

Friction Holding A/S

CVR no. 31 51 51 22

Annual report for 2014

Adopted at the annual general meeting on 24 April 2015

Peder Toft Nielsen
Chairman

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Statement by Management on the annual report

Today, the Executive and Supervisory Boards have discussed and approved the annual report of Friction Holding A/S for the financial year 1 January - 31 December 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2014 and of the results of its operations for the financial year 1 January - 31 December 2014.

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

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

Kolding, 24 April 2015

Executive Board

Leo Schot

Supervisory Board

Søren Høffer
Chairman

Leo Schot

Nick Smith

Manfred Egelwisse

Independent Auditor's Report

To the Shareholder of Friction Holding A/S

Report on the financial statements

We have audited the financial Statements of Friction Holding A/S for the financial year 1 January - 31 December 2014, which comprise summary of significant accounting policies, income statement, balance sheet and notes, for the Company. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements gives a true and fair view of the Company's financial position at 31 December 2014 and of the results of the Company's operations for the financial year 1 January - 31 December 2014 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report

Statement on Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the Financial Statements.

Vejle, 24 April 2015

PricewaterhouseCoopers
statsautoriseret revisionsaktieselskab

Jens Otto Damgaard
State Authorised Public Accountant

Per Jansen
State Authorised Public Accountant

Company details

Friction Holding A/S

Jupitervej 6

DK-6000 Kolding

Website: www.lmwindpower.com

CVR no. 31 51 51 22

Financial year: 1 January - 31 December

Domicile: Kolding

Supervisory Board

Søren Høffer, Chairman

Leo Schot

Nick Smith

Manfred Egelwisse

Executive Board

Leo Schot

Auditors

PricewaterhouseCoopers

statsautoriseret revisionsaktieselskab

Herredsvej 32

7100 Vejle

Consolidated financial statements

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

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

LM Group Holding A/S

Jupitervej 6

DK - 6000 Kolding

Management's review

Business activities

The company's main activity is to own shares in subsidiaries.

Business review

The Annual Report of Friction Holding A/S for 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprise of reporting class B as well as selected rules applying to reporting class C. The Annual Report has been prepared under the same accounting policies as last year.

Financial review

The Company's income statement for the year ended 31 December 2014 shows a loss of TEUR 38,167, and the balance sheet at 31 December 2014 shows negative equity of TEUR 311,695.

The parent company, LM Group Holding A/S has declared that all external creditors will be paid before the debt to LM Group Holding A/S of TEUR 375,031 is settled.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2014 of the Company and the results of the activities of the Company for the financial year for 2014 has not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting policies

Basis of Preparation

The Annual Report of Friction Holding A/S for 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2014 is presented in TEUR.

Basis of recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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

EUR is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Translations in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in financial

Accounting policies

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue relates to Management Fee and is recognized in the income statement when delivery and transfer of risk to the buyer has been made before year end.

Revenue is recognition exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Investments in subsidiaries

Investment in subsidiaries are measured at cost. Where the cost exceeds the net realisable value, the carrying amount is reduced to such lower value.

Receivables

Receivables are recognized in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Accounting policies

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured in the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Current tax receivables and liabilities

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

Financial debts

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

Income Statement 1 January - 31 December 2014

	<u>Note</u>	<u>2014</u> EUR 1,000	<u>2013</u> EUR 1,000
Gross profit		0	1,042
Staff costs		<u>0</u>	<u>-1,165</u>
Operating profit/loss		0	-123
Financial income	1	7,399	8,175
Financial costs	2	<u>-65,785</u>	<u>-97,178</u>
Profit/loss before tax		-58,386	-89,126
Tax on profit/loss for the year	3	<u>20,219</u>	<u>11,581</u>
Net profit/loss for the year		<u>-38,167</u>	<u>-77,545</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>-38,167</u>	<u>-77,545</u>
		<u>-38,167</u>	<u>-77,545</u>

Balance Sheet at 31 December 2014

	<u>Note</u>	<u>2014</u> EUR 1,000	<u>2013</u> EUR 1,000
Assets			
Receivables from subsidiaries		47,580	30,911
Other receivables		4,126	10,181
Deferred tax asset		667	0
Corporate tax		12,752	9,853
Receivables		65,125	50,945
Current assets total		65,125	50,945
Assets total		65,125	50,945
Liabilities and equity			
Share capital		504	504
Retained earnings		-312,199	-273,362
Equity total	4	-311,695	-272,858
Provision for deferred tax		0	4,163
Provisions total		0	4,163
Payables to subsidiaries		375,031	312,030
Other payables		1,789	7,610
Short-term debt		376,820	319,640
Debt total		376,820	319,640
Liabilities and equity total		65,125	50,945
Staff costs	5		
Related parties and ownership	6		

Notes to the annual report

	2014 EUR 1,000	2013 EUR 1,000
1 Financial income		
Interest received from subsidiaries	3,923	5,069
Other financial income	3,476	3,026
Exchange adjustments	0	80
	<u>7,399</u>	<u>8,175</u>
	2014 EUR 1,000	2013 EUR 1,000
2 Financial costs		
Impairment losses on financial assets	0	40,046
Interest paid to subsidiaries	65,651	57,030
Exchange loss	134	102
	<u>65,785</u>	<u>97,178</u>
3 Tax on profit/loss for the year		
Current tax for the year	-9,776	-13,045
Deferred tax for the year	1,299	0
Adjustment of tax concerning previous years	-11,742	1,464
	<u>-20,219</u>	<u>-11,581</u>

Notes to the annual report

4 Equity

	Share capital	Retained earnings	Total
Equity at 1 January 2014	504	-273,362	-272,858
Exchange adjustments	0	-670	-670
Net profit/loss for the year	0	-38,167	-38,167
Equity at 31 December 2014	504	-312,199	-311,695

The share capital consists of 503,663 shares of a nominal value of EUR 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2014 EUR 1,000	2013 EUR 1,000
5 Staff costs		
Wages and Salaries	0	1,066
Pensions	0	95
Other social security expenses	0	4
	0	1,165

6 Related parties and ownership

Controlling interest

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

Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

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