 2016 – 30 June 2016.

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 30 June 2016 of the Group and of the results of the Group's operations and the cash flows for the financial period 1 January 2016 – 30 June 2016.

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 as a description of the most significant risks and elements of uncertainty facing the Group. Besides what has been disclosed 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 2015.

Kolding, 12 August 2016

Executive Board

Marc de Jong
Chief Executive Officer

Board of Directors

John Leahy Chairman	Alex Moss	
Marc de Jong	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 six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). 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 2015 are disclosed in the "Financial Review". These interim financial statements were authorized for issue by the Company's Board of Directors on 12 August 2016.

(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.

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 2015 on pages 41-42.

3. Significant accounting policies
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 2015 on pages 34-40.

4. Segment information
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. Therefore, the Group has not presented a segmental analysis.

5. Subsequent events
No events have occurred after the balance sheet date that will have a material effect on the Group's financial standing.

Consolidated income statement

EUR thousands	2nd quarter 2016	2nd quarter 2015	January to June 2016	January to June 2015
Revenue	259,721	178,589	491,292	351,627
Other income	236	(3)	368	-
Operating Income	**259,957**	**178,586**	**491,660**	**351,627**
Cost of sales	(100,734)	(73,760)	(187,012)	(152,693)
Other external expenses	(41,988)	(28,557)	(86,008)	(56,250)
Staff expenses	(68,438)	(48,860)	(131,384)	(94,552)
Depreciation and amortization	(18,425)	(11,662)	(34,707)	(22,663)
Operating expenses before special items	**(229,585)**	**(162,839)**	**(439,111)**	**(326,158)**
Results from operating activities before special items	**30,372**	**15,747**	**52,549**	**25,469**
Special items	-	(2,314)	-	(4,832)
Results from operating activities	**30,372**	**13,433**	**52,549**	**20,637**
Share of result of equity accounted investment	-	(3,728)	-	(7,827)
Net finance costs	(4,594)	(7,871)	(12,717)	3,087
Profit before income tax	**25,778**	**1,834**	**39,832**	**15,897**
Income tax	(8,071)	(5,985)	(13,675)	(12,888)
Profit/(loss) for the period	**17,707**	**(4,151)**	**26,157**	**3,009**

Consolidated statement of comprehensive income

EUR thousands	2nd quarter 2016	2nd quarter 2015	January to June 2016	January to June 2015
Profit/(loss) for the period	**17,707**	**(4,151)**	**26,157**	**3,009**
Other comprehensive income				
Items that may be subsequently reclassified to income statement:				
Exchange rate adjustments at period end	792	(114)	1,223	(983)
Exchange rate adjustment, foreign entities	(4,454)	(3,624)	(9,168)	7,602
Fair value adjustment of hedge instruments	(185)	-	(388)	-
Other comprehensive income for the period, net of income tax	**(3,847)**	**(3,738)**	**(8,333)**	**6,619**
Total comprehensive income for the period	**13,860**	**(7,889)**	**17,824**	**9,628**

Consolidated balance sheet

EUR thousands	30 June 2016	31 December 2015
Assets		
Goodwill	278,384	277,694
Completed development projects	24,571	28,483
Development projects in progress	10,750	4,177
Intangible assets	**313,705**	**310,354**
Land and buildings	92,717	97,718
Plant and machinery	156,735	132,861
Fixtures, fittings and equipment	7,314	7,249
Leasehold improvements	6,538	2,678
Property, plant and equipment under construction	31,989	29,603
Property, plant and equipment	**295,293**	**270,109**
Equity accounted investments	-	-
Other securities	542	421
Deferred tax asset	76,582	78,047
Other non-current assets	**77,124**	**78,468**
Total non-current assets	**686,122**	**658,931**
Inventories	97,396	77,092
Trade and other receivables	157,225	160,602
Receivables from Group companies	68,771	68,881
Income taxes	8,159	22,846
Prepayments	14,004	9,943
Cash & cash equivalents	98,717	87,488
Total current assets	**444,272**	**426,852**
Total assets	**1,130,394**	**1,085,783**

Consolidated balance sheet

EUR thousands	30 June 2016	31 December 2015
Liabilities and equity		
Share capital	9,404	9,375
Other reserves	7,505	6,078
Retained earnings	398,367	381,999
Total equity	**415,276**	**397,452**
Provisions	40,953	39,441
Loans and borrowings	182,294	175,278
Finance leases	3,290	1,258
Prepayments from customers	74,114	80,823
Deferred tax liabilities	-	-
Deferred income	81,288	39,934
Total non-current liabilities	**381,939**	**336,734**
Provisions	40,350	41,349
Loans and borrowings	1,988	5,211
Finance leases	1,446	294
Prepayments from customers	44,137	48,132
Income taxes	36,245	49,276
Trade payables	121,612	124,047
Other payables	67,025	73,278
Deferred income	20,376	10,010
Total current liabilities	**333,179**	**351,597**
Total liabilities	**715,118**	**688,331**
Total equity and liabilities	**1,130,394**	**1,085,783**

Consolidated statement of changes in equity

EUR thousands	Share capital	Other reserves: Translation reserve	Other reserves: Hedging reserve	Retained earnings	Total
Equity at 1 January 2016	**9,375**	**6,663**	**(585)**	**381,999**	**397,452**
Profit for the period	-	-	-	26,157	26,157
Other comprehensive income	29	1,817	(390)	(9,789)	(8,333)
Equity at 30 June 2016	**9,404**	**8,480**	**(975)**	**398,367**	**415,276**
Equity at 1 January 2015	**9,399**	**1,730**	**-**	**377,091**	**388,220**
Profit for the period	-	-	-	3,009	3,009
Other comprehensive income	(24)	1,963	-	4,680	6,619
Equity at 30 June 2015	**9,375**	**3,693**	**-**	**384,780**	**397,848**

Consolidated statement of cash flows

EUR thousands	January to June 2016	January to June 2015
Profit for the period	**26,157**	**3,009**
Adjustments for non-cash transactions	109,547	48,049
Changes in working capital	(35,943)	(18,215)
Cash flows from operations before financial items and tax	**99,761**	**32,843**
Net financial expenses	(12,035)	(8,103)
Cash flows from operations before tax	**87,726**	**24,740**
Income tax paid	(8,836)	(10,538)
Cash flows from operating activities	**78,890**	**14,202**
Purchase of property, plant and equipment	(63,070)	(23,775)
Purchase of intangible assets	(6,560)	(5,925)
Investments in equity accounted investments	-	(1,462)
Cash flows from investing activities	**(69,630)**	**(31,162)**
Repayment of long term debt	(4,983)	(749)
Proceeds of long-term debt	7,000	-
Cash flows from financing activities	**2,017**	**(749)**
Net change in cash and cash equivalents	**11,277**	**(17,709)**
Cash and cash equivalents beginning of period	87,488	47,223
Net change in cash and cash equivalents	11,277	(17,709)
Exchange rate adjustments on cash & cash equivalents	(48)	-
Cash and cash equivalents at period end	**98,717**	**29,514**