LM Glasfiber Holding A/S Annual Report 2008

Consolidated financial highlights 2004-2008

EURm	2008	2007	2006	2005	2004
Income statement					
Revenue	885	579	474	331	303
Operating profit before depreciation and amortisation (EBITDA)*	145	75	107	56	69
Operating profit before depreciation and amortisation (EBITDA)	126	(9)	80	44	69
Operating profit before goodwill amortisation (EBITA)	91	(40)	54	21	44
Ordinary operating profit/(loss)	109	42	83	34	44
Operating profit/(loss) (EBIT)	91	(40)	54	21	44
Financial income and expenses, net	(24)	(18)	(24)	(19)	(27)
Profit/(loss) before tax	67	(58)	30	2	17
Profit/(loss) for the year	50	(42)	19	(2)	9
Balance sheet					
Total assets	948	723	582	508	486
Goodwill on consolidation	244	244	244	244	246
Equity	316	185	227	107	110
Subordinated debt**	2	1	1	97	89
Other net interest-bearing debt	174	205	138	163	168
Cash flows					
Cash flows from operating activities	101	2	68	55	40
Cash flows from investments in property, plant and equipment	(152)	(75)	(38)	(47)	(23)
Cash flows from financing activities	114	73	(12)	(14)	(17)
Employees					
Average number of employees	6,241	4,771	3,173	2,532	2,388
Key ratios					
EBITDA margin* (%)	16.4%	13.0%	22.5%	16.9%	22.8%
EBIT margin (%)	10.3%	-6.9%	11.3%	6.5%	14.7%
Return on invested capital, including goodwill (%)	23.9%	-12.3%	16.1%	6.3%	12.8%
Return on invested capital, excluding goodwill (%)	66.7%	-49.5%	60.0%	22.5%	44.4%
Solidity (%)	33,4%	25.6%	39.0%	21.1%	22.7%
Return on equity (%)	20.1%	-20.3%	11.6%	-2.0%	15.9%

* Before special items

** Loans from shareholders and other long-term loans guaranteed by shareholders

The world of wind

Another record-shattering year
The rate of growth in new wind power installations continued to accelerate in 2008, reflecting the huge global demand for emission-free power generation. According to the Global Wind Energy Council (GWEC), global wind energy capacity grew by 28.8 % in 2008, up from 27 % in 2007. The 2008 growth rate was in fact higher than the average rate for the past ten years. Over 27 GW of new capacity was installed during the year, bringing the global installed base to 120.8 GW at the end of 2008. The United States, Asia and Europe were the leading markets in terms of capacity additions.

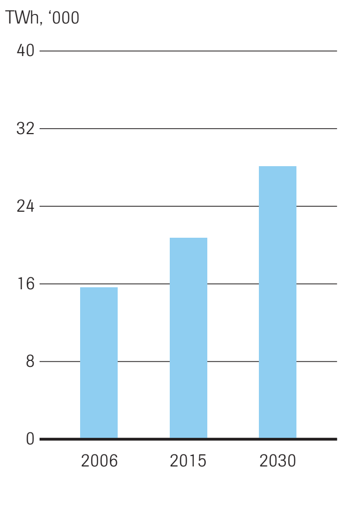
The United States added 8,358 MW during the year, surpassing Germany as the world leader in terms of installed capacity. Wind power accounted for 42 % of new power production capacity added in the United States in 2008, creating 35,000 new jobs. By the end of 2008 the wind power industry employed more people than the coal power sector in the United States.

The growth in Asia also picked up pace in 2008, accounting for almost a third of all new capacity. China and India led the way. China more than doubled its installed base of wind power during the year by adding 6,300 MW, reaching a total of 12.2 GW at the end of 2008. India installed 1,800 MW, reaching a total of 9.6 GW.

A number of countries are now following in the footsteps of Germany, Spain and Denmark, balancing the European expansion. Significant investments by France, the UK and Italy contributed to making wind power the most important source of new generating capacity in Europe in 2008. Europe added 8,877 MW, which constituted 36 % of total new power generating capacity installed in Europe during 2008 - more than any other power generating technology.

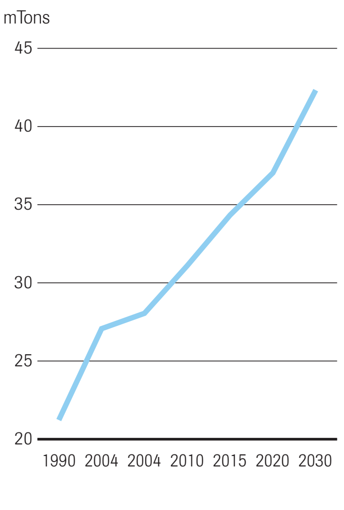
Challenging short-term outlook
In the last quarter of 2008, the effects of the global financial crisis started to impact the wind power sector, causing delays in wind park development as financing conditions became more difficult. This has affected short term demand for turbines and components negatively. The effects of the credit crunch will differ by region, although all in all, growth rates are expected to decline in 2009. While there will most likely be a significant number of project delays in North America, Europe and India, wind power development is expected to continue its strong development in China. This is because the Chinese government has responded to the crisis by identifying

Development in global electricity demand



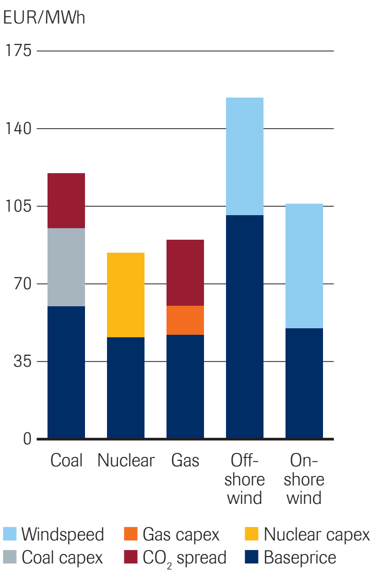
Source: IEA World Energy Outlook 2008, Reference scenario

Development in Greenhouse gas emissions from power generation



Source: EIA World Energy-related Carbon Dioxide emissions 1990-2030

Competitiveness of wind power



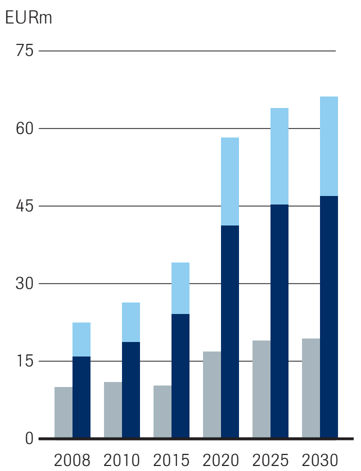
Source: Windpower Monthly January 2009

a number of key areas where growth will be stimulated. Wind power is one of them. The Chinese Renewable Energy Industry Association (CREIA) expects new installed wind power capacity to nearly double in 2009, comprising a third or more of the world's total new installed capacity during the year. If this rate of expansion continues, China looks set to pass Germany and Spain to attain second place, after the United States, in terms of total capacity in 2010.

Long-term drivers intact

Looking beyond the current economic downturn, the key factors driving the demand for wind power are intact. Electricity demand continues to rise as mainly non-OECD countries predict a growing need. At the same time projections for CO_2 emissions from power generation are expected to continue their steep growth. Worldwide, political support for renewable energy production, including wind, has never been stronger. The European Union, the United States and China all have ambitious targets for the expansion of clean energy production. The political support that wind power enjoys is founded on several fundamental factors, the strongest ones being the fight against climate change and the security of energy supply. At the UN Climate Change Conference in Poznan in December 2008, officials agreed to start negotiations in order to define a globally-coordinated response to climate change, to be agreed in Copenhagen end 2009. Measures to boost the share of renewable energy in the overall energy mix are certain to be an important part of any agreement. The issue of energy security is also a significant factor stimulating interest in the expansion of renewable energy sources. In Europe, this issue was highlighted again this winter by the gas dispute between Ukraine and Russia, which led to the suspension of gas supplies to European countries for several weeks. Another important dynamic factor is the fact that wind power is becoming increasingly competitive relative to other technologies. Several studies have shown new wind power capacity to be fully competitive with coal, gas and nuclear power also in relation to avoided fuel and CO_2 costs. Long-term wind power forecasts reflect this fact. The moderate scenario in GWEC's Global Wind Energy Outlook 2008, predicts that global wind power capacity will have grown from today's 120.8 GW to 709 GW by 2020 and to 1,420 GW by 2030 corresponding to close to 12% of the world's electricity generation.

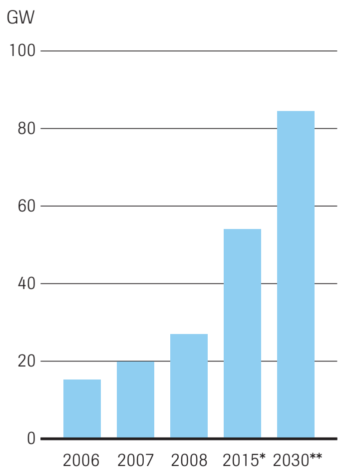
Wind investments compared with life time avoided fuel and CO_2 costs



Annual wind investments
Lifetime CO_2 cost avoided (€25/tCO_2)
Lifetime fuel cost avoided (€42m/TWh)

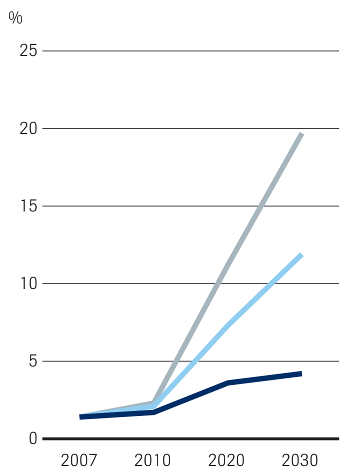
Source: EWEA, The Economics of Wind Energy, 2007

Global wind power development



Source: BTM, World Market Update 2008
* EER, Global Wind Energy Market Forecast 200

Windpower's share of world's electricity



Advanced scenario
Moderate scenario
Reference scenario

Source: GWEC, Global Wind Energy Outlook 2008

Highlights for 2008

885 million EUR record sales

53% increase in revenue

125 million EUR increase in profits before tax

25% market share maintained in a growing market

120,000 blades produced by end of 2008

70 million tonnes of CO_2 saved by turbines powered by LM Blades

Management's review

Financial statements

Company information

In the event of any discrepancy between the Danish-language and the English-language version of the Annual Report 2008, the Danish-language version shall prevail.

In 2008, a record breaking 27 GW of new wind power generation capacity came online. The track record of wind is the most visible proof that energy from the wind creates great value not only as a viable solution to mitigate climate changes but also to energy independence, job creation and growth.

LM Glasfiber succeeded in growing both the top and bottom line results in 2008 owing to our close customer relations as well as simultaneous improvements in quality and efficiency. Continuous improvement of operations through REACH, our global transformation programme, remains a key focus in our journey towards excellence.

An extraordinary year

A major improvement in throughput and quality allowed us to strengthen our position as the world's leading blade supplier. We are determined to emerge even stronger from the current temporary slowdown in the wind industry caused by the global credit crunch.

2008 was an extraordinary year in many respects. After more than a decade of fast expansion, growth in the wind power industry picked up still more pace in 2008. Both in the United States and Europe, wind accounted for the lion's share of new power production capacity. The United States emerged as the new world leader in terms of installed capacity, surpassing Germany. Meanwhile, the wind power boom in China continued, its installed capacity doubling for the fourth year in a row.

The year was also a remarkable one for LM Glasfiber, not least in terms of our continued strong market position. We managed to grow our business in line with the market not least owing to our solid customer portfolio and close partnership with key wind turbine manufacturers.

Our sales volume grew by 51%, reaching 7,458 MW. Adjusting for high inventories of finished blades at the end of 2008, this means that we have been able to maintain a market share of 25% in a rapidly expanding market. Our revenue increased by 53% to EUR 885 million. Operating profit amounted to EUR 91 million. We successfully brought two new factories on stream during the last quarter of the year, one in the United States and one in Poland. We also added a number of production lines in existing plants. However, the key enabler of the profitable growth we achieved in 2008 was a major improvement in quality and throughput. It can really only be described as a quantum leap in terms of process capability, efficiency and scalability, made possible by a focused, globally coordinated team effort. The key focal point of this company-wide initiative to drive continuous quality and efficiency improvements was the implementation of the LM Production System in all our plants. At the core of the new system is a set of customised processes based on LEAN production principles. More important, however, is the system's facilitation of continuous improvement through employee involvement and efficient sharing of best practices. This includes significant improvements of safety and 5S in all plants.

2008 was also an out of the ordinary year in a less positive sense. In the fourth quarter, the global credit crunch also started to impact the wind power industry. While short-term market conditions in the wind industry are challenging, the temporary slowdown in growth rates clearly constitutes an opportunity for agile, efficient players to strengthen their position for the rebound in demand. We are determined to do just that.

In order to remain competitive and fortify our position as the world's leading blade supplier, we will continue to focus hard on reinforcing the foundation that will enable us to efficiently scale our operations to meet customer demand. This foundation is defined in REACH, our global transformation programme which focuses on driving continuous improvements in five key areas: Realise our quality potential, Excel in growth and innovation, Accentuate customer relations, Create world-class people and processes, and Harvest cost leadership potential.
Significant progress was made in these areas during 2008, taking us closer to our aim of being the industry leader in quality, service and technology.

Medium to long-term prospects remain bright for wind power. The fundamental, long-term drivers are in place. Wind energy is a key part of the solution to the energy and climate crisis the world is facing. Political support is getting stronger by the day in all our key markets. President Barack Obama has vowed to double renewable power production in the United States in the next three years, and China will encourage growth in wind power as part of a broad stimulus package. In December 2008, the European Union Renewable Energy Directive was passed, imposing legally binding targets for renewable energy production on each Member State. This constitutes a unique window of opportunity to address long term key policy objectives while creating jobs and economic growth today.

Let me close by thanking all LM Glasfiber people for this extraordinary year. Your important contributions mean that we are well-positioned to manage through the current temporary slowdown and emerge stronger than ever.

Roland Sundén
Chief Executive Officer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Executive Board of Management

1 Roland Sundén
Chief Executive Officer
Previously held senior executive positions at CNH Case New Holland, Volvo Construction Equipment, Henlys & Volvo Bus Corporation, Volvo Aero Corporation and Allied Signal.

2 Jørgen D. Gade
VP, Chief Financial Officer
Previously held senior management positions in finance at ABB Denmark.

3 Søren F. Knudsen
VP, Chief Commercial Officer
Previously held senior management positions in sales at Gram Equipment A/S.

Financial performance

Income statement

LM Glasfiber's revenue amounted to EUR 885 million in 2008, representing a growth of 53% compared to 2007. All our regions benefited from the booming wind energy markets and contributed to the sales increase, but the North American and Chinese markets recorded especially strong growth.

Operating profit increased significantly from a loss of EUR 40 million in 2007 to a profit of EUR 91 million for 2008. The improvement is due to higher revenue, a significant reduction in provisions for the retrofitting of delivered blades and a substantial turn-around of the operations in Spain where the performance in 2007 was also impacted by the cost associated with shipment of blades from other regions to Spain to secure deliveries to customers.

Net financial expenses increased by EUR 6 million to EUR 24 million for 2008. The increase is mainly due to financing costs for the 2008 expansion program. Profit before tax improved significantly from a loss in 2007 of EUR 58 million to a profit in 2008 of EUR 67 million.

Balance sheet

Capitalised goodwill on consolidation was unchanged at EUR 244 million as of 31 December 2008. The deferred tax asset was reduced to EUR 58 million from EUR 63 million as of 31 December 2007 by utilising tax losses carried forward in two of our regions. As in previous years, management has assessed whether the value of goodwill on consolidation and the deferred tax asset is intact and correctly valued. The assessment was made according to IAS 36 based on anticipated future earnings.

Working capital amounted to EUR 23 million as of 31 December 2008. This amount corresponds to 2.6% of revenue in 2008, compared with 2.3% in 2007.

LM Glasfiber's interest-bearing net debt amounted to EUR 175 million at year-end 2008, which represents a reduction of EUR 31 million from EUR 206 million in 2007.

Cash flow statement

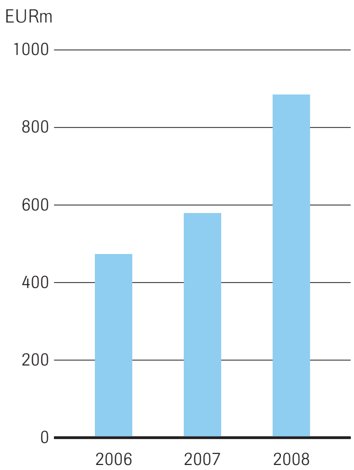
Cash flow from operating activities amounted to EUR 101 million in 2008, compared with EUR 2 million in 2007. The increase is mainly due to increased operating profit.

Investing activities generated a combined cash outflow of EUR 161 million in 2008, an increase from EUR 73 million in 2007. The main investments in 2008 were a new factory in Poland, new factories in Little Rock, USA and capacity expansions of existing factories in China, Spain and Denmark. Besides this, we continued investing in new blade developments and improvements in productivity.

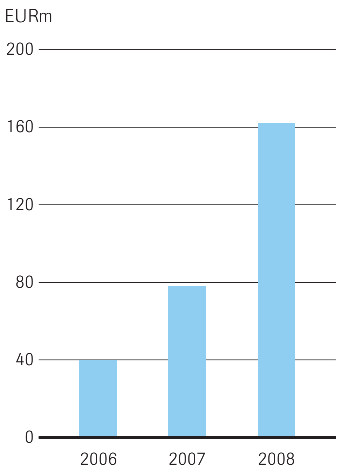
Net cash inflow from financing activities increased by EUR 41 million to EUR 114 million in 2008. In June existing shareholders made a capital injection of EUR 87 million and new creditlines of EUR 76 million were established with our existing banking syndicate.

The LM Glasfiber Group's financial reserves (cash plus undrawn credit facilities) at the end of 2008 amounted to EUR 138 million compared to EUR 66 million at the end of 2007.

Revenue



Investments in property, plant, equipment and intangible assets



Outlook for 2009

In the last quarter of 2008 impacts from the global credit crunch also became visible in the wind industry in terms of delays in wind park development as it became more difficult to secure project financing.

We expect market growth rates to decline in the near-term due to significant project delays. This will also impact LM Glasfiber and for 2009 we do not expect our sales to increase. We have already taken measures to adopt our capacity to a reduced growth rate in the short term and restructuring costs will impact our operating margins negatively compared to 2008.

Looking beyond the current credit crunch, the key factors driving the demand for wind power are intact. Policy targets will continue to be very important, and political support for renewable energy production, including wind, has never been stronger. In addition, forecasts for the following years are still very positive. As such we are balancing our short term capacity to ensure that we can quickly ramp-up capacity such that we are in a good position for future growth.

Business risks

General risks

LM Glasfiber is dependent on several key customers. A decline in orders placed by one or more of our key customers could adversely affect our performance. Such an event could be triggered by a significant decline in a customer's market share or a decision by a customer to change sourcing strategy.

However, historically, we have succeeded in protecting our market share in the face of such events. In the rare cases where we have lost customers, or been faced with lower order volumes from current customers, we have managed to quickly find new customers to make up for, or even increase, our sales. Given the limited number of players in the wind power industry, we believe that we have a relatively broad customer base, consisting of more than 20 wind turbine manufacturers worldwide.

In order to defend and strengthen our market position, we will continue to adapt our blade designs to needs that arise in the market as well as to develop new blade concepts for larger and more efficient wind turbines. LM Glasfiber has a strong track record of continuously launching innovative, large and highly competitive blades.

The wind power industry continues to rely on government support and approval procedures. We believe that the industry's geographic diversification and focus on decreasing the cost of energy will further reduce future reliance on government subsidies.

The global wind power industry is currently facing declining growth rates, but forecasts for the following years are still very positive. Demand swings in regional markets may however necessitate significant manufacturing capacity adjustments in the short term.

Rapid technological advances and the broadening of our customer base have driven a rapid commercialisation of new blade designs. In the light of these and other continuing changes, a proactive management of operational risk to prevent temporary lapses in product quality is a continued focus area.

Towards integrated quality management

Product quality improved steadily during the year through a significant strengthening of our process capabilities, as well as a result of the strong commitment of LM Glasfiber people at all levels.

Reaffirming our commitment to quality

LM Glasfiber is dedicated to offering industry leading quality in products and services. Our sweeping quality improvement initiative, launched in 2007, continued into 2008 and produced noteworthy results. The cost of poor quality declined steadily during the year, owing to the involvement and focus of people at all levels and functional areas. Our quality policy, revised in 2008, reaffirms our commitment to continuous quality improvement and makes explicit LM Glasfiber's holistic view of quality management. At its most basic level, quality is about consistently delivering blades on time that perform to technical specifications. In order to realise this, all parts of the company need to contribute, which is why we aim to achieve lasting quality improvements by controlling and improving processes that integrate all our business operations, from sales through to research, product development, manufacturing, delivery and after-sales service.

Delivering uniform high quality worldwide requires that all our local operations work as one team and that they share knowledge across geographical, cultural and functional boundaries. Our updated, Group-wide ISO 9001:2000 certification reflects our focus on strengthening corporate alignment. In 2008, local documents were replaced by a company-wide ISO 9001:2000 certificate, ensuring harmonisation of appraisals and improvement projects.

Quality management facilitated by process integration

The improvements in overall quality achieved in 2008 were largely realised through a significant reinforcement of our process capabilities. The Group-wide reporting system for key quality measures that was introduced in 2007 was further aligned with other reporting and management systems during 2008. This important integration project has improved the traceability of quality deviations, as well as their root causes. Also, the implementation of mitigation actions has been facilitated by the LM Production System, introduced in 2008. In fact, all our key quality control measures are incorporated into the standardised processes defined in the LM Production System, used in all our factories. These integrated reporting tools provide operators and managers with actionable information on performance. As a result, both quality consistency and production cycle time improved significantly in 2008.

Continuous long-term improvement in quality

While our information systems and tools are critical to proactively managing quality performance an ongoing corporate process is necessary to direct and focus our long-term quality efforts. This is the main purpose of LM Glasfiber's monthly Quality Self Assessments. This practice is implemented throughout the company with a view to focusing attention and energy on the key drivers of business excellence in each functional area. Continuous improvement of performance against targets is explicitly tied to staff incentive programs at all levels, and is regularly reviewed by management.

Supplier Quality Development strengthened

Reliable access to high-quality raw materials is dependent on maintaining a robust and flexible supply chain. Supplier management is therefore a critical part of LM Glasfiber's total quality management system. In 2008, ground rules for key strategic suppliers were defined in Supplier Quality Contracts, providing the basis for stringent supplier management.

Furthermore world class standards were defined to manage qualification and performance improvement of new and existing suppliers. These are based on Six Sigma principles aimed at driving a 'right-the-first-time' mentality in our supply chain. During the year, significant improvements in terms of compliance and overall performance were realised along with a reduction in cycle time for supplier qualification approvals. This helps manage the supply chain risk, a key focus area in LM Glasfiber also for 2009.



Targeted growth and R&D initiatives

Our 2 GW capacity expansion programme was successfully completed in 2008. Important investments were made in strategic R&D areas, including extension of our international centres of excellence.

A record year of growth

LM Glasfiber's sales volume grew by 51% in 2008, reaching a record high of 7,458 MW, helped both by new capacity additions as well as by significant throughput improvements in all factories. LM Glasfiber's dedicated "New Builds" organisation, set up in 2007, was put to the test and contributed greatly to the successful completion of our 2 GW capacity expansion programme in 2008.

New factories and production lines

Two new plants came on stream during the year. The new production facility in Little Rock, Arkansas was inaugurated in October. Production was quickly ramped-up, doubling our capacity in the important North American market. Production in our second new factory - at Goleniów, Poland – started at the beginning of December. In addition to our new factories, capacity was raised by adding new production lines at our existing facilities in Hammelev, Denmark and Urumqi, China.

Capital-efficient growth through major cycle time improvements

On top of the capacity additions realised in 2008 by building new factories and production lines, LM Glasfiber's production volume was significantly boosted by improved cycle times. The introduction of a uniform, globally coordinated production system in all plants during the year - the LM Production System – was instrumental in achieving this highly capital-efficient growth.

Targeted capacity growth initiatives in 2009

The long-term fundamentals driving continued growth in the wind power industry are strong. However, the short-term impact of worsening global credit conditions during the autumn was significant. It became clear in the last quarter of 2008 that the global credit crunch had started to affect the wind power sector. However, the situation is not uniform across LM Glasfiber's operating regions, as supply and demand dynamics vary significantly by market. LM Glasfiber will continue to make targeted investments in additional production capacity during 2009, notably in the strategic Chinese market where there is continued strong demand from both domestic and international players.

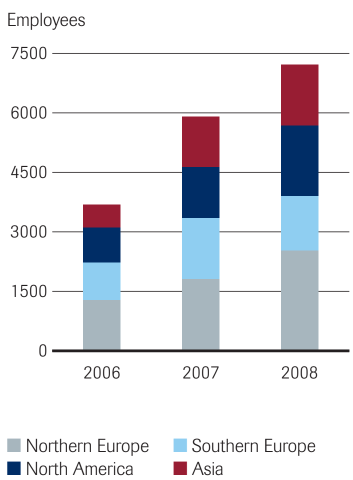
Strategic R&D investments

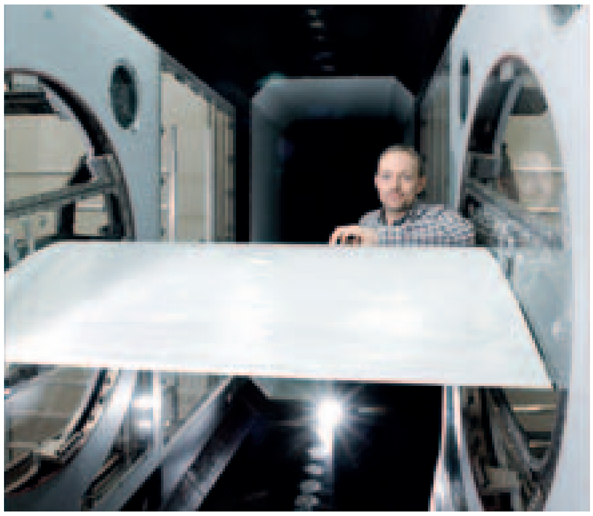
In order to fortify our technological leadership position, we also continued to make important investments in strategic R&D areas such as aerodynamics, materials technology and structural design. Furthermore the R&D organisation was strengthened within these key strategic areas in order to secure a continued focus on innovation initiatives. A noteworthy example from the materials area is the Blade King consortium, where LM Glasfiber in collaboration with industrial and academic partners will develop an alternative to glass fibre. The Blade King project is supported by the Danish National Advanced Technology Foundation.

Another significant R&D initiative in 2008 was the establishment of an R&D centre at the Risø DTU, National Laboratory for Sustainable Energy, Denmark. The agreement with Risø DTU is consistent with LM Glasfiber's R&D strategy concerning the establishment of international Centres of Excellence.

2008 also saw more tangible near-term R&D results as the first blade designed and validated in our wind tunnel was produced at the end of the year.

Employees by end of year




Closer collaboration

In 2008, we strived to increase the level of collaboration with our customers in order to drive efficiency and quality improvements. Our Sales and Operations Planning system significantly improved global supply and demand balancing.

In 2008, LM Glasfiber supplied blades to more than 20 customers, including 8 of the top 10 global wind turbine manufacturers. Our share of the global market remained at 25% taking into account the relatively high inventories of finished blades at year end.

Data-driven service improvements

During 2008, we started to get full leverage from the global Sales and Operations Planning system, which was established in 2007 in order to improve responsiveness to customer demand. The new planning structure has significantly enhanced our global supply and demand balancing capabilities, allowing us to optimise our large global manufacturing capacity to improve fulfilment of customer demand. In essence, the system continuously provides an up-to-date, fully integrated and globally consolidated view of available capacities, orders and production status in each production line in our global production network. The value of this data was demonstrated in a number of cases during 2008, where LM Glasfiber found mutually beneficial solutions to urgent customer needs.

In the latter part of the year, the demand situation became unbalanced with some regions experiencing rapidly falling demand while others, particularly China, were largely unaffected by the worsening credit crunch. The Sales and Operations Planning system provided timely intelligence that allowed us to ensure efficient forecasting and planning allowing agile response to changing short term demand dynamics.

Quality and efficiency through collaboration

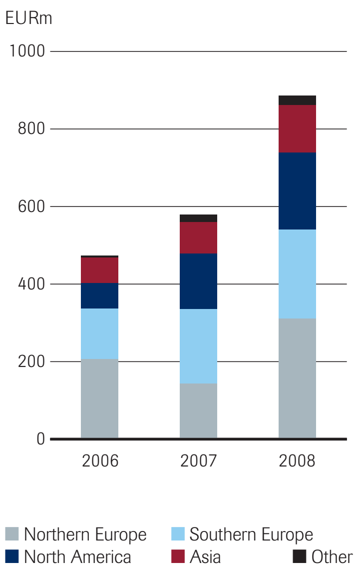
We continued to expand our collaborative product development efforts with key customers during the year. A number of projects were carried out where new designs and features were developed in close cooperation between LM Glasfiber experts and customer engineers. The customer's and LM Glasfiber's development resources were pooled with impactful results. The mutual exchange of test data significantly sped up the development process – and will generate a better, more efficient blade - by facilitating design fine-tuning and validation. LM Glasfiber also participated in a unique collaborative development project in the autumn of 2008 with Vestas, Siemens, Dong Energy and Risø DTU, the National Laboratory for Sustainable Energy, Denmark. In this project, LM Glasfiber developed and manufactured a blade, fitted with special measuring equipment. The blade was then mounted on a wind turbine in western Denmark. The combination of data from this test with results from wind tunnel tests produced insights that we will be able to apply in optimising blades with respect to both yield and noise.

Our customer quality management processes were also further developed through closer collaboration. A number of organisational changes were made in order to secure constant focus on quality, from the signing of the contract right through to delivery and after-sales service.

LM Glasfiber's service offering was thoroughly reviewed and improved during the year, supported by a number of new processes and systems. Special cross-functional task force teams were set up to fast-track the resolution of service and warranty issues.

In addition, new techniques, processes and tools were developed to ensure more efficient service and repair of wind turbine blades.

Geographic segmentation of revenue



Employee-driven continuous improvement

The implementation of the LM Production System during the year was instrumental in increasing productivity, driving capital-efficient growth and achieving our ambitious safety goals.

"Better blades faster"

LM Glasfiber is committed to further enhancing our position as an attractive blade supplier. The implementation of the LM Production System in all our plants during 2008 is an important means by which this objective will be reached. Our internal catchphrase for this initiative - "Better blades faster" – encapsulates the intent of the LM Production System: facilitating a quantum leap in terms of both quality and productivity, thus reinforcing our market position and securing scalability.

The LM Production System can best be described as a set of well-defined – yet continuously evolving – procedures, founded on a mixture of proven LEAN production principles and best practices, both from our own factories as well as from other industries. The standardized elements at the core of the system will allow us to grow faster with less risk. We are continuously striving to find ways of reducing the total time it takes us to produce a blade, increasing productivity while adding production capacity in a capital-efficient way. Reduced production cycle time also means greater organisational flexibility, making it possible to scale operations up and down more smoothly and efficiently in response to shifts in customer demand.

Employee involvement is at the core

The LM Production System is as much about people and communication as it is about process design and streamlined workflows. In the end, the success of the LM Production System is dependent on a high level of employee involvement and empowerment. Continuously updated visual control boards were introduced in all factories in 2008, providing all operators with an integrated view of the factory's operations, making it clear where focus is needed in order to achieve the targets. The control boards also permit more efficient hand-offs between shift teams. Results achieved in our plants during the year are encouraging and clearly demonstrate how the principles behind the LM Production System foster employee-driven continuous improvement initiatives, minimising non-value-adding activities in each process step, e.g. rework and waiting time.

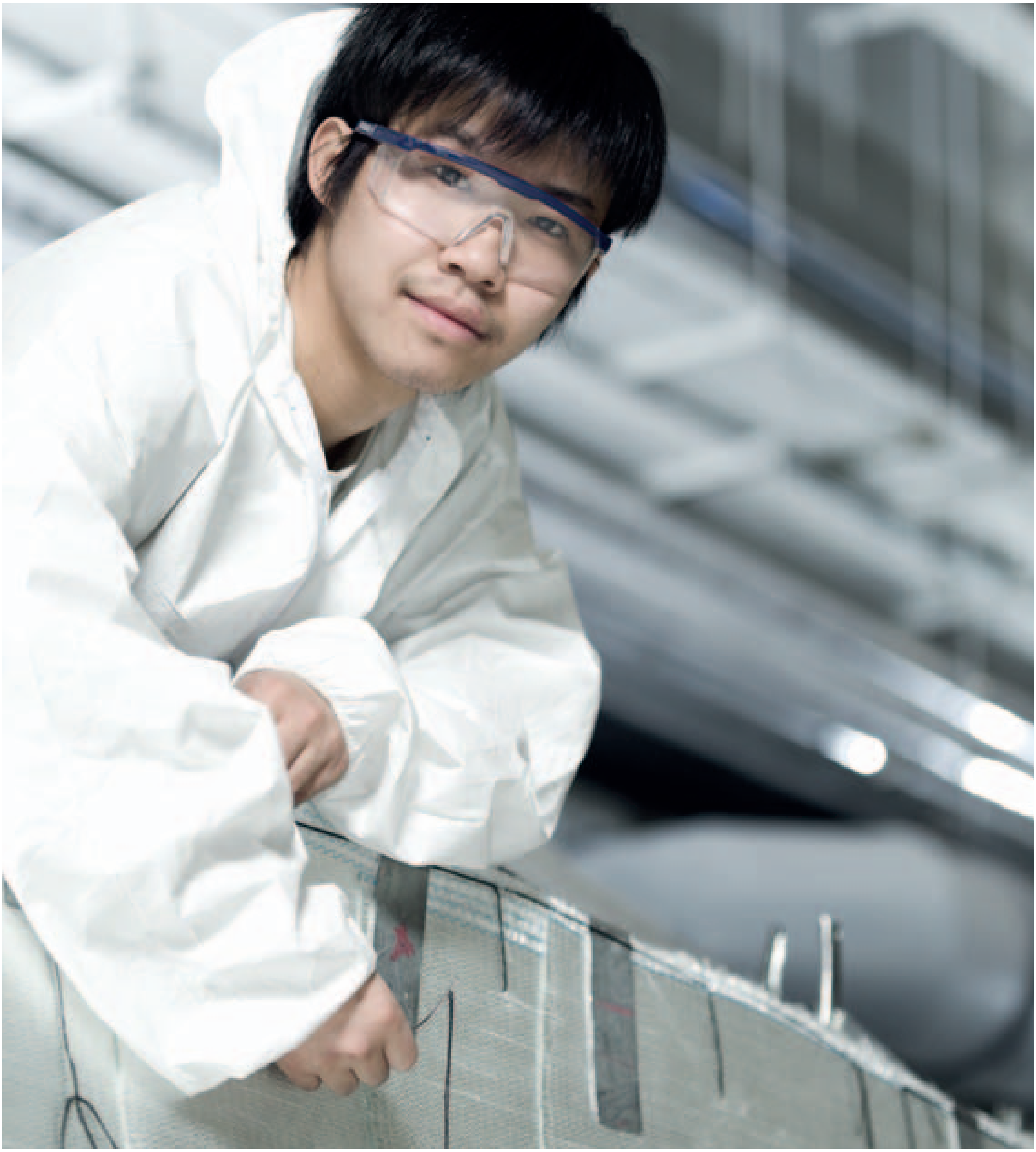
People are our main resource and safety the foundation we build our operations on, and consequently an integral part of the LM Production System is high safety standards and stringent procedures. As a result, significant improvements in safety were achieved during 2008 and the number of injuries and near misses declined significantly during the year.

Leveraging our knowledge on a global scale

During 2008, a powerful way to engage employees in the factories was demonstrated in a special project within the framework of the LM Production System. The project was designed to push the limits of the blade moulding process in order to uncover high-potential areas for reducing cycle time in day-to-day operations. A comprehensive analysis of the workflow generated ideas and made it possible for the teams to mould a high-quality blade significantly faster than standard operations. Reduced, or eliminated, waiting time between steps in the production process was the major factor behind this improvement. The results were achieved in an experimental setting, using special resources, allowing us to quickly identify the process improvements that carry the highest potential in daily practice. The knowledge obtained from this special project will be invaluable as we continue to produce better blades faster in all our factories around the world.

Facilitating global cooperation

In order to increase the level of consistency across LM Glasfiber's operations in different regions, job descriptions were harmonised on a global level in 2008. This change is part of a broader initiative to synchronise the organisational structure in all regions in order to ensure a lean, repeatable and scalable organisation. In addition, effective collaboration and knowledge sharing is promoted through improved organisational clarity. Our standardised job descriptions and organisational structure have also been a valuable tool supporting our efforts to attract and retain talent during the year.



Cost leadership through process efficiency and transparency

LM Glasfiber's efforts to improve quality and throughput yielded important cost savings in 2008. Our financial transparency programme will provide enhanced tools for monitoring and managing costs.

Improved asset utilisation

LM Glasfiber's efforts to continually maintain a competitive cost position engaged all parts of the company in 2008, contributing to a significant bottom line improvement. Our company-wide initiatives to improve quality and throughput had by far the largest impact, in particular the introduction of the LM Production System. In essence, the LM Production System reduces cost by systematically focusing on eliminating wasteful activities at each step of the production process. The LEAN production principles underpinning the new production system have already allowed us to reduce work-in-progress by a considerable amount. Also, unproductive time spent waiting for material or equipment in order to complete a process step is minimised. An important benefit of the LM Production System is that it provides operators with a framework for thinking about eliminating "waste" on a continuous basis.

A number of special projects, run by different production teams during the year, identified and implemented workstation design improvements that resulted in a very substantial decrease in the overall cycle time. In the end, this means an increased financial contribution by using the same amount of resources to produce more blades, and avoiding rework.

Local initiatives - the results of which are shared globally - form the backbone of LM Glasfiber's continuous improvement work in the area of asset utilisation. However, we also improved the way we utilise our production network on an aggregate, global level in 2008 through our Sales and Operations Planning system. While the key objective of this system is to improve customer responsiveness, it also yields important cost benefits in terms of improved capacity utilisation and cost avoidance through more efficient rebalancing of work on a global level.

Focus on cost efficiency and transparency in all functional areas

Cost efficiency initiatives in 2008 were not limited to manufacturing operations, however. A special cost reduction programme was implemented during the year, involving a close scrutiny of all business functions in order to identify and implement cost reduction measures. The project yielded immediate cost savings in all areas as well as important run rate savings for a large part of our raw materials. A closely related project was the financial transparency programme, piloted in one region in the fourth quarter and ready to be rolled out globally during 2009. This undertaking leveraged data from the cost reduction programme to make LM Glasfiber's cost model more robust, improving insight into important cost drivers. The upshot is improved accountability and better control of process performance, enabling us to more closely monitor and manage resources and cost. The global roll-out of the cost model is greatly facilitated by the set of standardised processes defined in the LM Production System as well as the standard organisational set-up.

From procurement to strategic sourcing

The sourcing of raw materials is set to become an even more important driver of competitive advantage, as competition intensifies in our industry. Continually improving and reassessing our sourcing activities in order to optimise our supplier network is therefore a key management priority. The most important activities in this area in 2008 were geared towards cost containment while streamlining our sourcing processes to fit our complex, growing supply chain.

The USA is the world's largest market for wind energy. In 2008 it surpassed Germany in terms of installed capacity, increasing the total wind power generating capacity by an impressive 50%. This means that 42% of all new power-producing capacity added during the year was wind power.

In the fourth quarter of 2008, LM Glasfiber inaugurated the company's fourth facility and new North American headquarters in Little Rock, Arkansas thereby doubling the production capacity in the important North American market.

Management's statement

The Supervisory Board and the Executive Board of Management of LM Glasfiber Holding A/S have today considered and adopted the annual report for 2008.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2008 and of the results of the Group's and the parent company's operations and the cash flow of the Group for the financial year ended 31 December 2008.

We recommend that the annual report be adopted by the shareholders at the annual general meeting.

Kolding, 22 April 2009

Executive Board of Management

Roland Sundén
Chief Executive Officer

Jørgen D. Gade
VP, Chief Financial Officer

Søren F. Knudsen
VP, Chief Commercial Officer

Supervisory Board

Richard Hanson
Chairman

Jan Amethier
Deputy Chairman

John Leahy

Rikard Brattberger

Peter Pedersen

Thomas Lindharth

Flemming Brorsbøl

Independent auditors' report

To the shareholders of LM Glasfiber Holding A/S

We have audited the annual report of LM Glasfiber Holding A/S for the financial year 1 January to 31 December 2008, comprising a management's statement, management's review, accounting policies, income statement, balance sheet, statement of changes in equity, and notes to the financial statements for the Group as well as the parent company and the cash flow statement of the Group. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. The financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the annual report

Management is responsible for preparing and presenting an annual report that gives a true and fair view in accordance with the above-mentioned legislation and accounting standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report 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 management, as well as evaluating the overall presentation of the annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2008 and of the results of the Group's operations and cash flows for the financial year ended 31 December 2008 in accordance with the International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements for annual reports.

In our opinion, the annual report also gives a true and fair view of the parent company's assets, liabilities and financial position at 31 December 2008 and of the results of the parent company's operations for the financial year 1 January to 31 December 2008 in accordance with the Danish Financial Statements Act.

Kolding, 22 April 2009

PricewaterhouseCoopers
Statsautoriseret revisionsaktieselskab

Søren Bonde
State Authorised Public Accountant

Lars Almskou Ohmeyer
State Authorised Public Accountant

Accounting policies

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports. 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.

LM Glasfiber is an international group and consequently the Annual Report is used for many purposes. Therefore, the Annual Report for 2008 is presented in EUR instead of DKK as used last year. This change has except from translation to another currency not influenced the Annual Report for 2008 or prior years. All other accounting policies applied are unchanged from those applied last year.

New accounting standards and interpretations:

The following standards have been approved by the EU:

- IAS 1, Presentation of financial statements: relates to the presentation of financial statements.
- IAS 23, Borrowing costs: requires an entity to capitalise borrowing costs directly attributable to the construction or production of a qualifying assets.

The following standards and interpretations have been issued but not yet been approved by the EU:

- Amendment to IFRS 3 and IAS 27, Business combinations and consolidated accounts: there is a choise on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- IFRIC 16, Hedges of a net investment in a foreign operation: clarifies the accounting treatment in respect of net investment hedging. This includes the fact that the net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group.

The new standards and interpretations, which the group has not implemented, become effective as from the financial year 2009 or later. They are expected to affect Annual Report 2009 to a limited extend.

Accounting policies

Basis of consolidation

The consolidated financial statements comprise LM Glasfiber Holding A/S (the parent company) and enterprises in which LM Glasfiber Holding A/S directly or indirectly holds more than 50% of the voting rights or in any other way exercises a controlling interest (subsidiaries). LM Glasfiber Holding A/S and its subsidiaries are jointly referred to as the Group.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by consolidating items of a similar nature and eliminating intra-group transactions, intra-group shareholdings and accounts, and unrealised intra-group gains and losses. The consolidated financial statements are based on financial statements prepared in accordance with the accounting policies of the LM Glasfiber Group.

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition. Companies divested or wound up are consolidated in the income statement until the date divested or wound up. The comparative figures are not restated to reflect acquisitions, divestments or companies wound up. However, discontinued operations are presented as a separate item.

The takeover method is applied on acquisitions if the parent company gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in companies acquired are measured at the fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

For business combinations effected on or after 1 January 2004, any excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units which will subsequently form the basis for future impairment tests. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity are treated as assets and liabilities in the foreign entity. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the acquisition date.

For business combinations made before 1 January 2004, the classification under the previous accounting policy is maintained. Goodwill is recognised based on the cost recognised under the previous accounting policy (Danish Financial Statements Act and Danish accounting standards) less amortisation and impairment up to 31 December 2003. Goodwill is not amortised after 1 January 2004. The accounting treatment of business combinations before 1 January 2004 has not been adjusted in connection with the opening balance sheet at 1 January 2004.

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies. The functional currency of the parent company is Danish kroner (DKK). However, due to the group's international relations the consolidated account are presented in euro (EUR).

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose or the exchange rate applied in the most recent annual report is recognised in the income statement under financial income or financial expenses.

On consolidation of foreign enterprises with functional currencies differing from the LM Glasfiber Group's presentation currency, the income statements are translated at the exchange rates ruling at the transaction date and the balance sheet items are translated at the exchange rates ruling at the balance sheet date. The average price for each individual month is used as the transaction date, provided this does not give a much different view. Exchange differences arising on the translation of the opening equity of foreign enterprises using exchange rates at the balance sheet date as well as on the translation of the income statements from exchange rates at the transaction date to exchange rates at the balance sheet date are taken directly to equity.

Income statement

Revenue
Revenue represents the fair value of goods sold excluding value added tax and trade discounts and allowances.

Income is recognised when realised or realisable and earned. Income is considered earned when the LM Glasfiber Group has substantially accomplished what it must do to be entitled to the income. Income from the sale of goods is recognised when all the following specific conditions have been met:

- LM Glasfiber has transferred to the buyer all significant risks and rewards of ownership of the goods
- The amount of income can be measured reliably
- It is probable that the financial benefits associated with the transaction will flow to LM Glasfiber; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are usually met when the products are manufactured by the delivery date agreed with the customers and the products have been physically delivered or are stored at the LM Glasfiber Group's warehouse locations at the customers' risk.

Special items
Special items include items of a special size or nature relative to the Group's earnings-generating operating activities, such as the restructuring of processes and basic structural changes, gains and losses in connection with the sale of activities.

These items are presented separately to facilitate the comparability of the income statement, including to provide a clearer picture of the operating results.

Tax
The tax charged to the income statement relates to the profit/loss for the year. The part which relates to expected tax payable on the taxable income for the year less tax payments on account is recognised in the balance sheet under payables/receivables while the part that relates to deferred tax is recognised at the current tax rate in the balance sheet under provisions and other longterm assets/long-term obligations.

Deferred tax assets are recognised at the value at which they are expected to be realised. Deferred tax is provided as the difference between the value for accounting and tax purposes of fixed assets, receivables and provisions, etc. as at the balance sheet date.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes. The tax value of tax losses carried forward and negative deferred tax is recognised as an asset when it is probable that they will reduce future tax payments within a relatively short period of time.

Tax attributable to transactions on equity is taken directly to equity.

The Group's Danish companies are jointly taxed. The tax effect of the joint taxation is distributed on profitable as well as lossmaking Danish companies in proportion to their taxable income (full allocation with refund in respect of tax losses). The jointly taxed companies are registered for the on account tax scheme.

Balance sheet

Intangible assets

Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Basis of consolidation". Subsequently, goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

Goodwill is tested annually for impairment and is recognised at historic cost less accumulated impairment losses. Gains and losses from the divestment of a unit include the carrying amount of goodwill in respect of the divested unit.

Goodwill is allocated to the cash-generating units in regards to testing impairment.

Development projects

Development costs comprise costs and salaries directly or indirectly related to the Group's development activities.

Development projects that are clearly defined and identifiable, where the technical utilisation ratio, sufficient resources and a potential market or development potential can be established and where there is an intention to produce, market or use the project, are recognised as intangible assets if there is adequate evidence that the value in use of future earnings will cover current costs as well as the development costs themselves. Capitalised development costs are amortised on a straight-line basis from the completion of the development work over the expected economic life. The amortisation period is four years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Borrowing costs in connection with the construction of large investments are recognised in the financial year in which they are incurred.

Cost includes the costs of purchases 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, components, third-party suppliers and labour.

Government grants to finance capital investments are deferred in the balance sheet and recognised as income over the useful lives of the assets to which they relate.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets, determined according to individual assessments as follows:

Buildings	25 years
Leasehold improvements	Over the lease period, not exceeding 5 years
Moulds	Over the expected useful life, 2-4 years
Other assets	0-5 years

Land is not depreciated.

Leasing

Leases in which the Group retains all significant risks and rewards of ownership (finance leases) are initially recognised in the balance sheet at the lower of fair value and the present value of future lease payments. The present value is calculated using the interest rate implicit in the lease, or a similar value, as the discount factor. Assets held under finance leases are subsequently treated like the Group's other property, plant and equipment.

Gains from sale and leaseback operations are recognised as a liability and taken to income over the term of the lease.

All other leases are considered operating leases. Payments in connection with operating leases are recognised using the straight-line method in the income statement over the term of the leases.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are tested annually to determine whether there is any indication of impairment. If any such indication exists, this impaired value is estimated as the higher of net selling price and value in use.

Impairment of intangible assets and property, plant and equipment is recognised under the same line item as the related amortisation or depreciation.

Inventories

Inventories are valued according to the FIFO method at the lower of cost with the addition of indirect production overheads and net realisable value. Indirect production overheads comprise indirect materials and labour, depreciation and maintenance of production plant and operating, administrative and management expenses.

The cost of goods for resale, raw materials and consumables comprise all direct costs in relation to their purchase, including delivery costs.

Receivables

Receivables are measured at amortised cost. Provisions are made for bad debts based on an individual assessment.

Equity
Dividend
Proposed dividend is recognised as a liability at the time of adoption of the dividend resolution at the annual general meeting (the time of declaration). Dividends expected to be paid in respect of the financial year are stated as a separate line item under shareholders' equity.

Treasury shares
Purchases and sales of treasury shares are taken directly to equity under retained earnings. A capital reduction through a cancellation of treasury shares reduces the share capital by an amount corresponding to the nominal value of the shares and increases retained earnings. Dividends in respect of treasury shares are recognised in equity under retained earnings.

Hedge transaction reserve
The hedge reserve comprises changes in the fair value of derivative financial instruments that are designated and qualify as hedging of future cash flows.

Provisions
Warranty commitments comprise obligations to repair blades within the warranty period. A general provision is made based on previous experience and expected future costs. In addition, individual provisions are made to cover costs of any retrofits.
Pension commitments not covered by insurance are measured at the present value of expected future payments.

Derivative financial instruments
Derivative financial instruments recognised at their fair value. Positive and negative fair values of derivatives are recognised under other receivables and other payables, respectively.

Changes in the part of the fair value of derivative financial instruments designated as and qualifying for hedging of future cash flows and that effectively hedge any changes in the value of the hedged item are recognised directly in equity. On realisation of the hedged transaction, any gains or losses relating to such hedge transactions are transferred from equity and included in the same item as the hedged item.

For derivative financial instruments not qualifying as hedges, changes in fair value are recognised in the income statement under financial items as and when they occur.

Financial liabilities
Amounts owed to banks are recognised at the raising of the loan as the proceeds received less transaction costs. In subsequent periods, financial liabilities are recognised at amortised cost, equalling the capitalised value using the effective rate of interest. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.
Other liabilities are measured at amortised cost, which largely corresponds to nominal value.

Prepaid expenses and deferred income
Prepaid expenses comprise costs incurred relating to the following financial year. They typically relate to prepaid rent, insurance premiums, subscriptions and interest.

Deferred income includes payments received relating to revenue in subsequent years.

Cash flow statement
The cash flow statement shows cash flows for the year broken down by operating, investing and financing activities and the overall effect of the cash flows on the cash and cash equivalents for the year.
Cash flows from operating activities are stated as the profit/loss for the year adjusted for non-cash operating items such as depreciation/amortisation and impairment, provisions and changes in working capital, interest received and paid and income tax paid.

Cash flows from investing activities comprise cash flows from the purchase and sale of intangible assets, property plant and equipment and investments.

Cash flows from financing activities comprise cash flows from capital increases, the raising and repayment of long-term loans and dividend payments to shareholders.

Cash includes bank and cash balances.

Consolidated financial statements

Consolidated income statement, 1 January – 31 December

EUR thousands	Notes	2008	2007
Revenue	2	884,540	578,521
Changes in finished goods and work in progress		2,122	10,409
Other income		1,616	2,835
Operating income		**888,278**	**591,765**
Cost of sales		420,888	252,326
Other external expenses	6	150,535	131,407
Staff expenses	3	171,318	132,528
Depreciation and impairment	4	35,182	30,842
Other expenses		403	478
Special items	5	18,870	84,070
Operating expenses		**797,196**	**631,651**
Operating profit/(loss)		**91,082**	**(39,886)**
Financial income	7	8,826	3,879
Financial expenses	8	(32,718)	(22,048)
Financial income and expenses		**(23,892)**	**(18,169)**
Profit/(loss) before tax		**67,190**	**(58,055)**
Tax on profit/(loss) for the year	9	(16,872)	16,281
Profit/(loss) for the year		**50,318**	**(41,774)**

Consolidated balance sheet, 31 December

EUR thousands	Notes	2008	2007
Assets			
Goodwill		244,433	244,236
Completed development projects		4,626	4,286
Development projects in progress		9,192	3,287
Intangible assets	10	**258,251**	**251,809**
Land and buildings		73,602	41,989
Plant and machinery		72,786	36,470
Fixtures, fittings and equipment		14,979	12,572
Leasehold improvements		20,023	11,434
Property, plant and equipment under construction		56,569	27,234
Property, plant and equipment	11	**237,959**	**129,699**
Other securities	12	72	72
Deferred tax asset	13	57,650	63,400
Other non-current assets		**57,722**	**63,472**
Total non-current assets		**553,932**	**444,980**
Inventories	14	88,852	74,095
Trade and other receivables	15	205,216	162,189
Income taxes		2,133	343
Prepaid expenses		6,383	2,565
Cash		91,423	38,410
Current assets		**394,007**	**277,602**
Total assets		**947,939**	**722,582**

Consolidated balance sheet, 31 December

EUR thousands	Notes	2008	2007
Liabilities and equity			
Share capital	16	26,668	23,641
Exchange adjustment reserve		(761)	107
Hedge transaction reserve		(4,399)	1,301
Retained earnings		294,764	159,960
Equity		**316,272**	**185,009**
Provisions for warranty commitments	17	29,198	18,263
Finance leases	18	1,812	5,580
Subordinated Loan Notes	18	1,588	1,452
Senior Loan	18	254,194	204,967
Prepayments from customers		21,207	9,226
Long-term liabilities		**307,999**	**239,488**
Short-term portion of other long-term liabilities	18	8,652	9,657
Short-term portion of loans, etc.	18	326	4,364
Bank loans		147	18,725
Provisions for warranty commitments	17	46,807	57,908
Prepayments from customers		33,939	28,937
Trade payables		141,860	126,726
Income taxes		436	1,011
Other payables	19	80,607	46,096
Deferred income	20	10,894	4,661
Short-term liabilities		**323,668**	**298,085**
Total liabilities		**631,667**	**537,573**
Total liabilities and equity		**947,939**	**722,582**

Consolidated statement of changes in equity, 1 January – 31 December

EUR thousands	Share capital	Exchange adjustment reserve	Hedge transaction reserve	Retained earnings	Total
Group					
Equity at 1 January 2007	**23,643**	**(418)**	**1,316**	**202,283**	**226,824**
Exchange rate adjustments at year-end rates	(2)	-	-	16	14
Adjusted opening equity	-	-	-	(647)	(647)
Loss for the year	-	-	-	(41,774)	(41,774)
Exchange rate adjustment, foreign enterprises	-	525	-	-	525
Fair value adjustment of hedge instruments	-	-	(20)	-	(20)
Tax on equity entries	-	-	5	162	167
Total comprehensive income	**(2)**	**525**	**(15)**	**(42,243)**	**(41,735)**
Purchase of treasury shares, net	-	-	-	(80)	(80)
Other equity movements	**-**	**-**	**-**	**(80)**	**(80)**
Equity at 31 December 2007	**23,641**	**107**	**1,301**	**159,960**	**185,009**
Equity at 1 January 2008	**23,641**	**107**	**1,301**	**159,960**	**185,009**
Exchange rate adjustments at year-end rates	19	-	2	174	195
Profit for the year	-	-	-	50,318	50,318
Exchange rate adjustment, foreign enterprises	-	(868)	-	-	(868)
Fair value adjustment of hedge instruments	-	-	(7,602)	-	(7,602)
Tax on equity entries	-	-	1,900	-	1,900
Total comprehensive income	**19**	**(868)**	**(5,700)**	**50,492**	**43,943**
Capital increase	3,008	-	-	84,233	87,241
Purchase of treasury shares, net	-	-	-	79	79
Other equity movements	**3,008**	**-**	**-**	**84,312**	**87,320**
Equity at 31 December 2008	**26,668**	**(761)**	**(4,399)**	**294,764**	**316,272**

Consolidated cash flow statement, 1 January – 31 December

EUR thousands	Notes	2008	2007
Profit/(loss) for the year		50,318	(41,774)
Adjustments	28	82,142	68,777
Changes in working capital	29	(653)	54
Cash flows from operations before financial items and tax		**131,807**	**27,057**
Interest income and similar items		8,826	3,879
Interest expenses and similar items		(28,184)	(21,235)
Cash flows from operations before taxes		**112,449**	**9,701**
Income tax paid		(11,525)	(7,278)
Cash flows from operating activities		**100,924**	**2,423**
Purchase of property, plant and equipment	30	(152,494)	(74,936)
Sale of property, plant and equipment		1,180	4,850
Purchase of intangible assets	31	(9,913)	(3,058)
Cash flows from investing activities		**(161,227)**	**(73,144)**
Purchase of treasury shares, net		79	(80)
Capital increase		87,241	-
Proceeds from bank loans etc.		–	4,845
Repayment of bank loans etc.		(4,885)	-
Proceeds from long-term debt		31,114	204,323
Repayment of long-term debt		–	(136,222)
Cash flows from financing activities		**113,549**	**72,866**
Net change in cash and cash equivalents		**53,246**	**2,145**
Cash beginning of year		38,410	36,270
Exchange rate adjustment year-end rates		(233)	(5)
Cash at year end		**91,423**	**38,410**
Unutilised guaranteed credit facilities		**46,748**	**27,137**
Financial reserves at year end		**138,171**	**65,547**

Cash and cash equivalents at year end are specified as follows:

Cash and cash equivalents		91,423	38,410
		91,423	**38,410**

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

List of notes

Notes to the consolidated financial statements

EUR thousands

1. Significant accounting assumptions and estimates

When preparing the annual report, it is necessary for management, in accordance with generally accepted accounting principles, to make certain estimates and assumptions that affect the reported assets and liabilities as well as information about contingent assets and liabilities at the balance sheet date and the reported income and expenses for the accounting period. Management's estimates are based on historical data and a number of other assumptions considered reasonable under the given circumstances. The result hereof forms the basis of an assessment of the reported accounting values of assets and liabilities and the reported income and expenses that are not off hand available in other material.

Actual results may differ from these estimates. LM Glasfiber considers the following estimates and the relevant assessments to be material to the preparation of the consolidated financial statements.

Goodwill

The goodwill measurement could be affected by significant changes in estimates and assumptions underlying the values. Note 10 describes the impairment test for intangible assets. The carrying amount of goodwill was EUR 244 million at 31 December 2008 (2007: EUR 244 million).

Deferred tax

Management's assessment is required to determine the company's recognition of deferred tax assets. LM Glasfiber recognises deferred tax assets when it is likely that there will be sufficient future taxable income to utilise the temporary differences and unutilised tax losses. Management has considered the future taxable income when assessing whether or not to recognise deferred tax assets. The accounting value of deferred tax assets was EUR 58 million at 31 December 2008 (2007: EUR 63 million).

Provisions for warranty commitments

A general warranty for defective blades is provided, normally for two years, to all customers. At each year end a general warranty provision is made so that the general provision, at all times, is equal to 2.3% of revenue for the prior two years based on historical experience with warranty costs. In addition to the general warranty provision specific provisions are made, when relevant, for the retrofitting of blades defective due to construction errors. Provisions for warranty commitments amounted to EUR 76 million at 31 December 2008 (2007: EUR 76 million).

	2008	2007
2. Revenue		
Northern Europe	310,773	144,164
Southern Europe	228,765	191,558
North America	198,444	142,219
Asia	122,897	81,650
Other	23,661	18,930
	884,540	**578,521**

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 mounted.

Notes to the consolidated financial statements

EUR thousands	2008	2007
3. Staff expenses		
Staff expenses are specified as follows:		
Wages	85,141	67,443
Salaries and fees	60,091	46,945
Pensions	6,256	5,000
Other social security expenses	19,830	13,140
	171,318	**132,528**
Average number of employees	**6,241**	**4,771**
Number of employees at 31 December	**7,217**	**5,905**

	2008 Executive Board of Management	2008 Supervisory Board	2007 Executive Board of Management	2007 Supervisory Board
Total salaries and remuneration to the Executive Board of Management and the Supervisory Board amount to:				
Wages and salaries	1,794	21	1,483	21
	1,794	**21**	**1,483**	**21**

	2008	2007
4. Depreciation and impairment		
Depreciation and impairment are specified as follows:		
Development projects	3,671	3,026
Leasehold improvements	4,411	2,233
Land and buildings	2,261	6,360
Plant and machinery	18,566	14,286
Fixtures, fittings and equipment	6,273	4,937
	35,182	**30,842**
5. Special items		
Costs and allocation to retrofit	18,870	51,221
Logistic costs related to transport between production units etc.	-	32,849
	18,870	**84,070**
6. Research and development costs		
Research and development costs recognised for the year	**15,107**	**14,724**

Notes to the consolidated financial statements

EUR thousands	2008	2007
7. Financial income		
Interest income, etc.	8,471	1,443
Exchange rate gains and adjustments	355	2,436
	8,826	**3,879**
8. Financial expenses		
Interest expenses, etc.	23,729	15,759
Exchange rate losses and adjustments	8,989	6,289
	32,718	**22,048**
9. Tax on profit/(loss) for the year		
Tax for the year is specified as follows:		
Current tax for the year	8,564	4,959
Deferred tax for the year	5,750	(21,444)
Adjustment of tax prior year	658	37
	14,972	**(16,448)**
Which is distributed as follows:		
Tax on profit/(loss) for the year	16,872	(16,281)
Tax on equity entries	(1,900)	(167)
	14,972	**(16,448)**
Taxes paid during the year	**11,525**	**7,278**
The effective tax rate is specified as follows:		
Corporation tax rate in Denmark	25.0%	25.0%
Reduction of corporate tax rate	0.0%	-5.5%
Tax prior years	1.0%	0.3%
Depreciation of deferred tax asset	3.0%	-7.1%
Effect of different tax rates and tax assets not provided for in foreign subsidiaries	-3.4%	13.0%
Non-taxable income and non-deductible expenses	-0.5%	2.3%
Effective tax rate for the year	**25.1%**	**28.0%**

Notes to the consolidated financial statements

EUR thousands	Goodwill	Completed development projects	Development projects in progress	Total
10. Intangible assets				
Cost at 1 January 2007	283,987	15,646	2,786	302,419
Exchange rate adjustment at year-end rates	(23)	-	-	(23)
Additions during the year	-	2,557	3,058	5.615
Transferred upon completion	-	-	(2,557)	(2,557)
Cost at 31 December 2007	283,964	18,203	3,287	305,454
Amortisation and impairment at 1 January 2007	39,731	10,894	-	50,625
Exchange rate adjustment at year-end rates	(3)	(3)	-	(6)
Amortisation during the year	-	3,026	-	3,026
Amortisation and impairment at 31 December 2007	39,728	13,917	-	53,645
Carrying amount at 31 December 2007	**244,236**	**4,286**	**3,287**	**251,809**
Cost at 1 January 2008	283,964	18,203	3,287	305,454
Exchange rate adjustment at year-end rates	229	14	2	245
Additions during the year	-	4,010	9,913	13,923
Transferred upon completion	-	-	(4,010)	(4,010)
Cost at 31 December 2008	284,193	22,227	9,192	315,612
Amortisation and impairment at 1 January 2008	39,728	13,917	-	53,645
Exchange rate adjustment at year-end rates	32	13	-	45
Amortisation during the year	-	3,671	-	3,671
Amortisation and impairment at 31 December 2008	39,760	17,601	-	57,361
Carrying amount at 31 December 2008	**244,433**	**4,626**	**9,192**	**258,251**

The remaining amortisation period for completed development projects was 23 months in 2008 and 26 months in 2007.

As at 31 December 2008, management performed an impairment test of the carrying amount of goodwill.

Goodwill can be attributed to the development, production and sale of blades. This activity is carried out in all group companies, and is the reason why the value in use is recognised as an aggregate amount for the entire Group.

The recoverable amount of the cash-generating units is calculated on the basis of calculations of the value in use. In this connection, the greatest uncertainty relates to the determination of discount factors and growth rates and expected changes in selling prices and production costs during the budget period.

The calculation of the cash-generating units' value in use is based on the cash flows that appear from the latest budgets approved by management for the next five financial years and a discount factor before tax of 10.09%.

Management believes that probable changes to the basic assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount.

EUR thousands	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
11. Property, plant and equipment						
Cost at 1 January 2007	75,037	112,902	38,356	16,839	4,645	247,779
Exchange rate adjustment at year-end rates	766	(1,903)	(36)	(559)	3	(1,729)
Additions during the year	8,936	27,911	9,829	5,674	34,155	86,505
Disposals during the year	(35,576)	(9,340)	(2,064)	(161)	-	(47,141)
Transferred upon completion	-	-	-	-	(11,569)	(11,569)
Cost at 31 December 2007	49,163	129,570	46,085	21,793	27,234	273,845
Depreciation and impairment at 1 January 2007	18,736	82,561	29,271	8,490	-	139,058
Exchange rate adjustment at year-end rates	16	(1,277)	(38)	(207)	-	(1,506)
Depreciation for the year	6,360	14,286	4,937	2,233	-	27,816
Depreciation on assets sold	(17,938)	(2,470)	(657)	(157)	-	(21,222)
Depreciation and impairment at 31 December 2007	7,174	93,100	33,513	10,359	-	144,146
Carrying amount at 31 December 2007	**41,989**	**36,470**	**12,572**	**11,434**	**27,234**	**129,699**
Cost at 1 January 2008	49,163	129,570	46,085	21,793	27,234	273,845
Exchange rate adjustment at year-end rates	(3,976)	(2,067)	55	296	72	(5,620)
Additions during the year	37,703	57,796	14,806	12,926	112,112	235,343
Disposals during the year	(901)	(34,612)	(7,403)	(981)	-	(43,897)
Transferred upon completion	-	-	-	-	(82,849)	(82,849)
Cost at 31 December 2008	81,989	150,687	53,543	34,034	56,569	376,822
Depreciation and impairment at 1 January 2008	7,174	93,100	33,513	10,359	-	144,146
Exchange rate adjustment at year-end rates	(309)	(1,203)	6	195	-	(1,311)
Depreciation for the year	2,261	18,566	6,273	4,411	-	31,511
Depreciation on assets sold	(739)	(32,562)	(1,228)	(954)	-	(35,483)
Depreciation and impairment at 31 December 2008	8,387	77,901	38,564	14,011	-	138,863
Carrying amount at 31 December 2008	**73,602**	**72,786**	**14,979**	**20,023**	**56,569**	**237,959**

Of which assets held under finance leases amounted to EUR 6,676 thousands (2007: EUR 8,651 thousands).

Notes to the consolidated financial statements

EUR thousands	2008	2007
12. Other securities		
Cost at 1 January	104	104
Cost at 31 December	104	104
Impairment at 1 January	32	32
Impairment at 31 December	32	32
Carrying amount at 31 December	**72**	**72**

13. Deferred tax asset

Deferred tax arises due to temporary differences between the accounting and tax balances in each of the consolidated companies and from tax losses carried forward that may be realised using the balance sheet liability method. Deferred tax is measured using applicable tax rules and the tax rate expected to apply when the temporary differences are equalised. The calculation of deferred taxes in Denmark is based on a tax rate of 25%.

	2008	2007
Deferred tax at 1 January	63,400	41,977
Exchange rate adjustment at year-end rates	46	(21)
Deferred tax for the year recognised in profit/(loss) for the year	(5,796)	21,444
Deferred tax at 31 December	**57,650**	**63,400**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (asset)	57,650	63,400
Deferred tax at 31 December	**57,650**	**63,400**
Specification of deferred tax asset:		
Fixed assets	8,222	7,152
Inventories	(660)	197
Trade receivables	253	124
Provisions for warranty commitments	17,614	18,289
Tax losses carried forward - gross	24,950	35,057
Capital grants, Spain	(254)	(275)
Other	7,525	2,856
	57,650	**63,400**

Tax loss carried forward:

Deferred tax assets are recognised on tax losses carried forward, which correspond to income for which there is sufficient certainty that it will be realised in the future.

EUR thousands	2008	2007
14. Inventories		
Raw materials and consumables	55,656	43,021
Work in progress	23,183	17,051
Finished goods	10,013	14,023
Total inventories at 31 December	**88,852**	**74,095**
Writedowns of inventories expensed during the year amount to:	273	610
15. Trade and other receivables		
Trade receivables (gross)	181,666	134,841
Provisions for bad debts	(3,223)	(1,859)
Total trade receivables at 31 December	178,443	132,982
Other receivables	26,773	29,207
Total trade and other receivables at 31 December	**205,216**	**162,189**
Specification of writedowns included in the above receivables:		
Writedown at 1 January	1,859	1,019
Exchange rate adjustment at year-end rates	1	-
Writedowns during the year	1,508	840
Reversed	(145)	-
Writedowns at 31 December	**3,223**	**1,859**

Notes to the consolidated financial statements

EUR thousands	2008	2007
16. Share capital		
The share capital is divided into the following classes of shares:		
Ordinary shares, 33,940,958 of 0.13 EUR nominal value	4,555	4,029
Convertible preference shares, 164,757,163 of 0.13 EUR nominal value	22,113	19,612
	26,668	**23,641**

During the year, the company issued preference shares (18,513,375 shares) and ordinary shares (3,900,419 shares). The cumulative preference dividend, which is not recognised, amounted to EUR 91,366 thousands at 31 December 2008.

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 Glasfiber Holding A/S or in case of a share issue. The exercise price is 0.13 EUR 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 issue. Dresdner Kleinwort Wasserstein and the other 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

Change in treasury shares:

	2008		2007	
	Number	**%**	**Number**	**%**
Portfolio at 1 January	20,540	0.07	-	-
Purchased during the year, net	(20,540)	(0.07)	20,540	0.07
Portfolio at 31 December	**-**	**-**	**20,540**	**0.07**

	2008	2007
17. Provisions for warranty commitments		
Provisions at 1 January	76,171	43,054
Exchange rate adjustment at year-end rates	62	(3)
Used during the year	(28,515)	(9,468)
Adjustment of provisions made in the prior years	(20,260)	(10,539)
Provisions made during the year	51,554	59,305
Unwinding of discount	(3,007)	(6,178)
Provisions for warranty commitments at 31 December	**76,005**	**76,171**
Specification of long-term and short-term warranty commitments:		
Long-term	29,198	18,263
Short-term	46,807	57,908
	76,005	**76,171**

A general warranty for defective blades is provided, normally for two years, to all customers. Under the warranty the customer may, under certain conditions, require the Company to repair or retrofit blades that have already been supplied. At each year end a general warranty provision for each blade sold is made so that at all times the general provision is equal to 2.3% of revenue for the prior two years, based on warranty costs incurred.

In addition to the general warranty provision specific provisions are made, when relevant, for the retrofitting of blades defective due to construction errors. These specific provisions are reduced when used and increased if new specific errors occur that require specific provisions to be set up.

Notes to the consolidated financial statements

EUR thousands	Finance leases	Subordinated Loan Notes	Senior Loan	Other long-term liabilities	Total	2007
18. Debt obligations						
After 5 years	282	-	-	-	282	449
Between 1-5 years	1,530	1,588	254,194	-	257,312	211,550
Long-term part	1,812	1,588	254,194	-	257,594	211,999
Within 1 year	3,288	-	326	5,364	8,978	14,021
Total carrying amount at 31 December	**5,100**	**1,588**	**254,520**	**5,364**	**266,572**	**226,020**

	2008	2007
The debt obligations are recognised in the balance sheet as follows:		
Long-term liabilities	257,594	211,999
Short-term portion of long-term liabilities	8,652	9,657
Short-term portion of loans, etc.	326	4,364
	266,572	**226,020**

Significant loan conditions for all loans (exclusive of Loan Notes)

The loan agreements contain a number of different regulations relating to setting of interest and margin settings, rules concerning mandatory repayment of loans and limitation of dividends as well as financial ratio requirements that, if not complied with, will result in default of the loans. These terms and conditions are monitored in an ongoing process. Where there is a risk that terms and conditions cannot be complied with, such terms and conditions will be renegotiated with the lenders.

Finance leases

The liability concerning assets held under finance leases is included in debt obligations as follows (minimum lease payments):

Within 1 year	3,437	4,060
Between 1-5 years	1,697	5,481
After 5 years	292	481
	5,426	**10,022**
Future interest rate on lease commitments	(326)	(813)
Present value of finance lease commitments	**5,100**	**9,209**

Notes to the consolidated financial statements

	2008	2007
19. Other payables		
Accrued VAT	1,734	3,934
Withholding taxes, labour market contributions, etc.	6,548	5,283
Accrued wages and salaries	17,913	15,083
Other accrued expenses	54,412	21,796
Other payables at 31 December	**80,607**	**46,096**

20. Deferred income

Capital grants are received in Spain, USA and Poland. The grants are usually made in connection with the construction of new plants, subject to certain conditions such as maintaining a certain number of jobs, a minimum of self-financing and level of capital expenditure. All conditions applying to individual grants relate to requirements in the specific region in which they are granted.

Capital grants:

	2008	2007
Within 1 year	-	-
Between 1-5 years	-	-
After 5 years	10,894	4,661
Total	**10,894**	**4,661**

21. Pledges of rights and guarantees

Share pledge agreement

On 23 February 2007, an agreement was signed with the Bank of Scotland, acting as Security Trustee, that pledges all existing and future share certificates in LM Glasfiber A/S, LM Glasfiber Eolica S.A., LM Composites Galicia S.A., LM Glasfiber (ND) Inc., LM Glasfiber Española, S.A., LM Glasfiber Iberica, S.A. as continuing security for payments and satisfaction in full of the secured obligations under the Senior Loan. The agreement is governed by English law.

Notes to the consolidated financial statements

EUR thousands

22. Contractual obligations

Operating lease commitments
The Group holds some of its operating facilities located in China, Canada, India, USA, The Netherlands, Poland and Denmark under operating leases non-terminable for up to ten years. These leases are specified as follows:

2008	China	USA	Denmark	Other	Total
Within 1 year	1,558	1,387	8,623	721	12,289
Between 1 -5 years	4,804	2,507	18,060	616	25,987
After 5 years	-	929	4,285	-	5,214
	6,362	**4,823**	**30,968**	**1,337**	**43,490**

2007	China	USA	Denmark	Other	Total
Within 1 year	699	1,161	7,174	287	9,321
Between 1 -5 years	2,446	1,817	14,440	312	19,015
After 5 years	-	-	3,093	-	3,093
	3,145	**2,978**	**24,707**	**599**	**31,429**

Lease costs amounted to EUR 11 million in 2008 and EUR 8 million in 2007. All costs are minimum lease payments.

Construction of plant
The commitments relating to land and buildings comprise:

	2008			2007		
	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year	Total
Construction of plant	-	-	-	-	3,212	3,212
	-	**-**	**-**	**-**	**3,212**	**3,212**

23. Contingent liabilities

The following guarantees have been given on behalf of the Group as of 31 December 2008:

	2008	2007
Guarantees issued to banks	4,079	4,542
Guarantees issued to customers	17,048	9,920
Other	302	1,136
	21,429	**15,598**

The above-mentioned guarantees mainly concern rent commitments, prepayments from customers and public grants for financing capital investments.

Capital grants have been received in Spain, USA and Poland, which may result in a repayment liability if certain conditions are not met. The size of these capital grants is shown in note 20.

EUR thousands

24. Financial risks and financial instruments

Group risk management policy
Due to the nature of its operations, investments and financing, the Group is exposed to changes in exchange and interest rates. Group policy is not to actively conduct speculation in financial risks. Accordingly, the Group's financial management exclusively involves the management of financial risks that arise as a direct consequence of the Group's operations and financing.

Currency risks
LM Glasfiber's policy is to hedge currency risks. Net currency risks are hedged through forward exchange transactions or currency swap agreements.

Currency risks related to investment in foreign subsidiaries are not hedged, because the present exposure would not render such hedging appropriate from the point of view of risk management and cost.

The far majority of LM Glasfiber's sales are made in EUR and USD or US dollar-related currencies. Production costs and research and development costs are denominated in EUR, USD or US dollar-related currencies and EUR. The currency risk associated with EUR is considered minimal, and the EUR is therefore not included in the overall assessment of the Group's currency exposure. This means that the Group's actual currency risk is associated primarily with the USD. Any adjustments arising as a result of changes in the exchange rates are booked directly in equity in accordance with the accounting policies of the Group. A change in USD of one percentage will have no impact on the result for year 2009.

The fair value of the outstanding forward exchange transactions at the balance sheet date was EUR -2,994 thousands.

Interest rate risk
LM Glasfiber's interest rate risk relates to fluctuations in interest on the Group's floating-rate debt. The interest rate risk has been periodically reduced by entering interest swap agreements for part of the Group's long-term floating-rate debt.

The fair value of outstanding interest rate swaps at the balance sheet date was EUR -4,008 thousands with an average duration of 22 months.

In accordance with the Group's risk policy, the weighted average interest rate on the Group's loans at 31 December 2008 was 5.6% (2007: 5.4%) including the effect of the concluded interest rate swap.

The Group's floating rate cash and cash equivalents and debt were such that, all other things being equal, a one percentage point increase in the level of interest rates relative to the interest rates prevailing at the balance sheet date would have reduced the profit for the year and equity by EUR 1 million (2007: EUR 2 million). A lower interest rate would have had a corresponding positive impact.

Notes to the consolidated financial statements

EUR thousands

24. Financial risks and financial instruments (continued)

Liquidity risks

The Group's financial resources comprise cash and cash equivalents and unutilised credit facilities. At 31 December 2008, cash resources amounted to EUR 91 milllion (2007: EUR 38 million) and unutilized credit facilities amounted to EUR 47 million (2007: EUR 27 million).

Statement of due dates at 31 December 2008, measured at amortised cost:

	Within 1 year	Between 1-5 years	After 5 years	Total*	Fair value**	Carrying amount
Financial liabilities						
Finance leases	3,437	1,697	292	5,426	5,100	5,100
Subordinated Loan Notes	-	2,188	-	2,188	1,588	1,588
Senior Loan	326	295,613	-	295,939	258,698	254,520
Other long-term liabilities	5,602	-	-	5,602	5,364	5,364
Bank loans	148	-	-	148	147	147
Trade payables	141,860	-	-	141,860	141,860	141,860
Other payables	80,607	-	-	80,607	80,607	80,607
Forward exchange contracts/interest swap	7,002	-	-	7,002	7,002	7,002
Total financial liabilities	238,982	299,498	292	538,772	500,366	496,188
Receivables						
Cash	91,423	-	-	91,423	91,423	91,423
Trade receivables	178,443	-	-	178,443	178,443	178,443
Other receivables	26,773	-	-	26,773	26,773	26,773
Total receivables	296,639	-	-	296,639	296,639	296,639
Net	**(57,657)**	**299,498**	**292**	**242,133**	**203,727**	**199,549**

*) All cash flows are undiscounted and 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.

EUR thousands

24. Financial risks and financial instruments (continued)

Statement of due dates at 31 December 2007, measured at amortised cost:

	Within 1 year	Between 1-5 years	After 5 years	Total*	Fair value**	Carrying amount
Financial liabilities						
Finance leases	4,060	5,482	481	10,023	9,209	9,209
Subordinated Loan Notes	-	2,200	-	2,200	1,452	1,452
Senior Loan	4,364	249,335	-	253,699	212,067	209,331
Other long-term liabilities	6,295	-	-	6,295	6,028	6,028
Bank loans	18,797	-	-	18,797	18,725	18,725
Trade payables	126,726	-	-	126,726	126,726	126,726
Other payables	46,096	-	-	46,096	46,096	46,096
Total financial liabilities	206,338	257,017	481	463,836	420,303	417,567
Receivables						
Cash	38,410	-	-	38,410	38,410	38,410
Trade receivables	132,982	-	-	132,982	132,982	132,982
Other receivables	29,207	-	-	29,207	29,207	29,207
Forward exchange contracts	576	-	-	576	576	576
Total receivables	201,175	-	-	201,175	201,175	201,175
Net	**5,163**	**257,017**	**481**	**262,661**	**219,128**	**216,392**

*) All cash flows are undiscounted and 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.

Credit risks

The Group is exposed to credit risks on receivables, derivative financial instruments with a positive fair value and bank deposits. The maximum credit risk corresponds to the carrying amount. No credit risk is considered to exist in relation to cash as the counterparties are banks with good credit ratings. Outstanding receivables are regularly followed up. Trade receivables are hedged 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 writedown is made to cover this risk.

Of trade receivables 56% (2007: 75%) had not exceeded the credit risk at 31 December 2008. Receivables overdue by more than 180 days are generally considered immaterial.

Capital management

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.

Equity as a percentage of total liabilities at the end of 2008 was 33,4% (2007: 25.6%). Capital management is performed for the Group as a whole. The return on equity achieved for 2008 was 20.1% (2007: -20.3%).

Notes to the consolidated financial statements

EUR thousands

25. Related parties

LM Glasfiber Holding A/S' principal shareholders are Doughty Hanson & Co III Limited Partnership No. 1, No. 2 and Nos. 9 through 16, London ("Fund III Partnerships"), 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, and certain co-investors (mainly employees and directors of Doughty Hanson & Co Managers Limited ("Doughty Hanson") and/or its affiliates). The shares of each of the principal shareholders in LM Glasfiber Holding A/S are registered in the name of separate nominee companies. 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 authorised, under the relevant limited partnership agreement, inter alia to direct the exercise of the voting rights by the nominee holder. Both Doughty Hanson & Co III Limited Partnership No. 1 ("Partnership 1") and BLP currently have beneficial holdings in more than 5% of the total issued share capital of LM Glasfiber Holding A/S.

The amount due on Loan Notes was EUR 2 million at 31 December 2008. The loans expire on 8 May 2012 or at early repayment, and are repayable at the amount owed plus all interest up to the repayment date.

Other related parties include the members of LM Glasfiber 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.

26. Events after the balance sheet date

No events have occured after the balance sheet date that will have material effect on the Group´s financial standing.

	2008	**2007**
27. Fees to auditors appointed at the annual general meeting		
Audit fees:		
PricewaterhouseCoopers	586	376
	586	**376**
Non-audit fees:		
PricewaterhouseCoopers	611	307
Others	73	42
	684	**349**
Total fees	**1,270**	**725**

EUR thousands	2008	2007
28. Adjustments		
Depreciation and other adjustments of property, plant and equipment and intangible assets, including gains and losses on sale	35,182	30,842
Exchange rate adjustments of foreign monetary assets and liabilities	129	2,524
Change in deferred income and investment grants recognised as income	6,233	376
Change in provisions	(166)	33,147
Financial income and similar items	(8,826)	(3,879)
Financial expenses and similar items	32,718	22,048
Income taxes	16,872	(16,281)
	82,142	**68,777**
29. Changes in working capital		
Changes in inventories	(14,757)	(23,988)
Changes in receivables	(46,845)	(57,521)
Changes in trade and other payables	60,949	81,563
	(653)	**54**
30. Purchase of property, plant and equipment		
Purchase of property, plant and equipment, gross	235,343	86,505
Transferred from property, plant and equipment under construction	(82,849)	(11,569)
	152,494	**74,936**
31. Purchase of intangible assets		
Purchase of intangible assets, gross	13,923	5,615
Transferred from development projects under construction	(4,010)	(2,557)
	9,913	**3,058**

Parent company financial statements

Accounting policies

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.

Investments in subsidiaries
In the financial statements of the parent company, investments in subsidiaries are recognised according to the equity method with the deduction of intra-group profits.

The share of the profit on ordinary activities after tax and goodwill amortisation (amortisation period is 20 years) of subsidiaries is recognised at the proportionate ownership share in a single line of the parent company's income statement.

The net revaluation of shares in subsidiaries is recognised under net revaluation according to the equity method under equity.

Subsidiaries with a negative net asset value are recognised 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	2008	2007
Other external expenses		–	1,298
Staff expenses	2	24	16
Operating expenses		**24**	**1,314**
Operating loss		**(24)**	**(1,314)**
Income from investment in subsidiary after tax	1	13,165	(74,755)
Financial income	3	31,867	27,557
Financial expenses	4	(1,135)	(1,061)
Financial income and expenses		**43,897**	**(48,259)**
Profit/(loss) before tax		**43,873**	**(49,573)**
Tax on profit/(loss) for the year	5	(7,677)	(6,296)
Profit/(loss) for the year		**36,196**	**(55,869)**

It is proposed that the profit for the year be transferred to retained earnings.

Balance sheet of the parent company, 31 December

EUR thousands	Notes	2008	2007
Assets			
Loan notes receivable, subsidiary		207,321	170,029
Investments	1	**207,321**	**170,029**
Fixed assets		**207,321**	**170,029**
Receivables from group enterprises		41,379	-
Cash		319	245
Current assets		**41,698**	**245**
Total assets		**249,019**	**170,274**
Liabilities and equity			
Share capital		26,668	23,641
Retained earnings		219,164	105,107
Equity	6	**245,832**	**128,748**
Subordinated Loan Notes		1,588	1,452
Long-term liabilities	7	**1,588**	**1,452**
Income taxes		355	-
Payables to group enterprises		1,213	40,051
Other payables		31	23
Short-term liabilities		**1,599**	**40,074**
Liabilities		**3,187**	**41,526**
Total liabilities and equity		**249,019**	**170,274**
Related parties	8		
Contingency liabilities	9		

Notes to the financial statements of the parent company

EUR thousands	Investments in subsidiaries	Loan notes receivable, subsidiary
1. Investments		
Cost at 1 January 2008	40,287	287,919
Exchange rate adjustment year-end rates	33	232
Additions during the year	–	30,548
Cost at 31 December 2008	40,320	318,699
Value adjustments at 1 January 2008	(40,287)	(117,891)
Exchange rate adjustment year-end rates	(20)	(95)
Income from investments in subsidiaries after tax	13,165	–
Fair value adjustment of derivative financial instruments	(7,602)	–
Tax on equity investments	1,900	–
Exchange rate adjustments	(868)	–
Negative equity investments offset against receivables	(6,608)	6,608
Value adjustments at 31 December 2008	(40,320)	(111,378)
Carrying amount at 31 December 2008	**-**	**207,321**

Companies in the LM Group

Name	Domicile	Ownership share
LM Group Holding A/S	Denmark	100%
LM Glasfiber A/S	Denmark	100%
Covia A/S	Denmark	100%
LM Glasfiber (Tianjin) Co. Ltd.	China	100%
LM Glasfiber (Xinjiang) Co. Ltd.	China	100%
LM Glasfiber (India) Private Ltd.	India	100%
LM Glasfiber R&D (India) Private Ltd.	India	100%
LM Glasfiber (Deutschland) GmbH	Germany	100%
LM Glasfiber Eólica S.A.	Spain	100%
LM Composites Galicia S.A.	Spain	100%
LM Glasfiber Española, S.A.	Spain	100%
LM Glasfiber Iberica S.A.	Spain	100%
LM Glasfiber (Holland) B.V.	The Netherlands	100%
LM Glasfiber (Services) B.V.	The Netherlands	100%
LM Glasfiber (ND) Inc.	USA	100%
LM Glasfiber Inc.	USA	100%
LM Glasfiber (Arkansas) Inc.	USA	100%
LM Glasfiber Canada Inc.	Canada	100%
4305825 Canada Inc.	Canada	100%
LM Glasfiber Poland Sp. z o.o.	Poland	100%
LM Glasfiber Poland I Sp. z o.o.	Poland	100%

Notes to the financial statements of the parent company

EUR thousands	2008	2007

2. Staff expenses

Staff expenses are specified as follows:

Wages and fees	24	16
	24	**16**
Total salaries and remuneration to the Executive Board of Management and Supervisory Board	16	16

The company has no employees.

3. Financial income

Interest income from subsidiary	31,857	27,548
Other interest income	10	9
	31,867	**27,557**

4. Financial expenses

Interest expenses for group enterprises	984	925
Other interest expenses	151	136
	1,135	**1,061**

5. Tax on profit/(loss) for the year

Tax on profit/(loss) for the year	**7,677**	**6,296**

Notes to the financial statements of the parent company

EUR thousands	Share capital	Reserve according to the equity method	Retained earnings	Total
6. Equity				
Equity at 1 January 2007	**23,643**	**-**	**161,000**	**184,643**
Exchange rate adjustment year-end rates	(2)	-	31	29
Adjustment opening equity	-	-	(647)	(647)
Loss for the year	-	-	(55,869)	(55,869)
Exchange rate adjustment, foreign enterprises	-	525	-	525
Fair value adjustment of hedge instruments	-	(20)	-	(20)
Tax on equity entries	-	5	162	167
Total comprehensive income	**(2)**	**510**	**(56,323)**	**(55,815)**
Purchase of treasury shares, net	-	-	(80)	(80)
Transfer	-	(510)	510	-
Other equity capital flow	**-**	**(510)**	**430**	**(80)**
Equity at 31 December 2007	**23,641**	**-**	**105,107**	**128,748**
Equity at 1 January 2008	**23,641**	**-**	**105,107**	**128,748**
Exchange rate adjustment year-end rates	19	-	119	138
Profit for the year	-	-	36,196	36,196
Exchange rate adjustment, foreign enterprises	-	(868)	-	(868)
Fair value adjustment of hedge instruments	-	(7,602)	-	(7,602)
Tax on equity entries	-	1,900	-	1,900
Total comprehensive income	**19**	**(6,570)**	**36,315**	**29,764**
Capital increase	3,008	-	84,233	87,241
Purchase of treasury shares, net	-	-	79	79
Transfer	-	6,570	(6,570)	-
Other equity capital flow	**3,008**	**6,570**	**77,742**	**87,320**
Equity at 31 December 2008	**26,668**	**-**	**219,164**	**245,832**

Specification of movements in share capital:

	2008	2007	2006	2005
Share capital, beginning of year	23,641	23,641	13,706	13,698
Exchange rate adjustment year-end rates	19	-	-	-
Ordinary shares	2,484	-	-	-
Convertible preference shares	524	-	9,937	-
Share capital, year end	**26,668**	**23,641**	**23,643**	**13,698**

The cumulative preference dividend, which is not recognised, amounted to EUR 91,366 thousands at 31 December 2008.

Treasury shares

Change in treasury shares:

	2008		2007	
	Number	%	Number	%
Number of treasury shares, beginning of year	20,540	0.07	-	-
Purchased during the year, net	(20,540)	(0.07)	20,540	0.07
Portfolio at 31 December	**-**	**-**	**20.540**	**0.07**

Notes to the financial statements of the parent company

EUR thousands	Expiry	Fixed/ floating	Effective interest rate 2008	Effective interest rate 2007	Carrying amount 2008	Carrying amount 2007
7. Long-term liabilities						
Loan in EUR	2012	Fixed	10.00%	10.00%	1,412	1,282
Loan in EUR	2012	Fixed	10.00%	10.00%	176	170
Total carrying amount					**1,588**	**1,452**
Weighted average effective interest rate			**10.0%**	**10.0%**		

	2008	2007
Subordinated Loan Notes		
Long-term	1,588	1,452
Short-term	-	-
	1,588	**1,452**
Total liabilities	**1,588**	**1,452**

The liabilities are recognised in the balance sheet as follows:

	2008	2007
Long term liabilities	1,588	1,452
Short-term portion of long-term liabilities	-	-
	1,588	**1,452**

8. Related parties

Please see note 25 to the consolidated financial statements for details on related party transactions.

9. Contingency liabilities

As at 31 December, the company had issued guarantees against customers in subsidiaries for a total of EUR 32,955 thousands.

LM Glasfiber at a glance

LM Glasfiber is the world's leading manufacturer of wind turbine blades. Our aim is to further strengthen this position by building on our competitive blade technology and global reach. LM Glasfiber creates value to our customers and shareholders by providing the wind industry with rotor solutions that increase the competitiveness of wind power and provide sustainable energy.

Strategy

The strategy of LM Glasfiber is to create value for our customers based on a high degree of specialisation in the design and manufacturing of advanced rotor solutions. We provide rotor blades optimised for our customers' wind turbines. Through our unmatched global footprint, LM Glasfiber adds value to our customers' business by offering them blade supply capacity in key markets for wind power and first mover advantages in emerging markets.

The strength of LM Glasfiber is based on:

- Leading technology and know-how
- Global capacity and an efficient supply chain
- Significant economies of scale
- Customised product offerings and supply system
- Value enhancing blade design

Organisation

LM Glasfiber had 7,217 employees worldwide by end of year 2008. The company is headquartered in Kolding, Denmark and has a global business office in Amsterdam, the Netherlands. R&D Centres of Excellence are located in Denmark, the Netherlands and India. Our global manufacturing footprint has factories located on three continents in thirteen locations in: Denmark, Poland, Spain, the United States, Canada, India and China - on or close to all the key markets for windpower.

Ownership

The principal shareholders of LM Glasfiber are the partnerships managed by Doughty Hanson & Co. Managers Ltd. Doughty Hanson & Co. Managers Ltd. is a company incorporated in England and Wales and headquartered in London.
As an independent fund management company, Doughty Hanson & Co. has offices in London, New York, Frankfurt, Madrid, Milan, Munich, Paris, Prague and Stockholm. Doughty Hanson & Co.'s principals have many years of experience in the successful management of international private equity funds and have led and arranged a number of large acquisitions and sales.
It is the intention of the shareholders to work towards a listing of the company on a stock exchange.

Facts

LM Glasfiber has produced more than 120,000 blades in the course of more than 30 years, corresponding to approximately 37 GW installed wind power capacity which can each year effectively replace approximately 70 million tons of CO_2. Today, one in every three wind turbines in operation throughout the world is fitted with LM Glasfiber blades.

Contact information

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Press releases 2008 & 2009:

16-04-2008
LM Glasfiber starts construction of new blade manufacturing facility in Goleniów in Poland

22-04-2008
Announcement of financial results for 2007

15-05-2008
The Danish National Advanced Technology Foundation supports LM Glasfiber's development of new groundbreaking blade technology

02-09-2008
LM Glasfiber establishes an office at Risø DTU to further strengthen its research and development activities

28-10-2008
LM Glasfiber doubles North American capacity with the grand opening of its new regional headquarters and blade production facility

03-03-2009
LM Glasfiber inaugurates blade factory in Poland

16-03-2009
LM Glasfiber signs large blade supply agreement with Goldwind and establishes third Chinese blade factory

25-03-2009
LM Glasfiber adapts its European operations further

Group structure

- LM Glasfiber Holding A/S
  - LM Group Holding A/S 100%
    - LM Glasfiber (Services) B.V. 100%
    - LM Glasfiber Española, S.A. 100%
      - LM Glasfiber Eólica, S.A. 100%
        - LM Composites Galicia, S.A. 100%
      - LM Glasfiber A/S 100%
        - LM Glasfiber Poland Sp. z o.o. 100%
        - LM Glasfiber Poland Sp. I z o.o. 100%
        - LM Glasfiber (Holland) B.V. 100%
        - LM Glasfiber (Deutschland) GmbH 100%
        - LM Glasfiber Canada Inc. 100%
        - 4305825 Canada Inc. 100%
        - LM Glasfiber (ND) Inc. 100%
        - LM Glasfiber Inc. 100%
        - LM Glasfiber (Tianjin) Co. Ltd. 100%
        - LM Glasfiber (India) Private Ltd. 100%
        - Covia A/S 100%
        - LM Glasfiber (Arkansas) Inc. 100%
        - LM Glasfiber R&D (India) Private Ltd. 100%
        - LM Glasfiber (Xinjiang) Co. Ltd. 100%
    - LM Glasfiber Iberica, S.A. 100%

Directorships

Supervisory Board

Richard Hanson
Chairman
Appointed to the Supervisory Board in 2005.
Joint Chief Executive Officer at Doughty Hanson & Co.
Born in 1956.

Jan Amethier
Deputy Chairman
Appointed to the Supervisory Board in 2006.
Senior Principal at Doughty Hanson & Co.
Born in 1961.

Rikard Brattberger
Member of the Supervisory Board
Appointed to the Supervisory Board in 2004.
Principal at Doughty Hanson & Co.
Born in 1970.

John Leahy
Member of the Supervisory Board
Appointed to the Supervisory Board in 2005.
Senior Principal at Doughty Hanson & Co.
Born in 1957.

Peter Pedersen
Employee representative
Elected to the Supervisory Board in 2007.
Born in 1968.

Thomas Lindharth
Employee representative
Elected to the Supervisory Board in 2007.
Born in 1969.

Flemming Brorsbøl
Employee representative
Elected to the Supervisory Board in 2007.
Born in 1960.

Executive Board of Management

Roland Sundén
Chief Executive Officer at LM Glasfiber since 2006.
Born in 1953.

Jørgen D. Gade
VP, Chief Financial Officer at LM Glasfiber since 2001.
Responsible for global finance, treasury and IT.
Born in 1957.

Søren F. Knudsen
VP, Chief Commercial Officer at LM Glasfiber since 2000.
Responsible for global sales, marketing, communication and business development.
Born in 1963.

Definitions

Definition of key ratios

EBITDA margin* (%):

$$\frac{\text{Operating profit before depreciation and amortisation (EBITDA) *}}{\text{Revenue}} \times 100$$

EBIT margin (%):

$$\frac{\text{Operating profit (EBIT)}}{\text{Revenue}} \times 100$$

Return on invested capital, including goodwill (%):

$$\frac{\text{EBITA including goodwill}}{\text{Average invested capital including goodwill **}} \times 100$$

Return on invested capital, excluding goodwill (%):

$$\frac{\text{EBITA excluding goodwill}}{\text{Average invested capital excluding goodwill ***}} \times 100$$

Solidity (%):

$$\frac{\text{Equity, year-end}}{\text{Total assets}} \times 100$$

Return on equity (%):

$$\frac{\text{Profit for the year after tax}}{\text{Average equity excluding minority interests}} \times 100$$

* 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 2006 by the Danish Society of Financial Analysts.

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The growth in the Asian wind power markets in 2008 was breathtaking; close to a third of all new capacity was installed on the Asian continent. In particular, the wind energy boom is continuing in China, which once again doubled its installed capacity by adding about 6.3 GW.

LM Glasfiber extended its capacity in the existing Chinese factories during 2008 and early 2009 announced the construction of its third Chinese factory in Qin Huang Dao in North East China. The Qin Huang Dao blade factory will be LM Glasfiber's largest facility in China. The first phase is expected to be commissioned already in fourth quarter of 2009.

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