



Consolidated financial review 2001-2005

DKKkm (unless otherwise stated)	EUR* 2005	2005	2004	2003	2002	2001
						Pro forma
Income statement						
Revenue	331	2,469	2,254	1,710	2,829	2,659
Operating profit before depreciation and amortisation (EBITDA)**	58	416	513	343	668	539
Operating profit before depreciation and amortisation (EBITDA)	44	330	513	203	612	451
Operating profit before goodwill amortisation (EBITA)	21	160	331	37	430	308
Ordinary operating profit	34	252	331	69	369	318
Operating profit/loss (EBIT)	21	160	331	(69)	324	238
Financial income and expenses, net	(19)	(144)	(202)	(231)	(221)	(134)
Profit/loss before tax	2	17	129	(300)	103	103
Profit/loss for the year	(2)	(16)	67	(264)	11	(28)
Balance sheet						
Total assets	508	3,788	3,615	3,508	3,751	3,962
Goodwill on consolidation	244	1,821	1,830	1,834	1,940	2,047
Equity	107	800	819	27	300	300
Subordinated debt***	97	727	659	1,310	1,219	1,152
Other net interest-bearing debt	163	1,219	1,251	1,396	1,313	1,364
Cash flows						
Cash flows from operating activities	55	412	294	111	414	120
Cash flows from investments in property, plant and equipment	(47)	(350)	(169)	(143)	(265)	(236)
Cash flows from financing activities	(14)	(106)	(130)	(77)	1	2,379
Employees						
Average number of employees	2,532	2,532	2,388	2,137	2,982	2,927
Key ratios						
EBITDA margin** (%)	16.9%	16.9%	22.8%	20.1%	23.6%	20.3%
EBIT margin (%)	6.5%	6.5%	14.7%	-4.0%	11.4%	8.9%
Return on invested capital, including goodwill (%)	3.7%	3.7%	9.5%	-2.5%	11.4%	13.7%
Return on invested capital, excluding goodwill (%)	6.3%	6.3%	19.9%	4.7%	50.9%	43.3%
Solidity (%)	21.1%	21.1%	22.7%	0.8%	8.0%	7.6%
Return on equity (%)	-2.0%	-2.0%	15.9%	-161.1%	3.8%	-9.2%

Of the above financial highlights, figures for 2004 and 2005 have been restated to IFRS.

* Translated using the closing rate for 2005: 7.4605

** Before special items

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

Highlights for 2005

Record sales of 3,000 MW

Expansion of global reach

Broadening of customer base

New value enhancing products

Technology advances boosting cost efficiency

Optimised global supply chain

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Meeting the challenges in the global wind turbine industry

In 2005 LM Glasfiber experienced continued growth in business as a preferred supplier of rotor blades, and in doing so, we have expanded our global presence in North America and Asia.

In terms of sales in MW 2005 was the best year ever, with sales of 3,000 MW, or 15% up on the previous year. With this year's performance we have outperformed our sales guidance for the second year running. We take pride in that, and I want to thank all staff of our business units worldwide for their effort in achieving this result, even in a year of change for LM Glasfiber.

But we have also experienced unforeseen costs that have adversely affected the results for 2005, making our overall financial performance less than satisfactory with operating profit falling short of our forecast. The reason was larger than expected rises in raw materials prices, poorer capacity utilisation in Europe in part of the year and greater costs of capacity expansions in North America. However, these capacity expansions will substantially consolidate our growth going forward.

The wind turbine industry is going through rapid expansion and is moving from a niche to a mainstream industry. This maturity process is consolidating our industry at all levels; our customers are gaining in commercial strength and their demands for components are becoming more challenging.

Owing to global capacity expansions, innovation and supply chain streamlining in 2005, LM Glasfiber is now better positioned than ever before to meet these demands. Not least as a result of these initiatives, last year we significantly extended our customer base, adding diversity to our future earnings capability.

To meet the high activity in the global wind turbine industry, in 2005 we accelerated our focus on translating our technological leadership position into customer-oriented product development and more blade shipments.

Through our continuing expansion, we help our customers achieve economies of scale and first mover advantages in new and existing wind energy markets, and today we work more closely with our customers to achieve mutual benefits and high supply chain flexibility, among other things through greater capital discipline,

which have led to new ways of gearing our business for sustainable growth in collaboration with our customers.

To meet the high activity in the global wind energy business, in 2005 we accelerated our efforts to translate our technological leadership position into customer-oriented product development of new innovative blade design and more blade shipments. Paramount in growing up successfully is consistent improvement of all our in-house processes. As a result, we have focused on securing constant improvement of our quality at all levels, from the quality of our raw materials to blade finish, and with a higher visibility on risk. We have initiated a number of organisational changes, which will bring us the required focus on development to support our production.

In 2005, we managed to take a much more long-term approach to contracts with suppliers and customers based on creating win-win situations in an optimised supply chain, and we have started to centralise our global supply chain management in order to realise greater productivity improvements and support our goal of ongoing quality improvements. A Group Supply Chain Director is being

appointed in 2006, and our aim is also to have centrally managed contracts with our raw material suppliers, where we can maximise our buying power, develop supply arrangements that help our end product and hence our customers, whilst strengthening our strategic relationship with our key suppliers worldwide.

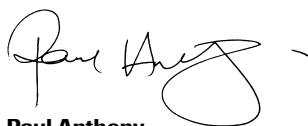
Add to that our **strong technology and a strong brand**, and the fact that we have started a change towards a leaner and more agile business with a global footprint.

All of these initiatives which we implemented or commenced in 2005 have contributed to giving LM Glasfiber a more market-oriented approach to products and customers and a strong focus on blade delivery to meet the growing demand in the global market.

Add to that our strong technology and a strong brand, and we have started a

change towards a leaner and more agile business with a strong global organisation.

To sum up, we have become a financially more robust company, tuned to meet the new business conditions of mainstream wind power generation. This enables us to stay ahead of the competition as a preferred partner and to further expand our global market position to the advantage of our strategic customer base.



Paul Anthony
CEO



Growth and added value

Income statement

LM Glasfiber generated revenue of DKK 2,469 million in 2005, up 10% on 2004. The increase was attributable especially to strong growth in the North American and Asian markets. By contrast, a disappointing Spanish market caused a decline for our Southern European sales as a whole. The year brought a strongly fluctuating level of activity with relatively low capacity utilisation in Europe in the first half.

Operating profit amounted to DKK 160 million against DKK 331 million in 2004. The profit decline was primarily due to the following factors:

- The rising oil prices triggered a surge in raw materials prices in the market, especially prices of liquid raw materials. The increase was higher than anticipated.
- We incurred substantial costs for a major capacity increase in the United States and initial costs of setting up greenfield operations in Canada which will add significantly to our earnings capability in 2006.
- In addition, large fluctuations in demand in the European markets necessitated capacity adjustments at our facilities in Denmark and Spain during the first six months.
- The closing down of our subsidiary Covia A/S also had an adverse impact on our financial performance.

Net financial items improved from expenses of DKK 202 million in 2004 to expenses of DKK 144 million in 2005.

The improvement was attributable to exchange rate gains owing to the appreciating US dollar in 2005 and to the fact that, in the first half of 2004, we incurred interest expenses for an Equity Bridge loan, which was replaced with equity in April 2004, resulting in lower interest expenses.

Profit before tax amounted to DKK 17 million compared to DKK 129 million for 2004.

Balance sheet

Capitalised goodwill on consolidation amounted to DKK 1,821 million at 31 December 2005. The value has been determined as the difference between the purchase price of the Group at 8 May 2001 and the fair value of the net assets acquired less amortisation charged from the date of acquisition until 1 January 2004.

The deferred tax asset, specified in note 13, amounted to DKK 297 million at 31 December 2005.

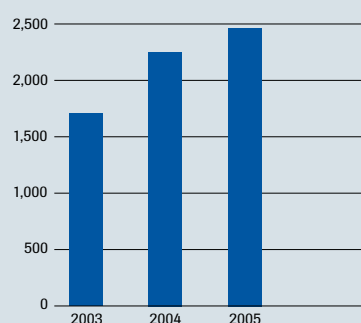
As in previous years, management has assessed whether the value of goodwill on consolidation and the tax asset is intact and correctly valued. The assessment was made according to IAS 36 based on anticipated future earnings.

The financial results achieved in 2005 fell short of the expectations announced at the beginning of the year, first and foremost due to a number of non-recurring factors. However, the outlook for the years ahead and the present order backlog show a favourable trend that supports the current business plans. Hence, we believe that goodwill on consolidation and the tax asset are valued correctly.

The company takes a systematic approach to the number of material risks involved in the wind turbine industry. In 2006, LM Glasfiber aims to continue expanding its systematic risk identification and risk hedging activities. Against this background and our expectations of LM Glasfiber's and the wind turbine industry's progress in general, we believe that the uncertainty currently linked to the future, including the value of goodwill on consolidation and deferred tax assets, will be substantially reduced over the next year.

Working capital stood at DKK 38 million at 31 December 2005, equivalent to 1.5% of revenue for the year, compared with 9% for 2004. In 2005, working capital was reduced by DKK 169 million from DKK 207 million at 31 December 2004. The reduced working capital was primarily due to a DKK 94 million increase in prepayments from customers and an increase in trade payables of DKK 64 million.

Revenue, DKKm



The world's biggest blades

February 2005: The world's biggest wind turbine was officially inaugurated on February 2nd by the river Elbe in Germany, after performing successful test runs since mid-November 2004.

LM Glasfiber designed and manufactured the 61.5 metres long blades for the more than 180 metres tall turbine from REpower Systems AG.

5, 

The power capacity of the wind turbine is 5 MW, corresponding to the annual electricity consumption of 5,000 European households.



Outlook for 2006

For 2006, we project revenue growth of at least 25%, based on the highest order visibility for the Group ever.

2005	2,469 mio. DKK	
2006		min. +25%



The Group's interest-bearing net debt amounted to DKK 1,946 million at year-end 2005, which is an increase of DKK 36 million compared with 1 January.

The LM Glasfiber Group's cash position (cash plus undrawn credit facilities) amounted to DKK 225 million at 31 December 2005, down from DKK 322 million at 31 December 2004.

The revenue increase in 2005 of 10% is slightly better than our expectations at the start of the year, when we forecast growth of 0-5%.

Cash flow statement

The Group generated a cash inflow from operating activities of DKK 412 million in 2005 against DKK 294 million in 2004. The increase was primarily attributable to a significant improvement in working capital.

Investments in property, plant and equipment and intangible assets amounted to DKK 368 million in 2005 compared with DKK 194 million in 2004. Investments in 2005 related primarily to the development of new blade types and moulds and other equipment for their manufacture as well as capacity increases in China and North America.

Total investing activities resulted in a cash outflow of DKK 356 million in 2005 against DKK 129 million in 2004. The Group generated a net cash outflow of DKK 50 million in 2005 compared with a net cash inflow of DKK 36 million in 2004.

Financial forecast for 2005

The revenue increase in 2005 of 10% is slightly better than our expectations at the start of the year, when we forecast growth of 0-5%.

At 6.5%, operating profit as a percentage of revenue fell short of our forecast of 12-13%. The reason was larger than expected rises in raw materials prices, costs of capacity expansions in North America and poor capacity utilisation in Europe in part of the year.

The net change in cash and cash equivalents was in line with our expectations early in the year.

The overall financial performance is less than satisfactory. However with the investments made in 2005 we have laid the foundation for a significantly improved business performance in 2006.

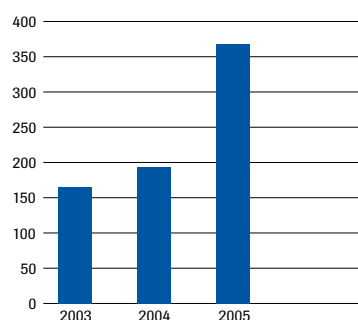
Outlook for 2006

The wind energy market is expected to continue to grow in 2006, resulting in strong demand and a high degree of capacity utilisation. We expect to continue our investment programme and expand our capacity in growth markets in North America and Asia.

For 2006, we project revenue growth of at least 25%, based on the highest order visibility for the Group ever.

Operating profit (EBIT) is forecast to represent at least 10% of revenue in 2006.

Investments in property, plant, equipment and intangible assets, DKKm



Business risks

General risks

LM Glasfiber is dependent on relatively few key customers; a decline in orders placed with us by one or more of our key customers as a result of a significant decline in that customer's market share, as a result of the customer deciding to manufacture part of its blade requirements in-house, or as a result of one or more of our key customers being acquired by a wind turbine manufacturer that manufactures a significant proportion of its own blades, could adversely affect our performance. However, historically we have succeeded in retaining a substantial market share, notwithstanding that key customers have lost market shares, have increased in-house production of blades or have been taken over.

Our launch in recent years of new, large and highly competitive blades demonstrates that we have the ability to adapt to the new demands.

We believe that relative to the number of players in the industry we have a relatively broad customer base, which in 2005 we managed to increase from 14 to 20 wind turbine manufacturers. In addition, our global presence, documented know-how and development and manufacturing capacity make us an attractive business partner to wind turbine manufacturers who may succeed in increasing their market share at the expense of one of our existing customers.

The wind turbine industry is still dependent on government support and approval procedures. We believe that the industry's geographic diversification, the increasing prices of fossil fuels and the ever-increasing

Robot-controlled glass application

Improving the quality is a key factor in manufacturing wind turbine blades.

By using a robot-controlled glass application cart to lay out the glass in the blade mould, LM Glasfiber significantly improves the quality in the product.

The glass application cart ensures that the different types of glass are placed correctly in the mould. The operation is 25% faster than the manual process.

The glass application carts also cut down on material waste and significantly reduce the risk of error.



competitive strength of the wind power industry contribute to reducing reliance on public subsidies.

To retain our position, we will continue to adapt our blade designs to the needs that arise in the market and develop new blade concepts for larger and more efficient wind turbines. Our launch in recent years of new, large and highly competitive blades demonstrates that we have the ability to adapt to the new demands.

Local volatility in regional markets can cause the need for significant manufacturing capacity adjustments. The industry's geographic diversification creates a demand for setting up new local blade manufacturing facilities in emerging markets. Rapid technological advances and the broadening of our customer base have driven manufacturing start-up of

new blade types. Proactive management of operational risk to prevent temporary lapses in product quality is paramount. In 2005, we have taken steps to change our group structure, strengthening the matrix management of our supply chain and technology transfer. When fully implemented in mid-2006, this organisational change, together with improved reporting systems and product audits, will significantly reduce operational risk going forward.

Financial risks

Due to its operations, investments and financing, LM Glasfiber is exposed to changes in exchange and interest rates.

Currency risks

LM Glasfiber's policy is to hedge currency risks when mutually binding agreements are signed. 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.

Interest rate risk

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

Credit risks

The LM Glasfiber Group's policy is to hedge all receivables from customers, including work in progress, through debtor insurance, bank guarantees or similar measures.

Sales in MW at an all-time high

- ▶ Sales in MW up 15% on 2004
- ▶ Expansion of global reach
- ▶ Broadening of customer base
- ▶ Extension of key account contracts
- ▶ New value enhancing products

In 2005 global demand for blades was higher than ever due to strong growth mainly in North America and Asia driven by high oil and gas prices, a strong demand for energy and a supportive regulatory environment. The global market rose to approximately 11,000 MW from 7,950 MW in 2004 with the USA, India and China accounting for more than 80% of the growth. In 2005, this growth dramatically reversed recent years' market trend of excess wind turbine and component supply and created a new market dynamics of excess demand and extended lead times on supply.

LM Glasfiber occupies a key position in the global blade supply chain, and its large geographically diversified manufacturing capacity makes LM Glasfiber the only company with blade manufacturing facilities in all three key growth markets.

This has been a key parameter in creating value for our customers in 2005 and is reflected in the total group sales that reached 3,000 MW, up 15% on 2004, which marks the biggest ever sales for LM Glasfiber. Our largest market in terms of MW was again Southern Europe, but Asia and North America showed the biggest increase in growth. We have been unable to keep up with market growth in 2005 due to short term capacity constraints in North

America. We have made significant investments in new capacity in 2005 which will increase our North American manufacturing capacity with more than 35% in 2006.

LM Glasfiber adds value to our customers' business by offering them first mover advantage to explore new market opportunities.

In emerging markets with local manufacturing requirements this capability can be particularly valuable. In 2005 we started the construction of a new facility in Quebec, Canada in order to supply blades to GE Energy for eight projects in Quebec with a total size of 990 MW. Up to 60% of the value of the turbines is required to be manufactured locally in the region. We work closely with our customers to plan global capacity extensions to our mutual advantage. The new Canadian factory is thus supported by a contract securing GE Energy 2,400 MW blade supply over ten years. The factory became operational in early 2006, and together with our facility in Grand Forks, North Dakota it will supply blades for the US and Canadian markets, consolidating LM Glasfiber's position as the leading supplier of rotor blades in North America. The factory will employ between 100 and 150 persons.

In our efforts to meet demand short term we have increased throughput in our fac-

ories in India and the USA. We expect to continue our global expansion programme adding further capacity in the US and Asia in 2006.

In 2005 we gained three European accounts and three Asian accounts, fulfilling our strategic objective of being the industry's preferred blade supplier. In total we supplied blades in 2005 to 20 customers, including 8 of the global top-10 wind turbine manufacturers, thereby adjusting the balance of our customer portfolio in a positive direction and adding to the financial consolidation of our business.

We have extended our contracts with a range of key accounts with the goal of realising mutual win-win situations in capacity planning, procurement and product development. This extension of contracts brings stability and increased robustness to our future sales and earnings.

LM Glasfiber works closely with our customers in an integrated approach to new product development using our specialist know-how to design new high performance blades tailored to their turbines. In 2005 we developed two new blade types, LM 40.3 P and LM 45.3 P using our latest advances in materials and process technology, aerodynamic load optimisation and structural blade design. The two new blades are tailored to fit our customers' existing turbines while increasing the rotor diameter and enhancing the turbines annual power output, thereby adding value to our customers' products.



2,400 MW in Canada

March 2005: LM Glasfiber and GE Energy signed a contract for delivery of blades for eight projects in Quebec, totalling 990 MW.

The delivery is to take place from 2006 to 2012. In addition another 1,400 MW capacity will be supplied for North America.

As a result of this, LM Glasfiber began construction of a new factory in Gaspé, Quebec.

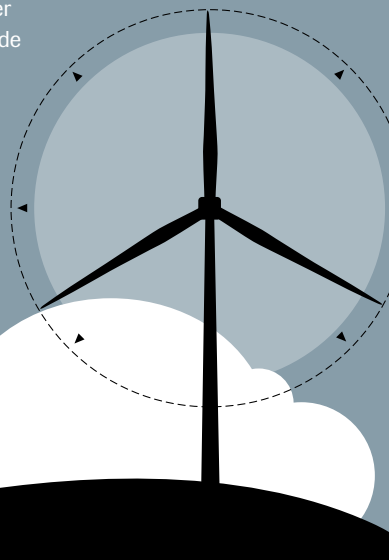
The factory will begin production by early 2006 and it will consolidate LM Glasfiber's position as the leading supplier of rotor blades in North America.

Upgrading existing wind turbines

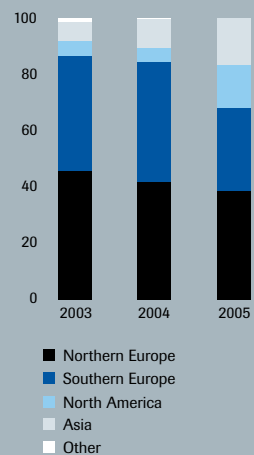
It pays to exploit existing platforms to the limit. Scaling up an existing wind turbine rotor has a direct effect on annual production figures and thus the price of electricity produced using wind power.

By increasing the rotor diameter the larger swept area will provide the same wind turbine with an annual capacity increase – a clear improvement in the turbine's competitiveness.

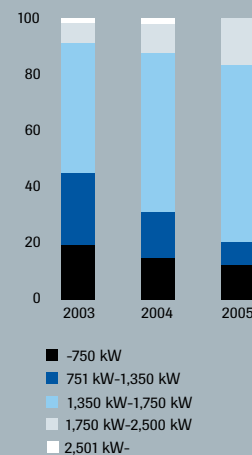
This process has the benefit of being based on well-known, proven technology.



Geographic segmentation of revenue, %



Sales in MW segmented on product class, %



Partnering in a mainstream industry

- ▶ New strategy to capture market dynamics
- ▶ A new capital discipline
- ▶ Revised organisational design
- ▶ Increased productivity
- ▶ Lean factory build concept
- ▶ Reinforced focus on execution and quality

In 2005 a process was initiated to plan and execute a strategy to capture the new market dynamics. The strategy adds agility, mobility and cost-efficiency to our business, improving our ability to respond rapidly to customer demands and market opportunities and improving our ability to better exploit our global reach.

The main elements of the strategy are: an enhanced capital discipline; a lean organisational design; a programme to increase productivity; a lean factory build concept and a reinforced focus on execution and quality.

The principal aim is to shape a more flexible and logical business stream and to lower our cost base of production.

We have reworked our contractual structure with the purpose of creating mutually rewarding and longer term commercial agreements with our key accounts, which implies working closer together in order to realise optimisation gains in the supply chain. As a consequence, new capacity additions going forward will be tightly aligned with customer demands.

A new organisational design was created which will streamline our worldwide supply chain into a single entity, and will allow us to better negotiate global sourcing of materials, enhance the planning of capacity and logistics, and ease the implementation of process and manufacturing improvements. The principal aim is to shape a more flexible and logical business stream and to lower our cost base of production. To provide the necessary level of corporate oversight and coordination and better match our customers, which are increasingly operating on a global basis, we are strengthening our group-wide matrix management not only in operations but also in production improvement, technology transfer and sales. We expect implementation of the new organisational design to be completed in the first half of 2006.

We have pursued our aim for increased productivity in our global manufacturing. We have closed one of three factories in Spain as the size of the facility rendered it unsuitable for manufacturing the large blades increasingly in demand. We have consolidated our North European manufacturing at two locations instead of five. We have increased outsourcing of non-core processes. And we have increased throughput in our Indian and US factories.

Initiatives which will contribute positively with cost savings from 2006 and onwards.

Another element of the new strategy is to secure increased mobility of the production, with an in-built capability for dismantling and moving the facilities. That gives LM Glasfiber a flexible approach to market presence, secures a high degree of freedom in the face of changing market conditions and reduces the need for capital expenditure associated with LM Glasfiber's rapid international expansion. A new modular approach of building for purpose and not beyond has been launched successfully with our new facility in Canada.

While continuing our rapid international expansion a pivotal element of our strategy is a reinforced focus on execution and quality.

LM Glasfiber has built a good reputation and high customer confidence over the years. We realise that with the current strong market growth and turbine supply constraints our blade supply capacity and the timely delivery in a high and uniform quality is key to our customers' success. That is why while continuing our rapid international expansion a pivotal element of our strategy is a reinforced focus on execution and quality.

Value creation through business transformation

Up-stream

- ▶ Optimization of raw materials
- ▶ Broadened supplier base
- ▶ Increased local sourcing
- ▶ Lengthening of supply contracts

LM Glasfiber

- ▶ Consolidation of technological lead
- ▶ Expansion of global capacity
- ▶ Increased economies of scale and productivity
- ▶ Heightened corporate agility

Down-stream

- ▶ New value enhancing products
- ▶ Enhanced global and local sourcing advantages
- ▶ Diversified customer portfolio
- ▶ Extended key account contracts



Flexible approach to blade transport Wind turbine blades are getting longer and heavier and transporting blades has gradually come to account for a significant percentage of the costs associated with setting up wind turbines.

LM Glasfiber has developed an overall concept that can be used for transporting virtually all types of LM blades – both by sea and by road.

When these special transport cradles are ready to be sent back to the factory after use, they can be packed together so that they only take up the equivalent of a 20-foot or 40-foot container.

Reducing cost of wind energy

- ▶ Optimising materials, processes and design
- ▶ Quality and product reliability in focus
- ▶ Up-stream optimisation
- ▶ Focused R&D on near term horizons

In 2005 we extended our technology focus on reducing the cost of energy produced from the wind. Rotor blades account for 15-20% of the cost of a wind turbine, but aside from the blade cost the cost of energy is also significantly impacted by the aerodynamic efficiency of the blades, how blade design affects the cost of other turbine components and the quality of the blades.

In order to reduce the relative blade cost as rotor blades increase in length, LM Glasfiber has focused on developing our raw materials in close cooperation with our main suppliers. As a result, considerable improvements have been achieved in the basic characteristics of materials. The improvements already add positively to both product quality and the cost effectiveness of our products.

We have also optimised the production processes in order to achieve a higher degree of impregnation and shorter infusion times. These advances also add to a higher degree of product quality and improved production capacity on the moulds.

In total these improvements have resulted in relatively lower material costs and shorter lead times. We can today produce our longest blades with the same low weight and operational characteristics but without using the more expensive carbon fibre.

Avoiding carbon fibre has the added benefits of increased security of supply of raw materials and reduced risk of lightning strikes to the rotor blades.

In 2005 we further developed our blade design software LM Blades for integrated load calculation in the blade design phase. Using these new tools we have improved our ability to fine tune blade performance and the aerodynamic loads which drive the cost of other components in the wind turbine as well as the cost of the blade, thereby reducing the cost of energy by igniting a positive cost spiral in both blade and turbine design while capturing more of the wind's energy from larger rotors.

In Denmark, construction of a wind tunnel for blade testing commenced. The new wind tunnel will be used for developing new high yield blade profiles and improved aerodynamic features. The wind tunnel is expected to be ready for operation by mid-2006.

In 2005 we renewed our focus on improving the quality of our products at all levels from blade design through procurement and production. We are addressing our group-wide quality management and have initiated a programme of improvement to ensure that we maintain and build our reputation and profitability going forward. This programme will carry on through 2006.

The suppliers of raw materials are invisible in the finished products but as a link in the value chain they are important partners. The demands of our customers for timely delivery of high quality products in geographically diverse sites has led to stringent demands on LM Glasfiber's own suppliers with regards to the supplies of glass, resin and glue necessary for blade production.

Key in optimising our up-stream value chain in 2005 has been to secure longer term supply agreements with global suppliers to ensure security of supply and counter continuing price increases in raw materials. We have successfully broadened our global supplier base and made important strides in qualifying local suppliers, increasing the local sourcing of our production units in local currency and reducing the cost of transport and working capital investments.

The suppliers of raw materials are invisible in the finished products but as a link in the value chain they are important partners.

Strong growth in demand and rapid international expansion means that as a key element of our new strategy we have focused part of our R&D on near term horizons. The objective has been to secure productivity gains through continuous manufacturing improvements, global capacity build and heightened efforts in group-wide technology transfer, capitalising on LM Glasfiber's leading rotor blade technology.



Nano scale innovation bring mega watt results

A single glass fibre is no more than 17 μm thick. Yet it is the fibres, and how they are used with other materials, which limit the design of rotor blades in terms of length, weight and cost.

In 2005 we have moved these limits through continuous improvements of material properties in close cooperation with our key suppliers and we have made new advances in our in-house process technology.

Innovation, resulting in longer, lighter and more cost efficient blades.

A striking diversion

In 2005 LM Glasfiber expanded our lightning protection system with the introduction of LM DiverterStrips.

Diverter strips are small pieces of metal fitted on a strip mounted on the blade surface. Diverter strips create a channel of ionised air conducting the lightning current to a nearby receptor improving the system's ability to capture lightning strikes efficiently and safely, thus avoiding costly damage to the blade.

LM Glasfiber has applied for international patents for LM DiverterStrips.



Financial Statements



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 2005. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU, and the financial statements of the parent company have

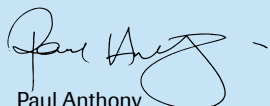
been prepared in accordance with the Danish Financial Statements Act. In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the group's and the parent company's assets, liabilities, and financial position at 31 December 2005 and of the results of the Group's and the parent company's operations and

the cash flow of the Group for the financial year ended 31 December 2005.

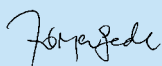
We recommend that the annual report be adopted by the shareholders at the annual general meeting.

Lunderskov, 26 April 2006

Executive Board of Management



Paul Anthony
Chief Executive Officer



Jørgen D. Gade
Chief Financial Officer



Søren F. Knudsen
Sales and Marketing Director


Supervisory Board



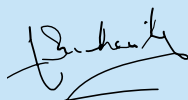
Mark Florman
Chairman



Rikard Brattberger
Deputy Chairman



Richard Hanson



John Leahy



Henrik C. Petersen



Per Laursen



Marianne Tinggaard

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 ended 31 December 2005. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act.

The annual report is the responsibility of the company's Supervisory Board and Executive Board of Management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our 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 2005 and the results of the Group's operations and cash flows for the financial year ended 31 December 2005 in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for the 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 2005 and of the results of the parent company's operations for the financial year ended 31 December 2005 in accordance with the Danish Financial Statements Act.

Kolding, 26 April 2006

PricewaterhouseCoopers
Statsautoriseret
Revisionsinteressentskab



Søren Bonde
State Authorised Public Accountant



Lars Almskou Ohmeyer
State Authorised Public Accountant

Accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU, and the provisions of the Danish Financial Statements Act for large reporting class C enterprises.

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.

This annual report is the first presented in accordance with IFRS. For transition purposes, the Group applies IFRS 1 on first-time adoption of IFRS.

Accounting policy changes

As a result of the transition to IFRS standards on financial reporting, the Group's

accounting policies have been changed in a number of areas.

In accordance with IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 are prepared in accordance with the IFRS/IAS standards that applied as per 31 December 2005 with the exception of the special transition and effective date provisions, which are described below.

The financial impact from the transition to IAS/IFRS etc. is as follows:

1 January 2004

DKKm	Addressed in note	Assets	Liabilities	Equity
Under previous accounting policy		3,508	3,481	27
Employee benefits	2	-	1	(1)
Total adjustments		-	1	(1)
Under IFRS		3,508	3,482	26

31 December 2004

DKKm	Addressed in note	Assets	Liabilities	Equity	Profit/loss for the year
Under previous accounting policy		3,509	2,794	714	(38)
Goodwill	1	106	-	106	106
Employee benefits	2	-	1	(1)	-
Total adjustments		106	1	105	106
Under IFRS		3,615	2,795	819	68

1. LM Glasfiber has applied IFRS 3 retroactively from 1 January 2004. This means that goodwill is not amortised after 1 January 2004. Until now, goodwill has been amortised over its useful life. For business combinations before 1 January 2004, the exemption provisions of IFRS 1 have been applied, which means that the carrying amount of goodwill calculated according to the Group's previous accounting policies has been used as the new cost of goodwill in the IFRS opening balance sheet. The carrying amount of goodwill at 1 January 2004 (IFRS transition date) was tested for impairment.

2. Provisions for employee benefits, including provisions for anniversary awards, etc. are calculated according to IAS 19.

3. Exchange adjustments from the translation of income statements and balance sheets of foreign entities are still recognised in equity. As per 1 January 2004, the Group has elected to adopt the IFRS 1 option to reset this reserve to zero, which means that only exchange adjustments after 1 January 2004 will be recognised as a separate reserve.

Reclassifications

In addition to the changed accounting policies, certain reclassifications and layout changes have been made, involving a restatement of the comparative figures for 2004:

- Deferred tax assets are classified as non-current assets. Previously, deferred tax assets were classified as current assets.
- Deferred tax liabilities, pensions and provisions are no longer presented as a

separate group termed "provisions" in the balance sheet but included under short-term and long-term liabilities.

- Cash discounts are now classified as deductions in revenue. Previously, cash discounts were recognised as financial expenses.

The reclassifications have not had any impact on profit and equity.

New accounting standards

The IASB and the EU have approved the following new financial reporting standards and interpretations, which came into force on 1 January 2006 or later, and which are deemed to be relevant to the LM Glasfiber Group.

- IAS 1 on presentation: Amendment on disclosure on capital structure, which comes into force for financial years commencing 1 January 2007 or later.
- IAS 39 on financial instruments: Several changes; the most important is the restricted possibility of recognising fair value adjustments in the income statement. Fair value adjustments are instead recognised directly in equity and are not recognised in the income statement until the securities have been sold. The amendments come into force for financial years commencing 1 January 2006 or later.
- IFRS 7 on disclosure of financial instruments: Amendment on disclosure of financial instruments, including financial risks, which comes into force for financial years commencing 1 January 2007 or later.

The new accounting standards and interpretations which the LM Glasfiber Group has still not implemented are being ana-

lysed in more detail. At present, they are not expected to have any material impact on the Group's future results and equity or to lead to a substantially higher disclosure level.

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. Goodwill recognised in the opening balance sheet has been tested for impairment 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 presentation currency of the consolidated financial statements is Danish kroner (DKK), which is the functional and presentation currency of the parent company.

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 comprise significant items of a non-recurring nature presented separately to give a true and fair view of earnings. Special items comprise specific write-downs related to enterprises acquired, including certain costs arising from the closing down of production plant, the dismissal of employees, etc. and any reversal of all such costs.

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. 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 loss-making 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 unit with a view to 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.

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. In the case of assets produced in-house, cost comprises direct and indirect costs for materials, components, third-party suppliers and labour.

Government grants to finance capital investments are not set off against the cost of the asset but 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
Fume extraction equipment	25 years
Moulds	Over the expected useful life, 2-4 years
Other assets	0-5 years

Land is not depreciated.

Assets with a cost of less than DKK 50 thousand are charged to the income statement in the year of acquisition.

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, special provisions are made to cover any retrofits.

Pension commitments not covered by insurance are measured at the present value of expected future payments.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured 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 hedges 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.

Prepayments and deferred income

Prepayments 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 include bank and cash balances.

Consolidated Financial Statements

Consolidated income statement, 1 January - 31 December

DKK thousands	Notes	2005	2004
Revenue	2	2,469,210	2,253,659
Change in finished goods and work in progress		(19,237)	71,975
Other income		3,374	10,809
Operating income		2,453,347	2,336,443
Cost of sales		1,087,905	946,715
Other external expenses	6	321,418	248,579
Staff expenses	3	618,793	617,612
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4	169,781	181,546
Other expenses		9,143	10,757
Special items	5	85,838	-
Operating expenses		2,292,878	2,005,209
Operating profit		160,469	331,234
Financial income	7	41,395	13,364
Financial expenses	8	(184,974)	(215,378)
Financial income and expenses		(143,579)	(202,014)
Profit before tax		16,890	129,220
Tax on profit for the year	9	(33,302)	(61,879)
Profit/(loss) for the year		(16,412)	67,341

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

Consolidated balance sheet, 31 December

DKK thousands	Notes	2005	2004
Assets			
Goodwill		1,821,172	1,829,958
Completed development projects		26,876	32,840
Development projects in progress		31,435	16,272
Intangible assets	10	1,879,483	1,879,070
Land and buildings		296,074	306,621
Plant and machinery		224,924	186,399
Fixtures, fittings and equipment		50,961	69,559
Leasehold improvements		43,771	26,766
Property, plant and equipment under construction		132,801	5,724
Property, plant and equipment	11	748,531	595,069
Other securities	12	631	621
Deferred tax asset	13	297,158	240,138
Other non-current assets		297,789	240,759
Total non-current assets		2,925,803	2,714,898
Inventories	14	263,355	276,218
Trade receivables	15	371,690	362,640
Income tax receivable		-	2,678
Other receivables	16	80,152	61,469
Prepayments		7,854	6,712
Cash		139,479	189,971
Current assets		862,530	899,688
Total assets		3,788,333	3,614,586

Consolidated balance sheet, 31 December

DKK thousands	Notes	2005	2004
Liabilities and equity			
Share capital	17	102,195	102,195
Exchange adjustment reserve		(37)	(4,316)
Hedge transaction reserve		3,821	9,292
Retained earnings		694,104	711,956
Equity		800,083	819,127
Provisions for warranty commitments	18	119,694	88,083
Finance leases	19	45,723	13,713
Subordinated Loan Notes	19	727,269	659,392
Senior loan	19	524,965	672,928
Mezzanine loan	19	473,440	448,969
Other long-term liabilities	19	305	415
Long-term liabilities		1,891,396	1,883,500
Short-term portion of other long-term liabilities	19	11,784	1,595
Short-term portion of loans, etc.	19	173,585	175,536
Bank loans		128,345	127,849
Provisions for warranty commitments	18	33,498	24,651
Prepayments from customers		148,604	54,434
Trade payables		336,702	273,171
Taxes		28,841	39,320
Other payables	20	199,679	173,984
Deferred income	21	35,816	41,419
Short-term liabilities		1,096,854	911,959
Total liabilities		2,988,250	2,795,459
Total liabilities and equity		3,788,333	3,614,586
Pledges of rights and guarantees	22		
Contractual obligations	23		
Contingent liabilities	24		
Financial instruments	25		
Related parties	26		
Fees to auditors appointed at the annual general meeting	27		

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

DKK thousands	Share capital	Exchange adjustment reserve	Hedge transaction reserve	Retained earnings	Total
Group					
Equity at 1 January 2004	30,041	-	-	(2,602)	27,439
Change in accounting policies	-	-	-	(1,117)	(1,117)
Adjusted equity at 1 January 2004	30,041	-	-	(3,719)	26,322
Equity at 1 January 2004	30,041	-	-	(3,719)	26,322
Profit for the year	-	-	-	67,341	67,341
Exchange adjustment, foreign enterprises	-	(4,316)	-	-	(4,316)
Fair value adjustment of hedge instruments	-	-	13,274	-	13,274
Tax on equity entries	-	-	(3,982)	-	(3,982)
Capital increase	72,154	-	-	648,476	720,630
Purchase of treasury shares	-	-	-	(142)	(142)
Equity at 31 December 2004	102,195	(4,316)	9,292	711,956	819,127
Equity at 1 January 2005	102,195	(4,316)	9,292	711,956	819,127
Loss for the year	-	-	-	(16,412)	(16,412)
Exchange adjustment, foreign enterprises	-	4,279	-	-	4,279
Fair value adjustment of hedge instruments	-	-	(7,598)	-	(7,598)
Tax on equity entries	-	-	2,127	-	2,127
Purchase of treasury shares	-	-	-	(1,440)	(1,440)
Equity at 31 December 2005	102,195	(37)	3,821	694,104	800,083

Consolidated cash flow statement, 1 January - 31 December

DKK thousands	Notes	2005	2004
Profit/(loss) for the year		(16,412)	67,341
Adjustments	28	404,942	413,024
Change in working capital	29	176,105	23,626
Cash flows from operations before financial items and tax		564,635	503,991
Interest income and similar items		41,395	13,364
Interest expenses and similar items		(96,073)	(132,059)
Cash flows from operations before tax		509,957	385,296
Income tax paid		(98,123)	(90,796)
Cash flows from operating activities		411,834	294,500
Purchase of property, plant and equipment	30	(349,649)	(169,174)
Sale of property, plant and equipment		11,960	65,354
Purchase of intangible assets	31	(18,438)	(24,911)
Cash flows from investing activities		(356,127)	(128,731)
Purchase of treasury shares		(1,478)	(142)
Sale of treasury shares		38	-
Repayment of Equity Bridge loan		-	(721,547)
Capital increase		-	720,630
Proceeds from bank loans		(701)	106
Proceeds from long-term debt		43,436	-
Repayment of long-term debt		(147,321)	(128,737)
Cash flows from financing activities		(106,026)	(129,690)
Net change in cash and cash equivalents		(50,319)	36,079
Cash at beginning of year		189,798	153,892
Cash at year end		139,479	189,971
Unutilised guaranteed credit facilities		85,544	132,341
Financial reserves at year end		225,023	322,312
Cash and cash equivalents and other securities at year end are specified as follows:			
Cash and cash equivalents		139,479	189,971
		139,479	189,971

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

Notes to the consolidated financial statements

DKK 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 accounting value of goodwill was DKK 1,821 million at 31 December 2005.

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 for the next five years when assessing whether or not to recognise deferred tax assets. The accounting value of deferred tax assets was DKK 297 million at 31 December 2005.

Provision 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 at all times the general provision is equal to 2.3% of revenue for the prior two years. 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 DKK 153 million at 31 December 2005.

DKK thousands

	2005	2004
2. Revenue		
Northern Europe	948,182	940,739
Southern Europe	734,085	960,568
North America	372,286	117,893
Asia	411,696	226,626
Other	2,961	7,833
	2,469,210	2,253,659

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

DKK thousands

2005

2004

3. Staff expenses

Staff expenses are specified as follows:

Wages	391,718	382,195
Salaries and fees	164,615	142,402
Pensions	18,864	18,059
Other social security expenses	43,596	74,956
	618,793	617,612

Average number of employees

2,532 **2,388**

Number of employees at 31 December

2,623 **2,600**

	2005 Executive Board of Management	2005 Supervisory Board	2004 Executive Board of Management	2004 Supervisory Board
Total salaries and remuneration to the Executive Board of Management and the Supervisory Board amount to:				
Wages and salaries	6,307	923	6,076	1,021
Severance payment – included in special items	3,655	-	-	-
	9,962	923	6,076	1,021

4. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

Depreciation, amortisation and impairment are specified as follows:

Development projects	9,239	31,728
Leasehold improvements	6,960	8,853
Land and buildings	17,899	17,908
Plant and machinery	98,071	109,689
Fixtures, fittings and equipment	37,612	47,745
Reimbursement concerning impairment of fixed assets	-	(34,377)
	169,781	181,546

5. Special items

Costs related to closing down subsidiary	9,654	-
Costs arising from capacity expansion in North America	61,294	-
Costs related to supply of poor quality of raw material	9,066	-
Staff costs related to severance for executives	5,824	-
	85,838	-

6. Research and development costs

Research and development costs recognised for the year	76,458	71,201
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Notes to the consolidated financial statements

DKK thousands	2005	2004
7. Financial income		
Interest income, etc.	10,634	6,637
Exchange rate gains and adjustments	30,761	6,727
	41,395	13,364
8. Financial expenses		
Interest expenses, etc.	179,929	194,862
Exchange rate losses and adjustments	5,045	20,516
	184,974	215,378
9. Income tax		
Tax for the year is specified as follows:		
Current tax for the year	76,887	110,111
Deferred tax for the year	(57,020)	(39,268)
Adjustment of tax re. prior years	11,307	(4,982)
	31,174	65,861
Which is distributed as follows:		
Tax on the profit/(loss) for the year	33,302	61,879
Tax on equity entries	(2,128)	3,982
	31,174	65,861
Taxes paid during the year	98,123	90,796
The effective tax rate is specified as follows:		
Corporation tax rate in Denmark	28.0%	30.0%
Reduction of corporate tax rate	75.9%	-
Tax re. prior years	66.9%	-4.3%
Goodwill amortisation	5.1%	1.6%
Effect of joint taxation with foreign subsidiaries	-	-2.3%
Effect of different tax rates and tax assets not provided for in foreign subsidiaries	17.9%	21.2%
Non-taxable income and non-deductible expenses	3.3%	1.7%
Effective tax rate for the year	197.1%	47.9%

The high tax rate of 197.1% realised in 2005 is affected by the fact that the corporate tax rate was lowered from 30% to 28%, and the effective tax rate is affected by the uneven distribution of the results of subsidiaries. The low tax rate of 47.9% in 2004 was affected by the uneven distribution of results in subsidiaries.

Notes to the consolidated financial statements

DKK thousands	Goodwill	Completed development projects	Development projects in progress	Total
10. Intangible assets				
Cost at 1 January 2004	2,130,222	50,242	26,377	2,206,841
Additions during the year	-	35,016	24,911	59,927
Transferred upon completion	-	-	(35,016)	(35,016)
Adjustment for the year	(4,027)	-	-	(4,027)
Cost at 31 December 2004	2,126,195	85,258	16,272	2,227,725
Amortisation and impairment at 1 January 2004	296,237	20,690	-	316,927
Amortisation for the year	-	22,027	-	22,027
Impairment writedowns during the year	-	9,701	-	9,701
Amortisation and impairment at 31 December 2004	296,237	52,418	-	348,655
Carrying amount at 31 December 2004	1,829,958	32,840	16,272	1,879,070
Cost at 1 January 2005	2,126,195	85,258	16,272	2,227,725
Additions during the year	-	3,275	18,438	21,713
Disposals during the year	-	-	(3,275)	(3,275)
Adjustment for the year	(8,786)	-	-	(8,786)
Cost at 31 December 2005	2,117,409	88,533	31,435	2,237,377
Amortisation and impairment at 1 January 2005	296,237	52,418	-	348,655
Amortisation during the year	-	9,239	-	9,239
Amortisation and impairment at 31 December 2005	296,237	61,657	-	357,894
Carrying amount at 31 December 2005	1,821,172	26,876	31,435	1,879,483

The remaining amortisation period for completed development projects was 21 months in 2004 and 20 months in 2005.

As at 31 December 2005, management performed an impairment test of the carrying amount of goodwill.

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 9.95%.

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

Notes to the consolidated financial statements

DKK 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 2004	496,441	634,299	221,683	82,588	8,747	1,443,758
Exchange adjustment at year-end rates	(1,524)	(5,113)	(445)	(5,782)	(391)	(13,255)
Additions during the year	14,941	116,930	38,658	1,277	5,698	177,504
Disposals during the year	(30,372)	(22,784)	(12,319)	(48)	-	(65,523)
Transferred upon completion	-	-	-	-	(8,330)	(8,330)
Cost at 31 December 2004	479,486	723,332	247,577	78,035	5,724	1,534,154
Depreciation and impairment at 1 January 2004	173,150	444,301	138,700	44,940	-	801,091
Exchange adjustment at year-end rates	(314)	(5,583)	(380)	(2,497)	-	(8,774)
Depreciation for the year	17,908	109,689	47,745	8,853	-	184,195
Depreciation on assets sold	(17,879)	(11,474)	(8,047)	(27)	-	(37,427)
Depreciation and impairment at 31 December 2004	172,865	536,933	178,018	51,269	-	939,085
Carrying amount at 31 December 2004	306,621	186,399	69,559	26,766	5,724	595,069
Cost at 1 January 2005	479,486	723,332	247,577	78,035	5,724	1,534,154
Exchange adjustment at year-end rates	5,470	20,487	1,319	2,971	507	30,754
Additions during the year	20,373	157,274	23,045	22,387	152,863	375,942
Disposals during the year	(40,897)	(131,983)	(21,538)	(3,972)	-	(198,390)
Transferred upon completion	-	-	-	-	(26,293)	(26,293)
Cost at 31 December 2005	464,432	769,110	250,403	99,421	132,801	1,716,167
Depreciation and impairment at 1 January 2005	172,865	536,933	178,018	51,269	-	939,085
Exchange adjustment at year-end rates	826	12,954	1,064	718	-	15,562
Depreciation for the year	17,899	98,071	37,612	6,960	-	160,542
Depreciation on assets sold	(23,232)	(103,772)	(17,252)	(3,297)	-	(147,553)
Depreciation and impairment at 31 December 2005	168,358	544,186	199,442	55,650	-	967,636
Carrying amount at 31 December 2005	296,074	224,924	50,961	43,771	132,801	748,531

Mortgage deeds amounting to DKK 424,908 thousand on land and buildings with a carrying amount of DKK 220,576 thousand have been pledged as security for loans arranged by Dresdner Bank AG, London. See note 22 for further details.

Commercial properties in Denmark amount to DKK 170,435 thousand of the total carrying amount at 31 December 2005 of DKK 296,074 thousand. The officially assessed value of these properties is DKK 130,837 thousand.

LM Glasfiber (ND) Inc. USA has entered into a property lease. At 31 December 2005, the cost and accumulated depreciation on the buildings were DKK 18,741 thousand and DKK 2,811 thousand, respectively.

LM Glasfiber A/S, LM Glasfiber (ND) Inc. USA and LM Glasfiber Espanola, S.A. have entered into a production facility lease. At 31 December 2005, the cost and accumulated depreciation on the production facilities were DKK 57,331 thousand and DKK 0 thousand, respectively.

Notes to the consolidated financial statements

DKK thousands

2005

2004

12. Other securities

Cost at 1 January	853	866
Exchange adjustment at year-end rates	34	(13)
Cost at 31 December	887	853
Impairment at 1 January	232	241
Impairment for the year	24	(9)
Impairment at 31 December	256	232
Carrying amount at 31 December	631	621

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 28%, which represents a change relative to last year, when the tax rate in Denmark was 30%.

Deferred tax at 1 January	240,138	207,058
Deferred tax for the year recognised in profit/(loss) for the year	57,020	39,268
Adjustment in respect of prior years	-	(6,188)
Deferred tax at 31 December	297,158	240,138

Deferred tax is recognised in the balance sheet as follows:

Deferred tax (asset)	297,158	240,138
Deferred tax (liability)	-	-
Deferred tax at 31 December	297,158	240,138

Specification of deferred tax asset:

Fixed assets	93,519	84,420
Inventories	398	208
Trade receivables	1,564	1,976
Provisions for warranty commitments	36,130	25,331
Tax losses carried forward - gross	162,935	119,790
Capital grants, Spain	(2,440)	(2,425)
Other	5,052	10,838
	297,158	240,138

Tax loss carried forward:

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

Notes to the consolidated financial statements

DKK thousands	2005	2004
14. Inventories		
Raw materials and consumables	149,781	143,407
Work in progress	94,970	123,981
Finished goods	18,604	8,830
Total inventories at 31 December	263,355	276,218
Writedowns of inventories expensed during the year amount to	3,420	2,082
Reversed writedowns of inventories during the year amount to	2,082	8,510
15. Trade receivables		
Trade receivables (gross)	382,167	374,499
Provisions for bad debts	(10,477)	(11,859)
Total trade receivables at 31 December	371,690	362,640
<p>In 2005, the LM Glasfiber Group expensed DKK 1,667 thousand as bad debts (2004: DKK 0 thousand). The loss is included in "Other external expenses".</p>		
Credit risk management		
<p>The credit risk on trade receivables is considered to be minimal as a risk assessment of the customer is made upon the signing of contracts, and payments are also secured through credit insurance or other securities.</p>		
16. Other receivables		
Capital grants	16,543	17,978
Deposits on property leases	8,748	8,252
VAT and customs duties receivable	24,789	4,062
Other receivables	30,072	31,177
Other receivables at 31 December	80,152	61,469

Notes to the consolidated financial statements

DKK thousands

2005

2004

17. Share capital

The share capital is divided into the following classes of shares:

Ordinary shares, 30,040,539 of DKK 1 nominal value	30,041	30,041
Convertible preference shares, 72,154,748 of DKK 1 nominal value	72,154	72,154
	102,195	102,195

The cumulative preference dividend, which is not recognised, amounted to DKK 130,497 thousand at 31 December 2005.

Treasury shares

On 8 July 2005, the Company sold 2,500 ordinary shares, and on 24 November 2005 it acquired 123,243 of its own ordinary shares. Consideration for the shares amounted to DKK 1,440 thousand, net, which has been deducted directly in equity in accordance with the accounting policies. The shares were acquired from employees who have left the company.

	2005		2004	
	Number	%	Number	%
Portfolio at 1 January	9,243	0.03	-	-
Acquired during the year	123,243	0.41	9,243	0.03
Sold during the year	(2,500)	(0.01)	-	-
Portfolio at 31 December	129,986	0.43	9,243	0.03

18. Provisions for warranty commitments

Provisions at 1 January	112,734	143,197
Used during the year	(16,999)	(40,262)
Adjustment of provisions made in prior years	(20,930)	(22,302)
Provisions made during the year	78,387	32,101
Provisions for warranty commitments at 31 December	153,192	112,734

Specification of short-term and long-term warranty commitments:

Short-term	119,694	88,083
Long-term	33,498	24,651
	153,192	112,734

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

DKK thousands

19. Debt obligations

Loans	Expiry	Fixed/ floating	Effective interest rate 2005	Effective interest rate 2004	Carrying amount 2005	Carrying amount 2004
DKK	2012	Fixed	10.00%	10.00%	641,926	582,246
EUR	2012	Fixed	10.00%	10.00%	31,912	28,813
EUR	2012	Fixed	10.00%	10.00%	21,191	19,193
EUR	2012	Fixed	10.00%	10.00%	17,238	15,588
EUR	2012	Fixed	10.00%	10.00%	15,002	13,552
EUR	2007	Floating	4.14%	4.22%	305,020	456,704
EUR	2008	Floating	4.92%	4.91%	382,252	381,086
EUR	2009	Floating	11.17%	11.16%	484,718	459,643
USD	2008	Fixed	8.75%	8.75%	481	567
USD/EUR	2014	Fixed	6.44%	5.80%	57,331	15,156
Total carrying amount at 31 December					1,957,071	1,972,548
Weighted average effective interest rate			8.3%	7.9%		

The impact on the profit/loss for the year of an interest rate increase of 1% estimated at the balance sheet date is DKK 12 million.

DKK thousands	2005	2004
Finance leases		
Long-term	45,723	13,713
Short-term	11,608	1,443
	57,331	15,156
Subordinated Loan Notes		
Long-term	727,269	659,392
Short-term	-	-
	727,269	659,392
Senior Loan		
Long-term	524,965	672,928
Short-term	162,307	164,862
	687,272	837,790
Mezzanine Loan		
Long-term	473,440	448,969
Short-term	11,278	10,674
	484,718	459,643
Other long-term debt		
Long-term	305	415
Short-term	176	152
	481	567
Total debt at 31 December	1,957,071	1,972,548

Notes to the consolidated financial statements

DKK thousands

2005

2004

19. Debt obligations, continued

The liabilities are recognised in the balance sheet as follows:

Long-term liabilities	1,771,702	1,795,417
Short-term portion of other long-term liabilities	11,784	1,595
Short-term portion of loans, etc.	173,585	175,536
	1,957,071	1,972,548

Of long-term liabilities the following fall due more than five years after the end of the financial year	727,269	659,392
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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. In 2006, the Group does not expect to violate terms and conditions to the effect that renegotiations with the lenders would be required.

Finance leases

Finance lease commitments - minimum lease payments:

Within 1 year	14,710	2,280
Between 1-5 years	42,538	6,342
After 5 years	10,636	11,143
	67,884	19,765
Future interest rate on lease commitments	(10,553)	(4,609)
Present value of finance lease commitments	57,331	15,156

The present value of the finance lease commitments is as follows:

Within 1 year	11,608	1,443
Between 1-5 years	38,210	5,774
After 5 years	7,513	7,939
	57,331	15,156

The effective interest rate in respect of finance leases was 6.4% at 31 December 2005 (2004: 5.8%).

Notes to the consolidated financial statements

DKK thousands

2005

2004

20. Other payables

Accrued VAT	21,662	13,778
Withholding taxes, labour market contributions, etc.	14,034	16,244
Accrued wages and salaries	58,239	53,942
Other accrued expenses	105,744	90,020
Other payables at 31 December	199,679	173,984

21. Deferred income

Capital grants are received in Spain 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.

Divided into programmes, the capital grants are:

Granted by:	2005	Expiry/ expiry year	2004	Expiry/ expiry year
Ministry of Finance	910	2020	967	2020
Feder	1,268	2020	1,369	2020
Igape	492	2021	543	2021
Mimer	7,147	2025	7,840	2025
Ade	7,565	2025	8,427	2025
Endesa	2,037	2026	5,504	2026
Mimer	7,058	2027	9,491	2027
Ade	2,313	2027	-	-
Endesa	2,581	2028	-	-
Others	4,445	N/A	7,278	N/A
	35,816		41,419	

Notes to the consolidated financial statements

DKK thousands

22. Pledges of rights and guarantees

a) Intercreditor Agreement

An Intercreditor Agreement was entered into on 8 May 2001 that regulates all matters in relation to the loans (see note 19) as well as the arrangements between all the lenders (Senior lenders, Mezzanine lenders and initial investors in Loan Notes). The agreement determines that the Loan Notes are subordinated to the Senior Loan and the Mezzanine Loan. The agreement furthermore determines that the Senior Loan liabilities rank in priority to the Mezzanine Loan. Any material changes to the agreement, e.g. early repayment of the Mezzanine Loan, can only be made with the consent of the Senior lenders. The Senior lenders can increase the principal loan amount by DKK 150 million and/or increase the margin by up to 2 percentage points without it resulting in the loan ranking behind the Mezzanine Loan. The Agreement is governed by English law.

b) Danish Rights Pledge and Assignment Agreement

On 8 May 2001 an agreement was entered into with Dresdner Bank AG, acting as Security Trustee, that pledges all rights and title and interest as continuing security for payments and satisfaction in full of the secured obligations under the Senior Loan and the Mezzanine Loan. The Agreement is governed by Danish law.

c) Danish Share Pledge Agreement

On 8 May 2001 an agreement was entered into with Dresdner Bank AG, acting as Security Trustee, that pledges all existing and future share certificates in LM Group Holding A/S, LM Glasfiber A/S, LM Glasfiber (India) Private Ltd., LM Glasfiber (ND) Inc., LM Glasfiber (Holland) B.V., 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 and the Mezzanine Loan. The Agreement is governed by Danish law.

d) Mortgage Deed Pledge Agreement

On 8 May 2001 an agreement was entered into with Dresdner Bank AG, acting as Security Trustee, that establishes the following mortgage deed pledges:

Mortgaged property	2005		2004	
	Official valuation at 1 January 2005	Mortgage deeds pledged	Official valuation at 1 January 2004	Mortgage deeds pledged
3 I and 4 O Lunderskov by, Skanderup	26,000	178,000	25,500	178,000
6H Lunderskov by, Skanderup	62,000		60,000	
3D and IQ and 3 ir, Engesvang by	25,500	135,000	25,500	135,000
C/Dinamarca, s/n, Zona Industrial La Llanada, Santo Tomás de las Ollas, Ponferrada, León	38,040	111,908	37,925	111,572

The issuer of all mortgage deeds are LM Glasfiber A/S and LM Glasfiber Española, S.A.

The mortgage deeds are pledged as continuing security for payment and satisfaction in full of the secured obligations under the Senior Loan. The agreement is governed by Danish law.

Notes to the consolidated financial statements

DKK thousands

23. Contractual obligations

Operating lease commitments

The Group holds some of its operating facilities located in India, China, the USA and Denmark under operating leases non-terminable for up to seven years. These leases are specified as follows (DKK thousands):

2005	India	USA	Denmark	Total
Within 1 year	143	3,225	32,378	35,746
Between 1-5 years	616	7,794	56,239	64,649
After 5 years	-	-	6,319	6,319
Total	759	11,019	94,936	106,714

2004	China	India	USA	Denmark	Total
Within 1 year	59	35	2,788	26,227	29,109
Between 1-5 years	-	101	9,527	56,123	65,751
After 5 years	-	-	-	9,833	9,833
Total	59	136	12,315	92,183	104,693

Lease costs amounted to DKK 34 million in 2005 and DKK 24 million in 2004.

Construction of plant

The commitments relating to land and buildings comprise:

	2005			2004		
	Within 1 year	More than 1 year	Total	Within 1 year	More than 1 year	Total
Construction of plant	27,720	2,217	29,937	1,869	-	1,869
Purchase of land	-	2,159	2,159	1,819	-	1,819
Total	27,720	4,376	32,096	3,688	-	3,688

Pension plans

The Group has qualified retirement savings plans under Section 401(k) of the United States of America Internal Revenue Code (the Plan) which cover all US employees who meet certain eligibility requirements. Voluntary contributions may be made to the Plan by the participating employees, and matching company contributions are made at the discretion of the Supervisory Board of the company (LM Glasfiber (ND) Inc.).

24. Contingent liabilities

Nordea Bank Danmark A/S, Copenhagen, has issued the following guarantees for the Group at 31 December 2005:

Guarantees issued to banks	USD'000	4,548	28,762
Guarantees issued to customers	USD'000	10,000	63,241
Other			10,409
			102,412

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

Nordea Bank Danmark A/S has granted an ancillary of DKK 125,000 thousand covered by the Revolving Loan and Letter of Credit Facility totalling DKK 250,000 thousand. This loan and facility is an integral part of the Senior Loan agreement.

Capital grants have been received in Spain 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 21.

Notes to the consolidated financial statements

DKK thousands

25. Financial instruments

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 DKK. The exchange rate 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 with the USD, and the Group's net surplus of USD is hedged via forward transactions. Generally, the net investment in foreign subsidiaries is not hedged. Any adjustments arising as a result of changes in the exchange rates are booked directly in equity in accordance with the Group's accounting policies.

Overview of open contracts

Financial instruments hedging expected transactions and qualifying for hedge accounting under IAS 39:

	Contract amount, year end	Positive fair values, year end	Negative fair values, year end
2004			
Forward contracts:			
USD	132,806	6,841	-
Interest rate swaps:			
EUR	895,260	-	3,577
Total hedging of expected transactions qualifying for hedge accounting under IAS 39	1,028,066	6,841	3,577
2005			
Forward contracts:			
USD	28,458	-	3,511
Total hedging of expected transactions qualifying for hedge accounting under IAS 39	28,458	-	3,511

Subsequently swap agreements have been entered, reducing the interest rate risk (see note 19).

26. 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 Limited ("Doughty Hanson") and/or its subsidiaries). 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.

On 8 May 2001, the Company issued certificates of unsecured Loan Notes in the amount of DKK 407,500 thousand to the principal shareholders, and has subsequently issued a further EUR 8,599 thousand in unsecured Loan Notes to the principal shareholders. The notes were issued at nominal amount and bear interest at 10.00% p.a., added on 30 March and 30 September each year until the loans have been repaid in full. 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. The amount payable at 31 December 2005 was DKK 727 million (2004: DKK 659 million).

Other related parties include LM Glasfiber Holding A/S' Supervisory Board and Executive Board of Management, with whom no deals or transactions have been 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. No other related party transactions have taken place.

Notes to the consolidated financial statements

DKK thousands	2005	2004
27. Fees to auditors appointed at the annual general meeting		
Audit fees		
PricewaterhouseCoopers	2,135	2,457
	2,135	2,457
Non-audit fees		
PricewaterhouseCoopers	2,535	2,595
Others	222	-
	2,757	2,595
Total fees	4,892	5,052
28. Adjustments		
Depreciation/amortisation and other adjustments of property, plant and equipment and intangible assets, including gains and losses on sale	169,781	181,546
Exchange rate adjustments of foreign monetary assets and liabilities	23,425	(2,776)
Change in deferred income and investment grants recognised as income	(5,603)	(6,155)
Change in provisions	40,458	(30,093)
Financial income and similar items	(41,395)	(13,364)
Financial expenses and similar items	184,974	221,987
Income tax	33,302	61,879
	404,942	413,024
29. Change in working capital		
Changes in inventories	12,863	(105,656)
Changes in receivables	(28,875)	8,225
Changes in trade and other payables	192,117	121,057
	176,105	23,626
30. Purchase of property, plant and equipment		
Purchase of property, plant and equipment, gross	375,942	177,504
Transferred from property, plant and equipment under construction	(26,293)	(8,330)
	349,649	169,174
31. Purchase of intangible assets		
Purchase of intangible assets, gross	21,713	59,927
Transferred from development projects under construction	(3,275)	(35,016)
	18,438	24,911

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 parent company, investments in subsidiaries are rec-

ognised according to the equity method with the deduction of intra-group profits.

The share of the profit on ordinary activities of subsidiaries is recognised at the proportionate ownership share in a single line of the parent company's income statement. The share of taxes is recognised in similar items of the parent company financial statements. 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

DKK thousands	Notes	2005	2004
Other external expenses		865	189
Staff expenses	2	783	882
Operating expenses		1,648	1,071
Operating profit/(loss)		(1,648)	(1,071)
Income from investment in subsidiary before tax	1	(180,407)	(53,464)
Financial income	3	167,896	152,403
Financial expenses	4	(73,862)	(74,358)
Financial income and expenses		(86,373)	24,581
Profit/(loss) before tax		(88,021)	23,510
Tax on profit for the year	5	(33,302)	(61,879)
Profit/(loss) for the year		(121,323)	(38,369)

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

Balance sheet of the parent company, 31 December

DKK thousands	Notes	2005	2004
Assets			
Loan notes receivable, subsidiary		1,496,666	1,517,818
Investments	1	1,496,666	1,517,818
Fixed assets		1,496,666	1,517,818
Cash		1,138	974
Current assets		1,138	974
Total assets		1,497,804	1,518,792
Liabilities and equity			
Share capital		102,195	102,195
Share premium		488,385	612,339
Equity	6	590,580	714,534
Subordinated Loan Notes		727,269	659,392
Long-term liabilities	7	727,269	659,392
Payables to group enterprises		179,432	144,377
Other payables		523	489
Short-term liabilities		179,955	144,866
Liabilities		907,224	804,258
Total liabilities and equity		1,497,804	1,518,792
Related parties	8		

Notes to the financial statements of the parent company

DKK thousands	Investments in subsidiaries	Loan notes receivable, subsidiary
1. Investments		
Cost at 1 January 2005	300,405	1,517,818
Additions during the year	-	167,880
Cost at 31 December 2005	300,405	1,685,698
Value adjustments at 1 January 2005	(300,405)	-
Income from investments in subsidiaries before tax	(180,407)	-
Tax on equity investments	(7,434)	-
Fair value adjustment of derivative financial instruments	(7,598)	-
Tax on equity investments	2,128	-
Exchange rate adjustments	4,279	-
Negative equity investments offset against receivables	189,032	(189,032)
Value adjustments at 31 December 2005	(300,405)	(189,032)
Carrying amount at 31 December 2005	-	1,496,666

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 (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 Espanõla, S.A.	Spain	100%
LM Glasfiber Iberica, S.A.	Spain	100%
LM Glasfiber (Holland) B.V.	Holland	100%
LM Glasfiber (ND) Inc.	USA	100%
LM Glasfiber 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 1 Sp. z o.o.	Poland	100%

Notes to the financial statements of the parent company

DKK thousands

2005

2004

2. Staff expenses

Staff expenses are specified as follows:

Wages and fees	783	882
	783	882

Total salaries and remuneration to the Executive Board of Management and Supervisory Board amount to

783	882
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The company has no employees.

3. Financial income

Interest income from subsidiary	167,880	152,226
Other interest income	16	177
	167,896	152,403

4. Financial expenses

Interest expenses for group enterprises	5,984	3,804
Other interest expenses	67,878	70,255
Exchange rate adjustments	-	299
	73,862	74,358

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

Current tax	25,868	23,603
Deferred tax	-	(510)
Tax in subsidiaries	5,306	42,768
	31,174	65,861

Which is distributed as follows:

Tax on profit/loss for the year	33,302	61,879
Tax on equity entries	(2,128)	3,982
	31,174	65,861

Notes to the financial statements of the parent company

DKK thousands	Share capital	Share premium	Reserve according to the equity method	Retained earnings	Total
6. Equity					
Equity at 1 January 2004	30,041	-	-	(2,602)	27,439
Loss for the year	-	-	-	(38,369)	(38,369)
Exchange adjustments, foreign subsidiary	-	-	(4,316)	-	(4,316)
Capital increase	72,154	648,476	-	-	720,630
Purchase of treasury shares	-	-	-	(142)	(142)
Fair value adjustment of derivate financial instruments	-	-	13,274	-	13,274
Tax on equity entries	-	-	(3,982)	-	(3,982)
Transfer	-	(36,137)	(4,976)	41,113	-
Equity at 31 December 2004	102,195	612,339	-	-	714,534
Equity at 1 January 2005	102,195	612,339	-	-	714,534
Loss for the year	-	-	-	(121,323)	(121,323)
Exchange adjustments, foreign subsidiary	-	-	4,279	-	4,279
Fair value adjustments of derivate financial instruments	-	-	(7,598)	-	(7,598)
Tax on equity entries	-	-	2,128	-	2,128
Purchase of treasury shares	-	-	-	(1,440)	(1,440)
Transfer	-	(123,954)	1,191	122,763	-
Equity at 31 December 2005	102,195	488,385	-	-	590,580

Specification of movements in share capital:

	2005	2004	2003	2002
Share capital, beginning of year	102,195	30,041	30,041	30,041
Convertible preference shares	-	72,154	-	-
Share capital, year end	102,195	102,195	30,041	30,041

The cumulative preference dividend, which is not recognised, amounted to DKK 130,497 thousand at 31 December 2005.

Treasury share

On 8 July 2005, the Company sold 2,500 ordinary shares, and on 24 November 2005 it acquired 123,243 of its own ordinary shares. Consideration for the shares amounted to DKK 1,440 thousand, net, which has been deducted directly in equity in accordance with the accounting policies. The shares were acquired from employees who have left the company.

	2005		2004	
	Number	%	Number	%
Number of treasury shares, beginning of year	9,243	0.03	-	-
Purchased during the year	123,243	0.41	9,243	0.03
Sold during the year	(2,500)	(0.01)	-	-
Portfolio at 31 December	129,986	0.43	9,243	0.03

Notes to the financial statements of the parent company

DKK thousands

7. Long-term liabilities

Loan	Expiry	Fixed/ floating	2005	2004	2005	2004
DKK	2012	Fixed	10.00%	10.00%	641,926	582,246
EUR	2012	Fixed	10.00%	10.00%	85,343	77,146
Total carrying amount					727,269	659,392
Weighted average effective interest rate			10.0%	10.0%		

DKK thousands	2005	2004
Subordinated Loan Notes		
Long-term	727,269	659,392
Short-term	-	-
Total liabilities	727,269	659,392

The liabilities are recognised in the balance sheet as follows:

Long-term liabilities	727,269	659,392
Short-term portion of long-term liabilities	-	-
	727,269	659,392

Of long-term liabilities, the following fall due more than five years after the end of the financial year:	727,269	659,392
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8. Related parties

Please see note 26 to the consolidated financial statements for details on related party transactions.

LM Glasfiber in brief

LM Glasfiber is the world's leading manufacturer of wind turbine blades, and the only supplier that operates on a global basis. Our aim is to further strengthen this position by building on our competitive blade technology and global reach. We share the same goal as our customers – to reduce the cost of energy from the wind.

Strategy

The strategy of LM Glasfiber is to create value for our customers based on high-degree specialisation in rotor blades. We provide blades optimised to our customers' wind turbines. And through our global footprint, LM Glasfiber adds value to our customers' business by offering them first mover advantage to explore new market opportunities and blade supply capacity in the key marketes for wind power.

The strength of LM Glasfiber is based on:

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

Organisation

LM Glasfiber has approx. 2,600 employees worldwide. The head office is in Lunderskov, Denmark, with blade production and service units in 10 locations in 8 countries – Denmark, Germany, the Netherlands, Spain, United States, Canada, India and China.

Ownership

The principal shareholders of LM Glasfiber are the Doughty Hanson & Co. Ltd. partnerships.

Doughty Hanson is a company incorporated in England and Wales and headquartered in London. As an independent fund management company, Doughty Hanson has offices in London, New York, Frankfurt, Milan, Munich, Paris, Prague and Stockholm. Doughty Hanson's principals have many years' 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 86,000 blades in the course of 27 years, corresponding to a capacity of 20,800 MW – equal to the annual power consumption of 20 million European households. Today, more than one out of every three wind turbines in operation throughout the world is fitted with LM Glasfiber blades.

Contact information

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Investor Relations and Media

Steen Broust Nielsen,

Group IR and Media Manager

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Press releases 2005

6 February 2005

Information activities concerning announcement of financial results for 2004

10 March 2005

Announcement of financial results for 2004

10 March 2005

LM Glasfiber signs contract to supply blades for 2,400 MW capacity for GE Energy in Canada

15 March 2005

LM Glasfiber adjusting production capacity in Denmark

29 April 2005

Annual general meeting of LM Glasfiber Holding held on 28 April 2005

13 May 2005

LM Glasfiber building the world's most advanced wind tunnel for testing rotor blade aerodynamics

23 May 2005

Group report – first quarter of 2005

8 July 2005

LM Glasfiber appoints new interim CEO

30 August 2005

Financial highlights – first half 2005

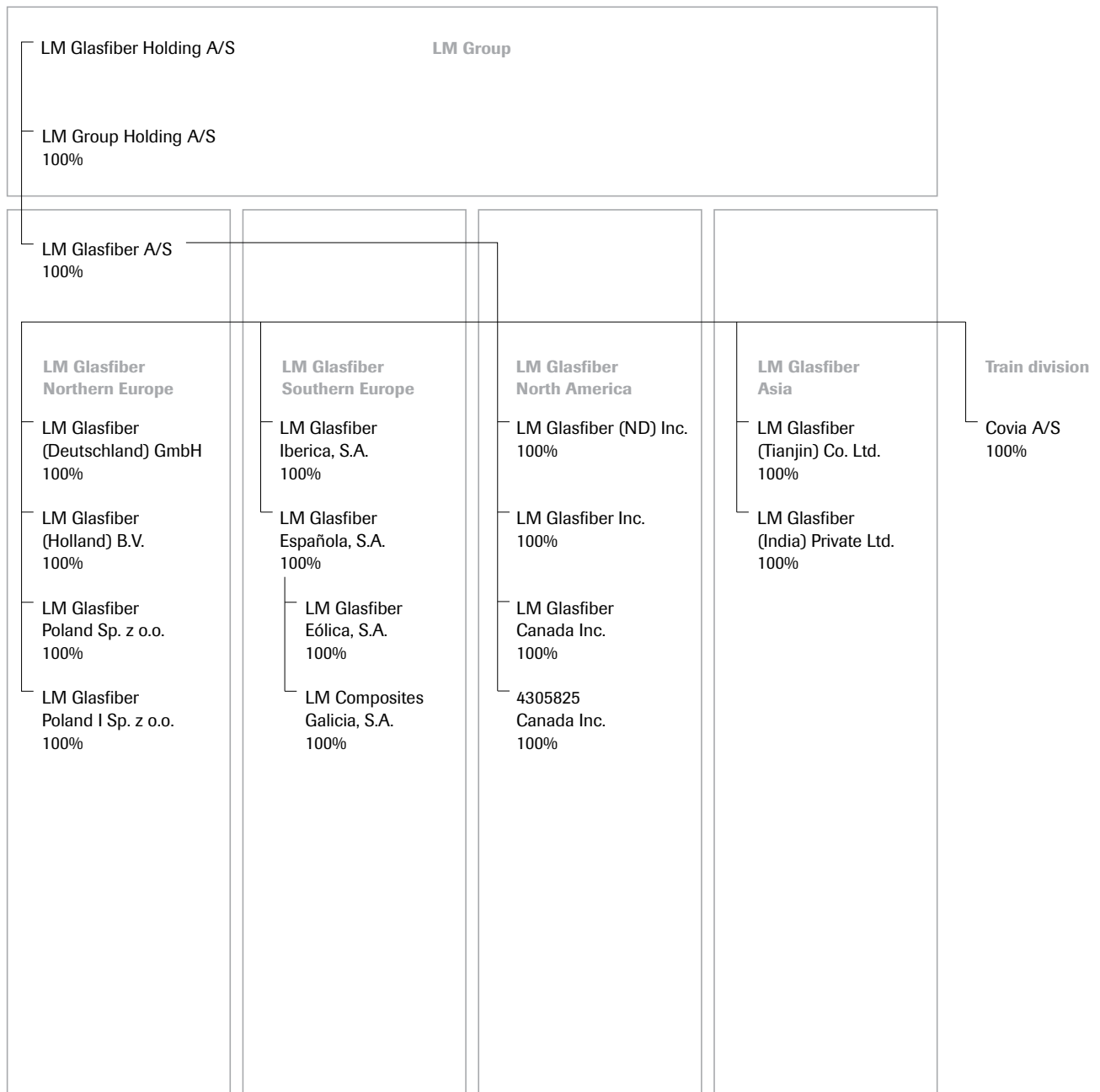
3 October 2005

LM Glasfiber appoints new Chief Executive

13 October 2005

LM Glasfiber builds its second factory in India

Group structure



Directorships

Supervisory Board

Mark Florman

Chairman
Appointed to the Supervisory Board in 2002.
Senior Principal at Doughty Hanson & Co.
Born in 1958.

John Leahy

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

Per Laursen

Employee-elected member of the Supervisory Board.
Elected to the Supervisory Board in 2003.
Born in 1946.

Rikard Brattberger

Deputy Chairman
Appointed to the Supervisory Board in 2004.
Principal and Managing Director, Nordic Region at Doughty Hanson & Co.
Born in 1970.

Henrik C. Petersen

Employee-elected member of the Supervisory Board.
Elected to the Supervisory Board in 2003.
Born in 1966.

Marianne Tinggaard

Employee-elected member of the Supervisory Board.
Elected to the Supervisory Board in 2003.
Born in 1956.

Richard Hanson

Member of the Supervisory Board.
Appointed to the Supervisory Board in 2005.
Chief Operating Officer at Doughty Hanson & Co.
Born in 1956.

Executive Board of Management

Paul Anthony

CEO at LM Glasfiber since October 2005.
Born in 1955.

Jørgen D. Gade

Chief Financial Officer at LM Glasfiber since 2001.
Responsible for finance, treasury, HR and IT.
Born in 1957.

Søren F. Knudsen

Sales and Marketing Director at LM Glasfiber since 2000.
Responsible for sales, marketing and business development.
Born in 1963.

In addition to the Executive Board of Management, Group Management consists of the Group Supply Chain Director and the Research and Development Director:

Anthony W. Hill

Group Supply Chain Director (interim) at LM Glasfiber since 2006.
Responsible for supply chain and LM Glasfiber's subsidiaries.
Born in 1951.

Frank V. Nielsen

Research and Development Director at LM Glasfiber since 2000.
Responsible for R&D.
Born in 1965.

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 2005 by the Danish Society of Financial Analysts.

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