The power to deliver

Throughout LM Wind Power's three operational areas, blades, brakes, service and logistics, we adjusted to changing demand patterns. We focused on improving operational efficiency, while developing new technologies and product solutions for the future.

On a global level, growth in new wind power installations accelerated in 2009. China continued to power ahead.

It is clear that Asia's, and especially China's, role in the wind power industry will be increasingly significant in the years ahead while challenges remain in the US, Europe and India. Our priorities in 2009 were to streamline our capacity in Europe in line with demand, securing our presence in the North American market while reacting to the extraordinary strength of the Chinese market.

We successfully achieved this by reducing the manufacturing footprint in Spain, Denmark, India and Germany and expanding our capacity in China with a new assembly facility for brakes and a new blade factory in the fourth quarter of the year.

From December 2009 to December 2010, LM Wind Power's blade capacity in China will nearly triple.

LM Wind Power revenue amounted to EUR 777 million in 2009. Due to lower activity in our market, this represents a decline of 12% compared to 2008. Our continuous improvements, operational efficiency as well as special savings and restructuring programs paid off as our EBITDA margin improved for the second year in a row to 18.9%.

For a number of years, the wind power components business was very much a seller's market. The situation is now fundamentally different, partly due to a changed demand-supply balance and entry of new industry players.

Utilities are taking a much larger interest in wind energy, and major, multinational industrial corporations are building up their positions in turbine manufacturing. Large framework agreements with component suppliers are becoming more common, as turbine manufacturers want to add flexibility and cost effectiveness to their supply chains.

In order to remain an attractive industry partner, we are continuing our relentless focus on operational efficiency, product innovation and customer responsiveness. Our efforts to increase productivity led to significant improvements in throughput during 2009, expanding the capacity of existing factories. This work continues in 2010 via "Fuel for Growth", an integrated improvement program focused on identifying ways to improve performance and consistency across the whole organization.

In July, we acquired market-leading brakes manufacturer Svendborg Brakes. Svendborg Brakes is an industry leader with a market share above 50 percent and further enhances our operational capability. This strenghtens our market position, supports our service and logistics business, enhances our knowledge of the sector and our market intelligence. Further benefits derive from strategic sourcing of materials, safety, quality and technology improvements.

We recognize our opportunity to develop our dedicated service and logistics organization to better serve our customers' needs while securing further revenue by extending our relationships with them. To do this we have reorganized our after-sales organization and strengthened our technical and market capability.

In 2009, we also strengthened our R&D organisation. The most tangible result of our R&D investments in 2009 was GloBlade®, to be launched commercially in 2010. Compared to current industry-standard blades, GloBlade® is up to five percent more efficient, enabling wind park development in lower wind areas and improving energy yields on existing turbines. We are also continuing to invest in long-term research, e.g. in the development of aerodynamic devices that promise completely new possibilities to improve the cost competitiveness of wind energy production.

2009 was a positive year despite the fact that we had to make wide-ranging changes to our organization. I would like to take this opportunity to extend my thanks to all LM Wind Power people. Your efforts have set us on the right path. However, as we all know, this is no time for rest. Challenges abound in 2010 and beyond. Competition is set to increase further as the wind power industry progresses to the next level of maturity. We must continue to focus relentlessly on customer service, quality, operational efficiency and product innovation.

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