

Annual report 2013

Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and

regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer-created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

Annual report 2013

005	Chairman's statement
007	CEO's review
008	Highlights for the Group
010	Management report
041	Consolidated accounts
102	Consolidated social and environmental statement
107	Annual accounts for Vestas Wind Systems A/S

“The completion of the turnaround does not mean that Vestas has resolved all of its challenges. With our new Executive Management team in place, we continue to optimise Vestas in order to bring down cost of energy and increase value creation for our shareholders.”

Bert Nordberg
Chairman of the Board of Directors



Turnaround completed – Vestas continues to increase efficiency

In my editorial a year ago, I described our efforts to restore confidence in Vestas. We also promised to improve cash flow and profitability, because at the end of the day, Vestas is judged on its ability to generate profit for its owners – you, the shareholders.

In order to do so, we continued the turnaround launched by the end of 2011, and based it on a revised business model for a new era, where high growth for the wind power industry is no longer a given, but something you work hard to achieve. And so we did.

We can now look back on a 2013 that also marked the completion of a two-year long restructuring of Vestas. During this period, comprehensive cost savings have been carried out while the divestment and outsourcing of non-core activities have sharpened our focus on fully utilising Vestas' core competencies. The results are evident with profitability, cash flow and return on invested capital substantially improving during 2013.

Along the way, we have transformed Vestas into a more lean, flexible and scalable company much better prepared for the future challenges of an increasingly dynamic and competitive wind power industry.

The completion of the turnaround does not mean that Vestas has resolved all of its challenges, and that we can allow ourselves to take a break from the constant changes to our industry. On the contrary, cost savings will remain a priority for Vestas and one of the goals is to reduce the cost of energy faster than the market. Ultimately, we aim for achieving cost leadership within the wind power industry.

New CEO

During 2013, with the outlook of completing the two-year turnaround and thus entering a new phase for Vestas, the Board of Directors decided to change the leadership and thereby the direction of Vestas. As of 1 September, Anders Runevad took over the helm as CEO of Vestas, bringing with him extensive experience in working business-to-business with complex infrastructure projects in the global telecom industry. Anders Runevad also has a proven track record of driving growth in an international environment.

Since the turnaround has created a more competitive Vestas, the Board of Directors is confident that Anders Runevad has the right competencies to steadily realise Vestas' renewed growth potential through evolution rather than revolution. Not least, because he is joining an executive management team with clearly defined responsibilities and in-depth knowledge of Vestas' core values in technology, development, production, sales and service.

Restored financial trust

With the accomplishments made on the key focus areas of the turnaround and the successive improvements of our quarterly results during 2013, we have taken the first steps in rebuilding the financial trust around Vestas. This is of course also reflected in the feedback we get from our customers and in the share and bond price development.

But it is important that we keep improving, and with the market dynamics in our industry we find it pivotal that we further enhance our strength in order to be considered a long-standing, stable and trusted partner. This is the key argument behind introducing some more conservative capital structure targets for Vestas: The net debt/EBITDA ratio must be lower than 1 and the solvency ratio must be above 30 per cent at the end of every financial year.

When you sell wind turbines that need to perform for more than 20 years, it is important that your customers feel comfortable that you are around to service the wind turbines during their lifetime, and it is certainly also important that the financial partners are ready with guarantee facilities of a sizable amount.

In the turbulent time of the turnaround period, cheap and accessible financing for Vestas' projects were not a given and that might have caused some lost opportunities. We will not allow this to happen again, and this is one of the reasons why we issue new shares to strengthen the balance sheet.

Offshore joint venture

In a 2013 full of important milestones, the agreement to form a joint venture with Mitsubishi Heavy Industries Ltd. (MHI), dedicated to offshore wind power, stands out.

The combination of MHI's strong presence in global power markets and Vestas' comprehensive technological capabilities and long-standing track record has a great chance of living up to the proverb "a match made in heaven". The synergies are obvious and by joining forces, Vestas and MHI have the technologies and know-how to become a global leader within offshore wind power.

Even though the offshore market for the V164-8.0 MW turbine is still in its early phase, the joint venture is off to a good start. Just a few weeks ago, the first prototype of Vestas' game-changing V164-8.0 MW turbine was installed in Denmark, one quarter ahead of the original schedule. As I stated in my editorial a year ago, there are many things to be proud of in Vestas. This promising joint venture is certainly one of them.

Prepared and positioned for new challenges and opportunities

To sum up, I think it is fair to claim that all of Vestas has delivered on most of the promises given a year ago.

Things are not yet perfect, however, after completion of the turnaround, Vestas is undoubtedly in a better shape: Costs have been reduced, production capacity aligned with demand while profitability has increased significantly. As a result, Vestas' credibility is restored – not only with our banks but also with our customers, who placed orders of around 6 GW with Vestas during 2013.

With a global demand for energy that will only go up, I am confident Vestas is ready for a future which will consolidate our leading position within the wind power industry.

Bert Nordberg
Chairman of the Board of Directors

“ Our strategy for the coming years will build on the transformation Vestas has been through and ensure operational efficiencies, lower cost of wind energy and value creation to our owners.”

Anders Runevad
Group President & CEO



Fulfilling Vestas' potential for profitable growth

Looking back at 2013, I am encouraged by the progress Vestas has made in terms of improving profitability and cash flow generation. I do, however, also clearly see the challenges facing the company: Slow growth in electricity demand in key markets, tough competition and a challenging regulatory environment.

By successfully completing our turnaround plan, we have taken important steps in meeting these new challenges. The dedicated efforts of our employees ensured that we delivered on our promises and brought Vestas in a position to unfold the potential offered by our unique position as market leader.

The highlights include an order intake of around 6 GW across 37 countries on six continents, many in new markets for wind power, continuous growth in our service business, the introduction of five new wind turbine variants while keeping investments low, and further optimising our manufacturing footprint.

The effects of our turnaround are also evident in our financial progress: Significantly higher earnings and substantial improvements in net working capital and cash flow have contributed to reducing our net debt by around EUR 1bn over the past year.

In other words, Vestas today is stronger and better positioned to enter the next phase in our development.

However, financial strength is also important. Customers continuously evaluate us to determine whether we are the right partner for their future projects. For that reason, it is important for Vestas to add to that strength – both in good and in bad years.

Our market is changing

The market in which Vestas operates continues to evolve, with economic growth and demand for electricity shifting to new regions like Asia, Latin America and Africa, while Europe and North America that have traditionally been the industry's strongest markets see only modest growth. Meanwhile, governments and societies are demanding that the wind power industry improves the competitiveness of wind power, and wind will increasingly have to compete on its own merits.

So while it is encouraging that the demand for clean, renewable energy to power future global development will continue to increase in the long term, we must adjust to lower growth rates and increasing demands on our industry's maturity and ability to continuously lowering the cost of energy.

Strategic direction

The direction we are now setting for Vestas is based on the results we have achieved through our turnaround; leveraging on Vestas' scale as the largest and only truly global player in the wind power industry, to deliver superior efficiency and profitability.

We will intensify our focus on ensuring that our products and services become ever more competitive across markets, both within the wind power industry and compared to other energy sources.

Consequently, we will focus our efforts on four areas:

Grow profitability in mature and emerging markets

Partnering more closely with our customers will be crucial to further strengthening our market position. Initiatives to do so will include an expansion of our key account programme, involving customers in product development through our newly established Customer Advisory Board, and working closely with them to deliver tailored solutions to specific projects.

Additionally, we will build on our success in new markets as well as prepare and execute go-to-market plans for selected markets.

Capture full potential of the service business

Already a significant source of revenue and profitability, the service area will become an increasingly important element of our business. We will leverage on three distinctive advantages: The wind power industry's largest installed base of 60 GW, the global footprint of our service organisation, which today operates in more than 50 countries, and Vestas' unmatched ability to analyse and predict wind conditions anywhere in the world.

Combined, this will bring to the market the next generation of service offerings, further improving the output of our customers' wind power plants and lowering the cost of energy. We also aim to keep our service agreement renewal rate high and develop service offerings to recapture lost service business.

Reduce levelised cost of energy

Vestas will continue to take an evolutionary approach to product development, basing new wind turbine variants on proven technology. The competitiveness of the 2 MW and 3 MW platforms was confirmed by our order intake in 2013, and we look to further strengthen our market position by reducing the cost of energy faster than the market.

This will entail extending our successful approach of using more standard components while reducing product complexity and driving down development and manufacturing costs without jeopardising quality. In the short term, we will focus on achieving additional cost savings on our 2 MW platform, which will be especially well-suited and highly competitive in future key growth markets.

Improve operational excellence

Lowering costs – and keeping them low – has been a key priority throughout our turnaround and will remain a key priority going forward.

Building on the substantial improvements we have achieved over the past two years, we will continue to explore the possibility of outsourcing the production of non-core technology, while translating Vestas' business volume into the lowest sourcing, transport and manufacturing costs in the industry.

A promising outlook

Since joining Vestas five months ago, I have had the privilege of meeting many customers, suppliers, shareholders and employees, all of whom have confirmed my confidence in Vestas' potential.

Executing on our strategic objectives will ensure we make the most of that potential: We will attain the financial strength and stability that is needed to be a trusted partner in a competitive marketplace. We will improve the value we deliver to our customers, bringing us closer to fulfilling our vision of making wind an energy source on a par with oil and gas. And we will ensure that we are able to generate a satisfactory return on invested capital and create optimal value for our shareholders.

By no means are we there yet – but we are firmly on our way.

Anders Runevad
Group President & CEO

Highlights for the Group

mEUR	2013	2012	2011	2010	2009 ¹⁾
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	6,084	7,216	5,836	6,920	5,079
Gross profit	896	796	725	1,175	836
Profit before financial income and expenses, depreciation and amortisation (EBITDA) before special items	610	473	305	747	469
Operating profit/(loss) (EBIT) before special items	211	4	(38)	468	251
Profit before financial income and expenses, depreciation and amortisation (EBITDA) after special items	530	299	305	684	469
Operating profit/(loss) (EBIT) after special items	102	(697)	(60)	310	251
Profit/(loss) of financial items	(138)	(14)	(93)	(72)	(48)
Profit/(loss) before tax	(36)	(713)	(153)	238	204
Profit/(loss) for the year	(82)	(963)	(166)	156	125
BALANCE SHEET					
Balance sheet total	5,640	6,972	7,689	7,066	7,959
Equity	1,524	1,622	2,576	2,754	2,542
Provisions	388	353	329	370	534
Average interest-bearing position (net)	(862)	(1,189)	(990)	(593)	(55)
Net working capital	(596)	233	(71)	672	317
Investments in property, plant and equipment	73	167	406	458	606
CASH FLOW STATEMENT					
Cash flow from operating activities	1,248	(73)	840	56	(34)
Cash flow from investing activities	(239)	(286)	(761)	(789)	(808)
Free cash flow	1,009	(359)	79	(733)	(842)
Cash flow from financing activities	(1,150)	832	(13)	568	1,075
Change in cash at bank and in hand less current portion of bank debt	(141)	473	66	(165)	233
RATIOS²⁾					
FINANCIAL RATIOS					
Gross margin (%)	14.7	11.0	12.4	17.0	16.5
EBITDA margin (%) before special items	10.0	6.6	5.2	10.8	9.2
EBIT margin (%) before special items	3.5	0.1	(0.7)	6.8	4.9
EBITDA margin (%) after special items	8.7	4.1	5.2	9.9	9.2
EBIT margin (%) after special items	1.7	(9.7)	(1.0)	4.5	4.9
Return on invested capital (ROIC) (%) before special items ³⁾	7.7	0.2	(1.3)	10.8	9.5
Solvency ratio (%)	27.0	23.3	33.5	39.0	31.9
Net interest-bearing debt/EBITDA before special items	(0.1)	1.9	1.8	0.8	(0.3)
Return on equity (%)	(5.2)	(45.9)	(6.2)	5.9	6.1
Gearing (%)	39.9	108.0	35.7	33.2	13.8
SHARE RATIOS					
Earnings per share (EUR)	(0.4)	(4.8)	(0.8)	0.8	0.6
Book value per share (EUR)	7.5	8.0	12.6	13.5	12.5
Price / book value (EUR)	2.9	0.5	0.7	1.7	3.4
P / E-value (EUR)	(53.3)	(0.9)	(10.3)	30.8	71.0
Cash flow from operating activities per share (EUR)	6.1	(0.4)	4.1	0.3	(0.2)
Dividend per share (EUR)	0	0.0	0.0	0.0	0.0
Payout ratio (%)	0	0.0	0.0	0.0	0.0
Share price 31 December (EUR)	21.5	4.3	8.3	23.6	42.6
Average number of shares	203,704,103	203,704,103	203,704,103	203,704,103	197,723,281
Number of shares at the end of the year	203,704,103	203,704,103	203,704,103	203,704,103	203,704,103

1) The comparative figures have been adjusted in accordance with the changed accounting policies implemented in 2010.

2) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2010), ref. note 1 to the consolidated accounts. Vestas annual report 2013.

3) Adjustment for tax based on expected future effective tax rate of 28 per cent.

	2013	2012	2011	2010	2009
OPERATIONAL KEY FIGURES					
Order intake (bnEUR)	5.8	3.8	7.3	8.6	3.2
Order intake (MW)	5,964	3,738	7,397	8,673	3,072
Order backlog – wind turbines (bnEUR)	6.8	7.1	9.6	7.7	2.2
Order backlog – service (bnEUR)	6.7	5.3	3.9	2.8	1.9
Produced and shipped wind turbines (MW)	4,513	6,171	5,054	4,057	6,131
Produced and shipped wind turbines (number)	2,025	2,765	2,571	2,025	3,320
Deliveries (MW)	4,862	6,039	5,217	5,842	4,764
SOCIAL AND ENVIRONMENTAL KEY FIGURES¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Lost time injuries (number)	66	110	132	201	306
- of which fatal injuries (number)	1	0	1	0	0
UTILISATION OF RESOURCES					
Consumption of metals (1,000 tonnes)	119	192	212	171	203
Consumption of other raw materials, etc. (1,000 tonnes)	91	121	105	107	127
Consumption of energy (GWh)	586	630	586	578	537
- of which renewable energy (GWh)	325	327	223	242	264
- of which renewable electricity (GWh)	309	310	208	209	238
Consumption of fresh water (1,000 m ³)	512	581	562	598	521
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	71	87	89	89	97
- of which collected for recycling (1,000 tonnes)	42	44	48	35	34
EMISSIONS					
Direct emission of CO ₂ (1,000 tonnes)	56	59	58	57	51
Indirect emission of CO ₂ (1,000 tonnes)	44	59	90	66	68
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	10
Breaches of internal inspection conditions (number)	1	1	3	3	3
EMPLOYEES					
Average number of employees	17,051	21,033	22,926	22,216	20,832
Number of employees at the end of the period	15,497	17,778	22,721	23,252	20,730
- of which outside Europe and Africa	5,861	6,704	8,603	8,127	6,569
SOCIAL AND ENVIRONMENTAL INDICATORS¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of lost time injuries per one million working hours	2.1	2.8	3.2	5.0	8.1
Absence due to illness among hourly-paid employees (%)	2.5	2.4	2.3	2.6	2.8
Absence due to illness among salaried employees (%)	1.2	1.1	1.3	1.3	1.3
PRODUCTS					
CO ₂ savings over the life time on the MW produced and shipped (million tonnes of CO ₂)	125	163	133	108	163
UTILISATION OF RESOURCES					
Renewable energy (%)	56	52	38	42	49
Renewable electricity for own activities (%)	100	89	68	74	85
EMPLOYEES					
Women in Board of Directors ²⁾ and Executive Management (%)	15	8	0	0	0
Women at management level (%)	17	17	18	19	19
Non-Danes at management level (%)	53	56	53	49	46

1) Read more: Consolidated social and environmental statement. Vestas annual report 2013.

2) Only Board members elected by the general meeting are included.

Management report

- 011** Financial performance
 - 015** Profitable growth for Vestas
 - 018** Sales and market development
 - 022** Technology and service solutions
 - 025** Manufacturing and sourcing
 - 027** Social and environmental performance
 - 030** Risk management
 - 032** Shareholders and governance
 - 039** Events after the balance sheet date
 - 040** Outlook 2014
-

Financial performance

“Our results and financial strength improved quarter-on-quarter during 2013 driven by lower costs, improved working capital and low capex requirements.”

Marika Fredriksson
Executive Vice President & CFO



Order backlog and activities – wind turbines

Compared to 2012, the order intake for the year increased by 60 per cent to 5,964 MW corresponding to EUR 5.8bn. A significant pick-up in the US market and continued growth in new wind markets were the primary drivers behind this. In terms of geography, Europe and Africa accounted for 51 per cent, the Americas for 39 per cent and Asia Pacific for 10 per cent of the 5,964 MW. 73 per cent of the orders were announced publicly.

At the end of 2013, the wind turbine order backlog amounted to 7,417 MW corresponding to EUR 6.8bn against 7,156 MW and EUR 7.1bn at the end of 2012. The size of the backlog was negatively impacted by a EUR 0.4bn adjustment in connection with the first half-year report due to uncertainty surrounding a few customers' ability to comply with the contractual obligations. In connection with the full-year reporting, an additional negative adjustment of EUR 0.1bn concerning a customer in Central Europe was made. The lower MW/EUR ratio is, among other things, driven by more supply-only orders in the backlog. In terms of MW, Europe and Africa accounted for 53 per cent of the backlog of orders, the Americas for 38 per cent and Asia Pacific for 9 per cent.

Level of activity

In 2013, Vestas produced and shipped 2,025 wind turbines with an aggregate capacity of 4,513 MW, which was in line with the expected level of approx 4.5 GW, but a 27 per cent decline compared to 2012 when Vestas produced and shipped 2,765 wind turbines totalling 6,171 MW. In 2013, final capacity delivered to the customers amounted to 4,862 MW – a decrease of 19 per cent. The declines primarily relate to the drop in the US market.

At the end of the year, wind turbine projects with a total output of 1,604 MW were under completion – an improvement of 18 per cent compared to the end of 2012. MW under completion is reflected in the level of prepayments and inventories, as a large share of these MW have not yet been recognised as revenue. The revenue recognition of

these MW will take place when the projects are finally delivered to the customers.

Overview per region

MW

	Europe and Africa	Americas	Asia Pacific	Total
Under completion, 1 January 2013	955	709	289	1,953
Delivered to customers during 2013	(2,971)	(1,209)	(682)	(4,862)
Produced and shipped during 2013	2,869	1,190	454	4,513
Under completion, 31 December 2013	853	690	61	1,604

Order backlog and activities – service

At the end of 2013, Vestas had service agreements with contractual future revenue of EUR 6.7bn – an increase of 26 per cent during 2013. Service revenue increased by 8 per cent to EUR 954m compared to 2012. This was slightly below the expectation of around EUR 1bn. Even though the activity level in the service business is far more stable than of the wind turbine business, revenue and earnings from the different service contracts may vary from quarter to quarter.

The EBIT margin before allocation of Group costs amounted to 22 per cent – an increase of 5 percentage points compared to 2012. This was significantly better than the original guidance of 17 per cent, but slightly below the revised guidance of 23 per cent from November 2013, among other things, driven by lower revenue and bonus provisions. The improved performance, compared to 2012, is, among other

things, explained by lower costs and leveraging on the growing volume. The EBIT margin after allocation of Group costs amounted to 15 per cent in 2013.

By the end of 2013, Vestas has installed more than 60 GW in more than 70 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, close monitoring of more than 25,000 wind turbines, equivalent to more than 46 GW, is one of the foundations of Vestas' service business' growth strategy.

During 2013, Vestas renewed 75 per cent of its expiring service agreements, compared to 77 per cent in 2012.

Income statement

Revenue

Revenue decreased by 16 per cent to EUR 6,084m in 2013 – but was above the guided revenue of minimum EUR 5.5bn due to a smooth execution in terms of installation and transfer of risk combined with favourable weather conditions in December. Europe and Africa accounted for 60 per cent of annual revenue. The Americas and Asia Pacific accounted for 28 per cent and 12 per cent of annual revenue, respectively.

Distribution of revenue

mEUR

	2013	2012
Europe and Africa	3,660	3,754
Americas	1,697	2,512
Asia Pacific	727	950
Total	6,084	7,216
- of which service revenue	954	886

Gross profit and EBITDA

Despite the drop in revenue, Vestas' gross profit increased by EUR 100m to EUR 896m in 2013. This equals a gross margin of 14.7 per cent – a 3.7 percentage point increase relative to 2012. Lower costs, higher average margins and lower depreciation were the primary drivers of the improved margins. EBITDA before special items increased by 29 per cent to EUR 610m, which translates into an EBITDA margin before special items of 10.0 per cent.

Depreciation and amortisation decreased by EUR 70m to EUR 399m due to closures of factories and write-downs conducted over the last two years.

Research and development costs

Research and development costs decreased to EUR 246m from EUR 255m in 2012. Amortisation amounted to EUR 191m. Among other things driven by increased development costs for the V164-8.0 MW turbine, total research and development expenditure increased to EUR 241m in 2013, against EUR 221m in 2012. Of this amount, EUR 186m was capitalised in 2013, against EUR 161m in 2012.

Distribution expenses

Distribution expenses amounted to EUR 195m, which was EUR 9m lower than in 2012.

Administrative expenses

In 2013, administrative expenses amounted to EUR 244m, which was EUR 89m lower than in 2012. This was driven by employee reductions in 2012 having full-year effect in 2013 and the additional employee reductions in 2013.

Operating profit

The Group reported an operating profit (EBIT) before special items of EUR 211m in 2013, an improvement of EUR 207m relative to 2012. The EBIT margin before special items was 3.5 per cent in 2013 against 0.1 per cent in 2012. This was higher than the minimum 2 per cent guided EBIT margin, which is primarily related to the higher-than-expected revenue driven by smooth execution in December. EBIT after special items stood at EUR 102m.

Special items

Vestas has recognised special items of EUR 109m primarily relating to write-downs of the machining and casting units and lay-off of employees. As the tower factory in Pueblo, Colorado, USA, was reclassified back to non-current assets during 2013, and the factory is expected to be fully utilised in 2014, the write-down of the factory in 2012 was partially reversed in 2013 – thus reducing the total special items by EUR 25m.

Financial items and tax

In 2013, financial items represented a net expense of EUR 138m; an increase EUR 124m relative to 2012. A negative currency development of EUR 53m – compared to 2012 – added to the higher financial items.

In 2013, the tax rate was (128) per cent against (35) per cent in 2012. Corporation tax amounted to EUR 46m in 2013.

The corporate tax expense of EUR 46m in 2013 is due to non-deductible losses recognised as special items and other non-deductible write-downs.

Balance sheet

Vestas' total assets decreased by EUR 1,332m to EUR 5,640m in 2013, which was primarily driven by a decrease in working capital elements like inventories and receivables.

Non-current assets

Non-current assets amounted to EUR 2,152m at the end of 2013, a decrease of EUR 329m since the end of 2012. This was driven by reclassification of offshore assets to assets held for sale, and to a smaller degree, by lower investments than depreciation and amortisation in 2013.

Current assets

At the end of 2013, current assets amounted to EUR 3,156m – a decrease of EUR 1,204m compared to the end of 2012.

Net working capital

At 31 December 2013, Vestas' net working capital amounted to EUR (596)m, which is an improvement of EUR 829m and corresponds to (10) per cent of the annual revenue. The net working capital decrease during 2013 was primarily driven by a decrease in inventories and receivables.

Inventories

Inventories amounted to EUR 1,425m at the end of 2013, a decline of EUR 819m relative to the end of 2012. The large decline is driven by a dedicated effort to optimise the net working capital, which is also reflected in the reduction of MW under completion. As a large part of Vestas' inventories consists of wind turbines that have been shipped but not yet handed over to the customers, Vestas has been working determinedly on reducing the part of its inventories that is included in the production process and thereby release capital.

Current and non-current assets held for sale

As part of the agreement to enter into a joint venture with Mitsubishi Heavy Industries Ltd., Vestas' wholly owned subsidiary, Vestas Offshore A/S, and its subsidiaries will be transferred to the joint venture with

expected closing around the end of March 2014. Consequently, Vestas has classified all assets and liabilities of Vestas Offshore A/S and its subsidiaries as well as development costs incurred on the V164-8.0 MW turbine to be transferred as part of the transaction, as current and non-current assets held for sale. All current and non-current assets held for sale at the end of 2013 – EUR 332m – relate to this.

During 2013, Vestas wrote down and sold its machining and casting units. Furthermore, Vestas also decided to keep its tower factory in Pueblo, Colorado, USA, which was transferred back to non-current assets. These assets were part of the current and non-current assets held for sale in the beginning of 2013.

Net debt and cash at bank and in hand

The average interest-bearing position was EUR (862)m in 2013, against EUR (1,189)m in 2012. At the end of 2013, Vestas had a net cash position of EUR 86m, which is an improvement of EUR 986m compared to the end of 2012. Cash at hand and in bank stood at EUR 694m and the debt of EUR 608m constituted primarily of the corporate bond of EUR 599m.

The net debt/EBITDA ratio improved markedly to (0.1) by the end of 2013 from 1.9 by the end of 2012.

Warranty provisions

In 2013, Vestas made total warranty provisions of EUR 117m. This equals 1.9 per cent of revenue. Vestas constantly improves the reliability of its turbines owing to increased investments in development, testing, monitoring and servicing of the wind power plants and in 2013, Vestas consumed warranty provisions totalling EUR 84m, corresponding to 1.4 per cent of revenue. In 2012, warranty provisions represented 2.1 per cent of revenue and warranty consumption amounted to 1.6 per cent of revenue.

Vestas makes provisions for all costs associated with wind turbine repairs within the warranty period, and any reimbursement is not offset unless a written agreement has been made with the supplier to that effect. Vestas also makes provisions to cover anticipated expenses for major repairs and replacements in connection with the conclusion of long-term service contacts.

Changes in equity

Vestas' equity amounted to EUR 1,524m at the end of 2013 compared with EUR 1,622m at 31 December 2012. The decrease was due to the reported net loss, primarily arising from special items and financial items. Despite the negative net result, the solvency ratio improved as the lowered total assets more than offset the lower equity. At 31 December 2013, the solvency ratio was 27.0 per cent – an increase of 3.7 percentage points compared to 2012.

Included in equity, in the fourth quarter of 2013, is correction to fair value of embedded derivatives recognised in prior quarters of 2013.

Cash flow and investments

In 2013, cash flows from operating activities amounted to EUR 1,248m, an increase of EUR 1,321m relative to 2012. The increase was primarily driven by a positive development in the net working capital during 2013.

Cash flows from investing activities amounted to EUR 239m, of which EUR 73m was property, plant and equipment. This was lower than the updated November guidance of EUR 100m. Total investments were EUR 47m lower than in 2012. This was primarily driven by not investing in new factories and low equipment investments.

The free cash flow increased by EUR 1,368m to EUR 1,009m, which was in line with the upgraded guidance of around EUR 1bn from January 2014.



Members of the Executive Management: Anders Vedel, Juan Araluce, Marika Fredriksson, Anders Runevad and Jean-Marc Lechêne.

Profitable growth for Vestas

Vestas' updated strategy is leveraging on the operating business model and the organisation implemented during the two-year turnaround period and will continue to focus on optimising cash flow and earnings while maintaining Vestas' market leadership position.

Completion of the two-year turnaround

By the end of 2011, Vestas initiated a two-year turnaround plan as a result of a more conservative near-term market outlook, mainly driven by declining expectations for energy consumption in key markets.

Vestas revised its strategy and realigned its business with the objectives of:

- implementing a new operating business model to optimise cash flow and earnings while preserving long-term opportunities such as capitalising on the growing service business, and
- achieving a leaner and more scalable organisation capable of quickly reacting to shifts in market demand.

Since the end of 2011, Vestas has focused on three core areas:

- reducing costs,
- reducing investments through asset-light solutions and a simplified product roadmap, and
- improving capacity utilisation and capital efficiency through divestments, supply to third parties and improved net working capital management.

Reducing costs

In the fourth quarter of 2013, Vestas had reduced its annualised fixed capacity costs by EUR 484m¹⁾, compared to the fourth quarter of 2011, thereby achieving its target of reducing fixed costs by more than EUR 400m by the end of 2013. The primary driver of these cost reductions was the cutback in the workforce from 22,721 employees at the end of 2011 to 15,497 employees at the end of 2013.

In fact, the net reduction of 4,287 salaried employees constituted more than 70 per cent of the savings, while the remaining, among other things, was driven by closure of offices.

Reducing investments

In 2013, Vestas had net investments of EUR 239m. This was slightly below the level in 2012, but more than EUR 500m lower than the annual investment levels in 2009 to 2011, where significant investments were made in new factories, equipment and development of new wind turbine platforms. By the end of 2011, Vestas had established a global manufacturing footprint in order to produce wind turbines and deliver services close to its customers and to ensure cost competitiveness. As a result, no investments in new factories were needed during the two-year turnaround.

By leveraging on its existing wind turbine platforms, Vestas has reduced investments in research and development. Vestas' new onshore product variants, i.e. the V110-2.0 MW, V105-3.3 MW, V112-3.3 MW, V117-3.3 MW and V126-3.3 MW turbines, which enable significantly increased energy capture, are all based on Vestas' proven 2 MW and 3 MW platforms.²⁾

Vestas will continue to develop variants based on these platforms because it lowers the cost of energy and at the same time, it reduces the need for capital expenditure and matches customer demand for proven technology. Likewise, Vestas plans to take further advantage of an industry supply chain that has improved significantly in recent years. By

utilising standard components to a higher degree, Vestas will maintain its low investment level.

Furthermore, the agreement between Vestas and Mitsubishi Heavy Industries Ltd. to form a joint venture dedicated to offshore wind energy, will also lower Vestas' future capital expenditure requirements for offshore technologies while preserving long-term opportunities in the offshore wind turbine market.³⁾

Improving capacity utilisation and capital efficiency

During the two-year turnaround plan, Vestas has gone from 31 to 19 factories without compromising its global manufacturing footprint. In order to increase flexibility and capacity utilisation most effectively, divestments and closures have mainly been carried out in regions with high capacity and stagnant demand such as Europe. In addition, non-core activities have been divested during the period.⁴⁾

As a result, Vestas sold its tower factory in Denmark and its six machining and casting units in Norway, Sweden, Germany, China and Denmark. On the other hand, the tower factory in Pueblo, Colorado, USA, was retained with the successful decision to produce for third parties.

Working capital management was also improved after working structured on an improvement programme focusing on, among other things, reduction of the MW under completion, improved cash conversion and cash collection. Vestas achieved an improvement in its net working capital from EUR (71)m at the end of 2011 to EUR (596)m at the end of 2013.

The end of 2013 also marks the end of Vestas' turnaround plan and the beginning of a new strategic direction. The execution of the turnaround plan has created a leaner, more flexible business model with improved earnings margins and a stronger capability to generate cash flow. By divesting or outsourcing non-core activities, Vestas has also sharpened its focus on utilising the company's core competencies to full effect.

Strategic objectives

The world in which Vestas operates continues to evolve in ways that significantly affect the wind industry and Vestas' ability to compete in it. Economic growth and demand for the electricity that Vestas' turbines produce is unevenly distributed and shifting to new regions of the world. Future demand for energy is expected to grow mostly in Asia, Latin America and Africa.

Public policies that have supported renewable energy's growth continue to evolve as well, along with the shifts in demand. Policy support is uncertain in many markets and governments, customers and societies are relentlessly demanding that the wind power industry continuously reduces the cost of energy.

This ties well with Vestas' vision to bring the cost of wind energy on a par with oil and gas which today is a reality in some markets. Wind energy's advantages are strong and Vestas' aspiration is to continue to be the global leader of the wind power industry, and in order to succeed – together with its customers, shareholders, employees and the surrounding society – Vestas will continue to provide superior cost-effective wind turbine technologies, products and services to the market.

Upon completion of the two-year turnaround plan initiated by the end of 2011, Vestas has come a long way towards realising its vision. Costs have been significantly reduced, while divestments and outsourcing have made the manufacturing footprint lean and scalable without compromising quality or Vestas' global presence. Hence, building on

1) Exclusive of provisions for global bonus.

2) Read more: Technology and service solutions. Vestas annual report 2013.

3) Read more: Sales and market development. Vestas annual report 2013.

4) Read more: Manufacturing and sourcing. Vestas annual report 2013.

the results achieved during the transformational turnaround period, Vestas has revised and updated its strategic focus areas, divided into four main areas:

- grow profitability in mature and emerging markets
- capture full potential of the service business
- reduce levelised cost of energy
- improve operational excellence

Grow profitability in mature and emerging markets

Vestas will leverage on its strong position in mature markets such as Europe and North America. Simultaneously, Vestas plans to further reduce costs and capital expenditure requirements in these markets by offering tailored, technologically advanced product variants based on innovation of existing wind turbine platforms.

In addition, Vestas expects to improve its regional competitiveness in markets like China and India by continuous cost and performance improvements of the 2 MW platform in order to fully utilise its strong customer relations in these markets.

Vestas has already established a strong track record of winning firm and unconditional orders in new wind turbine markets such as South Africa and South America. Building on its long-lived global presence, Vestas will continue to pursue opportunities in markets where wind energy is set to expand such as Chile, Costa Rica, Kenya, Slovenia, Tanzania, Vietnam and Thailand.

Consequently, Vestas will amplify the agility and competencies of its sales organisation and deepen the partnerships with its customers through the expansion of its key account programme. Furthermore, Vestas has established a Customer Advisory Board aiming to involve key customers in the development of new technology and services.

In order to win more and larger orders, Vestas seeks to partner with potential customers early in the project development phase. Through advanced services such as SiteHunt® and SiteDesign®, providing transparency and business case certainty for its customers, Vestas is able to unlock value and enhance customer relationships at an early stage of project planning. Thus, Vestas has increasingly become an opportunity originator by helping both established and new customers and investors to step up their commercial focus on wind power as well as enter new and promising wind power markets with a high return on their investments.

Through its unrivalled track record and close customer relationships, Vestas has developed a clear understanding of the customers' requirements and how to optimise projects in order to maximise value. Combined with Vestas' unparalleled capabilities within siting, operation and servicing of wind power plants, Vestas has a competitive advantage which will be utilised even further going forward, where the ambition is to grow faster than the market.

Capture full potential of the service business

Having installed an accumulated amount of more than 60 GW of wind power – a significantly higher amount than the closest competitor – Vestas has a unique platform from which to grow its service business, which is already today the largest in the wind power industry.

As the majority of wind turbine contracts are sold with service agreements, typically running for five or ten years, the stable revenue stream from the service business is set to continue its growth as the installed base of wind turbines increases.

Vestas intends to expand its service business further by offering new and value-adding service solutions and a variety of upgrades of existing wind power plants to its customers. This is made possible through the use of the wind power industry's most powerful supercomputer and a body of unrivalled wind data. By constantly monitoring more than

25,000 wind turbines, Vestas is able to identify the optimal site for a wind project, plan and carry out service at times with no wind and continuously optimise the power output of the wind power plant, thereby adding substantial value to its customers.

In addition, the largest installed capacity of wind turbines in the world provides a strong platform for renewals of expiring service agreements or recapturing of previously expired service agreements. Vestas aims to improve the current service renewal rate of 75 per cent while at the same time developing offerings to recapture part of the around 15 GW installed Vestas turbines that are currently not under Vestas service.

In order to capture the full potential of the service market, Vestas has initiated a number of cost-out initiatives within its service business. Due to its size and global presence, Vestas is well-positioned to offer its customers the most effective service at the lowest cost, and the ambition is to grow the service business by more than 30 per cent mid-term.

In order to strengthen the focus on the service business and enhance the service organisation, the service area is being moved from the Sales Executive Management area and a new head of service reporting to the CEO will be appointed.

Reduce levelised cost of energy

Based on two wind turbine platforms, Vestas' comprehensive product portfolio will continue to be customer and market driven. Vestas will maintain focus on matching its wind turbine and service capabilities with customer requirements, following market fluctuations in demand and regulatory policy as well as complying with local content requirements.

Vestas will also continue to leverage its cost structure by simplifying both its global manufacturing footprint as well as its products. An example is the increased integration of standard components and modularisation across Vestas' product platforms which reduces the technical complexity and thereby the cost of the wind turbines.

In addition, the product strategy based on two platforms is devised to accelerate and streamline product development, thereby reducing the time it takes to bring new products to market while maintaining a broad product offering.

For instance, the recent technological improvements to the existing 2 MW and 3 MW wind turbine platforms have resulted in significantly increased annual energy production, among other things, enabling Vestas to defend its strong position in market segments characterised by constraints in terms of grid compliance, tip-height and noise. In these often highly complex markets, Vestas will further leverage on its vast expertise within site and power plant optimisation to maintain its already dominant position.

For markets with less challenging requirements, cost per wind turbine is often more of a decisive factor. Consequently, Vestas will further utilise its proven 2 MW platform by developing new variants, targeted at reducing costs by means of design optimisations and sourcing of lower cost components.

Combined with prioritising further development of existing, well-proven wind turbine technology over the costly development of entirely new platforms, Vestas is able to lower the cost of energy for its customers year-on-year. The intention is to reduce the cost of energy faster than the market.

Improve operational excellence

As market dynamics are changing from strong growth to consolidation, so is the nature of the competitive game: Yesterday's name of the game was building capacity fast and avoiding supply constraints; today's is delivering and selling superior value, especially in growth markets and segments, i.e. new markets and service, while achieving cost leadership.

Cost savings remain a priority for Vestas, and Vestas will continue its journey towards lower costs through further site simplification, shared service centres and increased efficiency by leveraging on the scale of its operations. The goal is to achieve cost leadership within the wind power industry.

Vestas has optimised its manufacturing footprint through divestments, mergers and closures, bringing the number of factories down from 31 to 19, and at the same time, Vestas has maintained a widespread geographic footprint with presence in all key regions. As part of its cost strategy, Vestas will utilise its geographic reach to generate economies of scale on new projects and ensure its manufacturing, transportation and sourcing costs are continuously optimised. Global presence is a key competitive strength that will allow Vestas to address demand from both mature and new markets in a highly cost-competitive manner.

Likewise, Vestas will fully utilise an industry supply chain that has improved significantly in recent years. As a result of still closer cooperation, many suppliers have grown with Vestas, enabling them to deliver the required quality on time. Hence, instead of continuing to produce almost all components itself, Vestas has become a much lighter company by assembling parts made from fewer but highly trusted business partners and validated suppliers.

The size of Vestas also provides a competitive foundation for lowering costs at every stage of the value chain. Through its accelerated earnings programme, launched in the end of 2012, Vestas leverages on its size and global presence in any major decision and initiative. By delivering improved cost bases, accelerated earnings helps Vestas consolidate its leading position in a competitive market. Going forward, Vestas intends to further lower the cost of energy by reducing the costs associated with manufacturing and sourcing to an even larger degree.

Optimisation of the supply chain and increased use of standard components also decreases Vestas' need for investments, reduces lead time and keeps inventories low. Yet, the growing degree of outsourcing must never compromise Vestas' leading position within the areas of quality, technology and safety.

Working capital management remains a high priority for Vestas. Consequently, the focus remains on improving the cash conversion cycle and lowering the working capital tied up while transporting and installing the wind turbine projects.

Financial and capital structure targets and priorities

The completion of the two-year turnaround plan has not changed Vestas' focus on continued optimisations, efficiency improvements and value creation.

By increasing earnings and keeping investment and net working capital requirements low, Vestas aims to generate a double-digit return on invested capital (ROIC) each year over the cycle. Vestas expects to be able to finance its own growth and thus the free cash flow is expected to be positive each financial year. For 2014, the target is a free cash flow of minimum EUR 300m.

As a player in a market where projects, customers and wind turbine investors become larger, Vestas aims to increase its financial strength. Consequently, the target for the net debt/EBITDA ratio has been reduced to lower than 1 from previously lower than 2 by the end of every financial year, and a target for a solvency ratio of above 30 per cent has been introduced.

Dividend policy and priorities for excess cash allocation

Vestas has introduced the following priorities for excess cash:

1. Repayment of debt if the net debt/EBITDA ratio is above target.
2. Allocation to shareholders if the solvency ratio is above target.

The general intention of the Board of Directors is to recommend a dividend of 25-30 per cent of the net result of the year. However, pay-out of dividends will always take into consideration the Group's plans for growth and liquidity requirements.

Profitable growth for Vestas

The strategic direction set for the coming years will be enforced by a more clear delegation, more financially measurable business units, increased transparency and a further improvement in the performance management. The vision is to bring wind on a par with oil and gas, to remain the global wind power leader with the strongest brand and to secure best-in-class margins and shareholder value over the cycle.

Sales and market development

“In 2013, order intake increased, driven by new wind turbine markets and the USA. In addition, our service business continued to grow and we improved lead time in construction.”

Juan Araluce
Executive Vice President & CSO



Global trends and focus areas

For the first time in more than 15 years, the global wind turbine market declined. Preliminary figures show that the market has declined from 45 GW in 2012 to below 40 GW in 2013.¹⁾ The decrease in installed capacity was primarily caused by the US market dropping to around 1 GW in 2013 from a record level of more than 13 GW in 2012.²⁾ This sharp decline in the US market was not fully counterbalanced by the otherwise significant growth in new wind turbine markets.¹⁾

Policy decisions, particularly on a national level, continue to influence the markets as seen in the USA. In accordance with the constantly decreasing cost of energy for wind power, the trend in many countries clearly is to reduce incentives and support schemes for wind power.³⁾ This development calls for a flexible business model, allowing Vestas to scale production up and down according to demand in different regions. It also means that Vestas must further reduce the cost of energy for its products, which is why Vestas has a goal of reducing the cost of energy faster than the market.

In terms of orders, the market for wind power improved in 2013. Order intake was particularly strong in the USA and from new wind turbine markets, the latter accounting for 17 per cent of the MW order intake during 2013. The strong focus on customers also paid off with 42 key accounts being responsible for 47 per cent of the total order intake. Benefitting from its global manufacturing set-up and strong global presence, our assumption is that Vestas secured an increased share of the global orders for wind turbines in 2013.

2013 order intake, deliveries and backlog per region

MW

	Europe and Africa	Americas	Asia Pacific	Total
Order intake	3,070	2,321	573	5,964
Deliveries	2,971	1,209	682	4,862
Wind turbine order backlog	3,924	2,841	652	7,417

Another focus area in 2013 was the continued work on excellence in construction of wind power plants, which reduced installation lead time by 7 per cent. Fast installation of wind power plants also reduces the time Vestas has working capital tied up in the transportation and construction phase. Going forward, Vestas will decrease installation lead time significantly by standardising processes without compromising safety and quality.

At the same time, the service business continued to grow, showing a revenue increase of 8 per cent and a renewal rate of expiring service agreements of 75 per cent, underlining the customers' reinforced trust in Vestas. The growing service business further consolidates Vestas' position as a company based on two revenue and earnings streams.

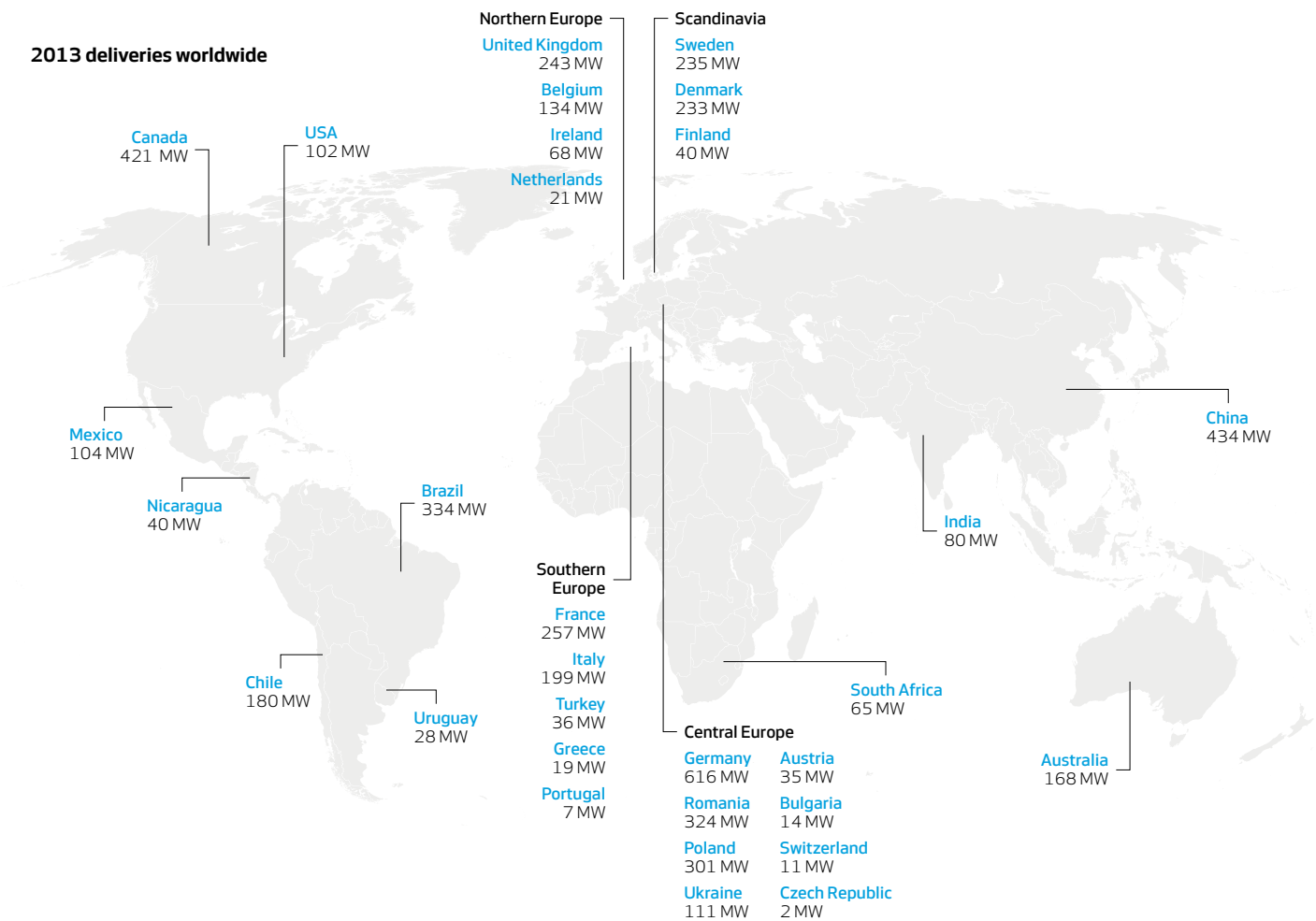
1) Global Wind Energy Council (GWEC): Global Wind Report - Annual Market Update 2012. April 2013.

2) AWEA - American Wind Energy Association: AWEA U.S. Wind Industry Fourth Quarter 2013 Market Report. January 2014.

3) Bloomberg New Energy Finance: Q3 2013 Wind market outlook. September 2013.

4) Read more: Risk management, Vestas annual report 2013.

2013 deliveries worldwide



Europe and Africa

The European onshore wind turbine market continued to be flat in 2013. In several European markets, policies and support schemes are up for discussion and likely to be reduced in the coming years. In Germany, for instance, which accounted for 13 per cent of Vestas' delivered MW in 2013, wind energy targets for 2020 and 2030 are up for discussion and the reform of Europe's largest wind turbine market may become reality in late 2014 or early 2015.

With the prospect of reduced incentives and support schemes, the answer for Vestas is to continue the ongoing reduction in the cost of energy for wind power.

Regardless of shifting political winds, Europe is expected to remain Vestas' largest market. This scenario is partly driven by European countries new to wind power as evidenced by orders such as 108 MW for one of the largest wind power plants in Romania, the first order for the V112-3.3 MW turbine in Turkey and the third V112-3.0 MW order in Ukraine from Vindkraft Ukraina LLC.

Whereas the European market generally remains stagnant, Africa continues to show growth potential. In South Africa, where Vestas has been present for more than ten years, initial challenges such as financing and infrastructure have largely been overcome, offering more certainty for developers and investors.

Vestas installed 65 MW in South Africa during 2013. In addition, new orders of a combined 292 MW consolidated Vestas' leading position in the market and constitute a strong foothold for future expansion on the continent.

In 2013, Vestas had an order intake of 3,070 MW and delivered 2,971 MW to the markets in Europe and Africa while the order backlog amounted to 3,924 MW as of 31 December 2013.

Americas

The US market continued its historic cycle of "boom and bust" in 2013. After a record-breaking 2012, where more than 13 GW was installed prior to the potential expiry of the production tax credit (PTC), the market came to a standstill in the first half of 2013. However, with the extension of the PTC making all projects started in 2013 and commissioned before the end of 2015 eligible for the tax credit, order intake picked up in the second half of the year.

Vestas delivered a modest 102 MW in the USA in 2013, but received firm and unconditional orders of around 1.4 GW with an additional potential of more than 2.5 GW. The 400 MW order in Texas for Duke Energy Renewables was the largest order for Vestas in three years.

Regional production capacity, widespread service presence and the flexible manufacturing set-up in the USA have been prerequisites for Vestas in maintaining its strong position and order intake in the US market in 2013.

Outside the USA, Vestas continued to receive large orders in North and South America. A 299 MW project ordered by Enbridge and key account EDF was the largest order for Vestas in Canada ever. Likewise, Vestas received the hitherto largest orders in Uruguay and Chile in 2013. In Mexico, a 155 MW order emphasised Vestas' strong position. However, the Mareña Renovables project in Mexico continued to see delays in construction due to opposition from minority groups.

In Brazil, Vestas delivered 334 MW during 2013 and thereby improved its position in a market where Vestas is present with a nacelle assembly factory and a service organisation under development. Vestas is, however, currently working on complying with the local content rules for wind turbine manufacturers as required by the Brazilian government in order for Vestas' customers to obtain favourable state financing for new projects via BNDES, the Brazilian development bank.

In 2013, Vestas had an order intake of 2,321 MW and delivered 1,209 MW to the markets in its Americas region, while the order backlog amounted to 2,841 MW as of 31 December 2013.

Asia Pacific

Although growth rates have become more moderate, China continues to be the world's largest market for wind power.

Characterised by fierce competition and cost consciousness, China remains a challenging market. Nonetheless, Vestas remains committed to fully utilise its strong customer relations in the Chinese market. Vestas expects to improve its regional competitiveness in China by a continuous cost and performance improvement of the 2 MW platform.

In India, grid connections and transportation of still bigger wind turbine components remain a challenge. At the end of 2013, Vestas signed two V100 orders totalling 52 MW in India.

Vestas maintains a strong position in Australia with an accumulated market share of almost 50 per cent, and received a turnkey order of 107 MW in 2013. However, political uncertainty prevails as the impact from the parliamentary election in September 2013 on the long-term renewable targets (LRET) of 20 per cent, has not yet materialised. Whether the targets for renewable energy will be reduced will probably not become clear till mid-2014.

Meanwhile, markets like the Philippines and Jordan show encouraging signs of increased activity. During 2013, Vestas received a 117 MW order for Jordan and an 87 MW order for the largest wind power plant in the Philippines so far, underlining the potential of the growing Asian economies.

In 2013, Vestas had an order intake of 573 MW and delivered 682 MW to the markets in Asia Pacific, while the order backlog amounted to 652 MW as of 31 December 2013.

Offshore

In 2013, Vestas committed to a joint venture (JV) with Mitsubishi Heavy Industries Ltd. (MHI), dedicated to offshore wind power. The JV will combine Vestas' technological capabilities and long-standing track record with MHI's strong presence in global power markets and related technologies.

As part of the agreement, Vestas will transfer the development of the V164-8.0 MW turbine, the V112 offshore order backlog, existing offshore service contracts and approx 300 employees to the JV. In return, MHI will inject EUR 100m into the JV and another EUR 200m based on certain milestone achievements reflecting the natural early product life cycle of the V164-8.0 MW turbine.

Based on Vestas' V164-8.0 MW turbine, the partnership between Vestas and MHI will consolidate the offshore businesses for both companies and will be the vehicle to win an expanding share of the global offshore market.

The formal approval of the JV between Vestas and MHI is subject to customary closing conditions and approval from relevant competition authorities. Closing is expected to take place around the end of March 2014.

By the end of 2013, Vestas' order backlog for offshore amounted to 494 MW – all V112 turbines. The wind turbines for these projects will all be manufactured by Vestas. Before the financial closing of the JV with MHI, all installation activities will be handled by Vestas. After the

financial closing, all offshore installation activities will be handled by the JV.

The offshore market made up 7 per cent of the total market of around 2 GW in 2013. Germany and the UK were the leading countries with 650 MW and 850 MW, respectively.⁵⁾ In the Netherlands, Vestas received an offshore order for 129 MW for a V112-3.0 MW project, and key account Vattenfall chose Vestas' V112-3.3 MW for their 50 MW extension of the Kentish Flats project in the UK.

In 2013, Vestas had an offshore order intake of 179 MW, and delivered 168 MW, while the offshore order backlog amounted to 494 MW as of 31 December 2013.

Service

The service business continued to grow in 2013, further consolidating Vestas as a company based on two revenue and earnings streams and thereby less exposed to the market fluctuations normally associated with wind turbine manufacturing. During the last five years, service revenue increased by 89 per cent to EUR 954m in 2013, deriving from almost 44 GW under service.

Vestas expects the service business to continue its growth, driven by a number of factors: All new orders for wind turbines are combined with a service agreement, typically running for five or ten years. At the same time, Vestas maintains a high renewal rate on existing service agreements: In 2013, 75 per cent of all existing service agreements were renewed, down from 77 per cent in 2012. With the trend going towards more sophisticated service offerings, revenue per serviced MW has increased during the last five years. Finally, going forward it is Vestas' ambition to recapture a larger portion of previously lost service contracts via updated service solutions aimed at this segment.⁶⁾

The industry's largest and constantly growing base of installed wind turbines, combined with the continuous monitoring of more than 46 GW and the improved Lost Production Factor, enables Vestas to offer attractive service solutions to its customers. Moreover, increased supply chain efficiency, more up-tower repairs and improved use of predictive and preventive maintenance at times less critical for wind turbine owners, will lead to reduced service costs. This will inevitably result in improved production to the mutual benefit of Vestas and its customers.

Going forward, the combined cost-out efforts and improved service solutions will enable the service business to contribute to Vestas' goal of lowering the overall cost of energy for wind.

During 2013, the service order backlog increased by EUR 1.4bn to EUR 6.7bn.

Customer performance and loyalty

Vestas continuously works on improving and deepening the partnerships with its customers.

Since 2009, Vestas has worked intensively on its key account management programme. As a result, Vestas has improved its performance towards its largest and most important customers which in 2013 was responsible for 49 per cent of the total order intake.

In order to address the needs of its customer base even better, Vestas continues to expand its key account management programme to a broader range of customers. The learning, best-practices and validated business results will be distributed globally to up to 100 customers.

5) IHS Emerging Energy Research (EER): Wind Market Forecast (base case), December 2013.

6) Read more: Technology and service solutions. Vestas annual report 2013.

Capturing new markets is an example of how Vestas engages with its key accounts. In the future, it is expected that an increasing share of the annual wind power installations will be in new wind turbine markets. Vestas is already present in many of these markets, helping its key accounts capture new opportunities by creating the right conditions for investments in wind power. This includes engaging with policy makers and financial communities at an early stage, creating partnerships with developers and designing new products targeted at specific markets.

Vestas measures its customer relationships through a rigorous annual survey. The most recent survey took place from 6 January through 24 January 2014, and included 869 respondents in 43 countries representing 414 customers. Customer perceptions of Vestas improved year-on-year along all critical dimensions. These include overall satisfaction, which rose year-on-year from index 70 to 71. Overall reputation rose from index 75 to 77, and net promoter score rose from index 31 to 38 on a scale from -100 to +100. In all respects, these results indicate that Vestas' relationship with its customers has recovered from any concerns that may have emerged during the successful two-year turnaround period.

Technology and service solutions

“ In 2013, we launched several new wind turbine variants, while further improving quality and keeping investments low. At the same time, we successfully developed the V164-8.0 MW turbine that will become the backbone for our promising offshore joint venture.”

Anders Vedel
Executive Vice President & CTO



More development – lower costs

The slow-down of the global wind turbine market has also moderated the requirements for investments in costly new technology. As a result, Vestas has re-focused its R&D function to prioritise further development of existing platforms over research. Consequently, the number of wind turbine platforms has been reduced and the majority of Vestas' R&D facilities have been consolidated in Denmark.

The new product market strategy and the introduction of the revised product roadmap in 2012 also reflect a more focused R&D approach. The objectives are to lower time-to-market and investments for new wind turbine variants, outsource a larger part of the production and increase the use of standard components in order to reduce manufacturing costs as well as the cost of energy for Vestas' customers.

Product platforms and wind turbine variants

Vestas constantly revises its product portfolio. In 2012, the kW wind turbines were phased out and in 2014 the 8 MW platform will be transferred to the joint venture with Mitsubishi Heavy Industries Ltd. Based on ongoing analyses of customer needs and market outlook, Vestas will base its future development on innovation of the 2 MW and 3 MW platforms.

In 2013, the 3 MW platform was expanded with four new wind turbine variants: the V105-3.3 MW, the V112-3.3 MW, the V117-3.3 MW and the V126-3.3 MW.

All new wind turbines are innovations of the V112-3.0 MW turbine, which with a total order intake of more than 5 GW has been very well-received and acknowledged by the market as proven technology.

In 2013, the 2 MW platform was upgraded with the V110-2.0 MW. By increasing blade length and power output, the V110-2.0 MW turbine enhances the annual power production by around 13 per cent compared to the V110-1.8 MW turbine.¹⁾

Since it was initially introduced almost 20 years ago, the 2 MW platform has undergone numerous improvements, making it one of the most well-proven and reliable wind turbine platforms in the industry today.

Product platforms

	IEC III Low wind	IEC II Medium wind	IEC I High wind
2 MW platform			
V110-2.0 MW	X		
V100-1.8 MW	X	X	
V100-2.0 MW	X	X	
V90-1.8 MW	X	X	
V90-2.0 MW	X	X	
V80-2.0 MW			X
3 MW platform			
V126-3.3 MW	X		
V117-3.3 MW	X	X	
V112-3.3 MW		X	X
V105-3.3 MW			X

1) Assumptions: 1 wind turbine, 100 per cent availability, zero loss, K-factor=2, standard air density=1.225 and optimal wind speed at hub height.

Lowering cost of energy

By adding larger rotors and increasing the nominal power output, Vestas is able to optimise power production for specific site conditions across low, medium and high wind sites, thereby delivering even more competitive business cases for its customers. In addition, Vestas constantly aims to lower the cost of energy by sourcing standard components of high quality and low cost as well as introducing technologies requiring a lower investment level. All measures to lower cost of energy are implemented while meeting market requirements such as grid compliance and constraints regarding tip height and noise.

As an example, the power output of the new V112 has been increased to 3.3 MW. All things being equal, such a 10 per cent increase in rated power output lowers the cost of energy by 3 per cent. Another example is adding longer blades to existing platforms which increases the rotor diameter of the V117-3.3 MW and the V126-3.3 MW by 4.5 and 12.5 per cent, respectively, compared to the V112-3.3 MW. For the customer, these improvements add up to improved earnings: On a typical low wind site with an average wind speed of 6.5 m/s, the V126-3.3 MW variant of the original V112-3.0 MW will produce approx 20 per cent more power.²⁾

The launch of the V126-3.3 MW has made it possible to reduce the levelised cost of energy (LCOE) on the target markets by more than the current industry average annual LCOE reduction level which has been approx 2 per cent per year from 2011 to 2013³⁾. As a rule of thumb, and all things being equal, cost of energy is reduced by 3 per cent every time the blade length is increased by 3 per cent.

Another example of the improved efficiency is the new V105-3.3 MW turbine designed to match markets with strict grid and tip height restrictions where the V90-3.0 MW or the V112-3.3 MW cannot be used. Based on the 3 MW platform, the V105-3.3 MW turbine increases annual energy production by 22 per cent due to a larger rotor and increased power rating compared to its predecessor, the V90-3.0 MW.

Going forward, Vestas will continue to optimise wind turbine performance for specific markets and wind conditions. An example will be a new variant of the 2 MW platform to be developed with the aim to reduce costs by a combination of design adjustments and sourcing from low-cost countries.

To further improve Vestas' competitiveness, new wind turbines such as the V110-2.0 MW and the V126-3.3 MW are equipped with blades made with structural shell technology. This well-proven design requires significantly lower investments to manufacture and can be outsourced for third-party production, e.g. in markets that require some degree of local content. The utilisation of structural shell design contributes to Vestas becoming a lighter and more flexible company that can better adapt to various market conditions.

Quality and standardisation

With the capacity to perform up to 900 hours of testing a day distributed on 50 test rigs in three test centres, Vestas has some of the wind turbine industry's most comprehensive testing facilities at its disposal. Thus, the new variants of the 2 MW and 3 MW platforms are the most thoroughly tested wind turbines Vestas has ever brought to market, ensuring high performance and reliability for Vestas' customers.

This contributes to the continuous decrease in the Lost Production Factor (LPF) – the share of the wind not harvested by Vestas' turbines.

In 2013, the LPF was 1.7 per cent across more than 16,000 wind turbines with performance guarantee. Likewise, Vestas consumed warranty provisions totalling EUR 84m in 2013. This corresponds to 1.4 per cent of revenue – an improvement of 0.2 percentage points compared to 2012.

Vestas maintains its high level of quality while increasing the use of standard components as well as outsourcing of tower production, casting and machining. This is made possible after years of maturing, standardising and validation in collaboration with Vestas' suppliers.

The 8 MW platform

The development of the game-changing V164-8.0 MW turbine for offshore was accelerated in 2013. With its unrivalled power output, the V164-8.0 MW is designed to lower the cost of offshore wind energy through a decrease in investments in the form of fewer wind turbines, foundations and interconnections.

During the summer of 2013, the first 80-metre blade for the V164-8.0 MW turbine was produced while testing of the complete drivetrain took place at Vestas' test centre in Aarhus, Denmark. In January 2014, the first prototype of the V164-8.0 MW turbine was installed at the Østerild test centre in Denmark, one quarter ahead of the original schedule.

The prototype is now being tested in collaboration with Danish utility DONG, the operator of the world's largest fleet of offshore wind turbines. The combined capabilities of DONG and Vestas will mature the testing of the prototype and ultimately bring a highly validated V164-8.0 MW turbine to the market.

Power Plant Solutions

Power Plant Solutions is the collective term for Vestas' services in the area of planning, projecting, operations, servicing and the constant optimisation of complete wind power plants. In its Power Plant Solutions initiative, Vestas transforms many years of experience in monitoring wind turbines into services that directly increase the profitability of the customers' investments.⁴⁾

Besides developing new wind turbine variants, Vestas continuously designs new services and solutions. In 2013, Vestas for instance expanded this part of the business with Vestas Site Check tools which makes it possible to maximise plant owners' business case through optimised wind turbine configurations and the use of site specific foundations and towers.

Likewise, Vestas began offering an UpRate solution aimed at improving the performance of existing sites and wind turbines through meticulous optimisation of every aspect of a wind power plant.

An example is attaching aerodynamic boosters to the blades of existing wind turbines which can improve annual energy production between 1 to 3 per cent. Due to Vestas' large installed base of wind turbines, minor and inexpensive power enhancements like these add up to considerable financial gains – both for Vestas and its customers.

Another way to optimise a wind power plant is to ensure that it runs optimally in all weather conditions. Vestas De-icing System (VDS) was introduced in October 2013 to boost the business case for wind power plants operating in cold climates such as Sweden, Austria and Canada. With a built-in detection system, VDS keeps blades free of ice by circulating warm air inside the blade.

2) Assumptions: 1 wind turbine, 100 per cent availability, zero loss, K-factor=2, standard air density=1.225 and optimal wind speed at hub height.

3) Bloomberg New Energy Finance (BNEF): Dataset, Levelised cost of electricity - H1 2014. January 2014.

4) Read more: www.vestas.com/products_and_services.

Icing can potentially reduce wind turbines' annual energy production by more than 20 per cent. By offering VDS, Vestas expects to capture a larger share of markets characterised by cold climates which are expected to hold a combined potential of 30 GW towards 2017.⁵⁾

Service

The ability to plan, build, operate and service complete wind power plants for its customers is increasingly important for Vestas. Customers are demanding individual solutions that provide maximum output and involve minimum risk during the lifetime of their investment in a wind power plant.

Focusing on maximum return from the wind power plants, Vestas' service organisation helps to ensure Vestas' customers a higher electricity generation. Through its state-of-the-art Performance & Diagnostics Centre, Vestas monitors and analyses data from more than 25,000 wind turbines all over the globe. Ranging from weather forecasts to technical alerts, these data enables Vestas to meticulously plan and carry out service inspections, thereby reducing wind turbine down-time to a minimum.

By fully utilising its industry-leading capabilities, Vestas will strengthen its position as the preferred service provider. To reach this objective, Vestas will continue to lower the cost and increase the value of its service offerings through a number of initiatives. An example is the decision to repair rather than replace selected minor components of Vestas' wind turbines. Another example is developing new methods of servicing or replacing large components of a wind turbine that reduces or even eliminates the need for costly crane lifts.

Active Output Management – AOM

Vestas offers a broad product range of service concepts, tailored to suit desired customer risk profiles and covering everything from simple on-call duty (AOM 1 000) to a guaranteed minimum exploitation of the wind (AOM 5 000).⁶⁾

In addition to offering a broad variety of services, ranging from full service agreements with production guarantee to subscription-based maintenance, Vestas also provides solutions to customers who want to carry out service themselves and consequently require limited support from Vestas such as monitoring.

By continuously developing new tools, solutions and services, Vestas will expand its service-offerings to match these still more diverse customer requirements in order to further grow its service business.

5) BTM a part of Navigant Consulting, Inc.: World Market Update 2012. 2013.

6) Read more: www.vestas.com/products_and_services.

Manufacturing and sourcing

“With the consolidation of the manufacturing units, Vestas has become leaner and more flexible. Through continued cost-cutting and utilisation of our global manufacturing footprint, we’re now intensifying our efforts to lower the cost of wind energy.”

Jean-Marc Lechêne
Executive Vice President & COO



Manufacturing footprint

Ever since implementing a new manufacturing set-up in 2012, merging the four production business units into one executive management area, Vestas has been working on creating a leaner and more asset-light manufacturing organisation. With the goal of increasing flexibility and outsourcing while improving capacity utilisation in order to improve profitability and capital efficiency, Vestas has reduced its number of manufacturing sites from 31 to 19 during the two-year turnaround.

Non-core activities have been divested or outsourced, making Vestas a leaner company, more focused on utilising its core competencies to full effect. With the 19 remaining factories optimised for production of the two wind turbine platforms in the updated product roadmap, Vestas has consolidated a cost-effective, flexible and global manufacturing footprint.

Divestments and closures in 2013

The work to further reduce costs and make Vestas more scalable intensified in 2013. Six machining and casting units in Norway, Sweden, Germany, China and Denmark were sold to the German industrial group VTC Partners GmbH with whom Vestas has a long-standing supplier relationship. Going forward, Vestas will continue to receive its components at the same high quality level it is used to, while benefitting from the new owner's scale and efficiency.

The transaction was agreed at a sales price of EUR 1 with an earn-out element for Vestas of up to EUR 25m. As part of the divestment, Vestas made a further write-down of approx EUR 50m.

With the divestment of its machining and casting units, Vestas expects to lower its costs for casted components by around EUR 30m over the next two years with the potential of further cost reductions.

Other efforts in 2013 to reduce costs and simplify the manufacturing set-up included closure of the nacelles assembly factory in Taranto,

Italy and closing of the supply centres in Esbjerg, Denmark and Tianjin, China. Likewise, the operation of 22 spare part warehouses in Europe was outsourced to long-standing business partner DB Schenker. Finally, the Control Systems facility in Lem, Denmark, was merged with Control Systems in Hammel, Denmark, while the branch in Soria, Spain, was closed down.

Flexibility and scalability

Vestas' ability to scale up and down according to demand also included ramping up in 2013. In the USA, Vestas decided to offer production for a third party at the world's largest tower factory in Pueblo, Colorado. Combined with Vestas' increased order intake, the factory is now expected to produce at full capacity throughout 2014. In fact, Vestas has hired more than 300 employees at the factories in Colorado, USA, and by the end of 2013, a total of 1,425 were employed – an increase of 28 per cent as compared to year-end 2012.

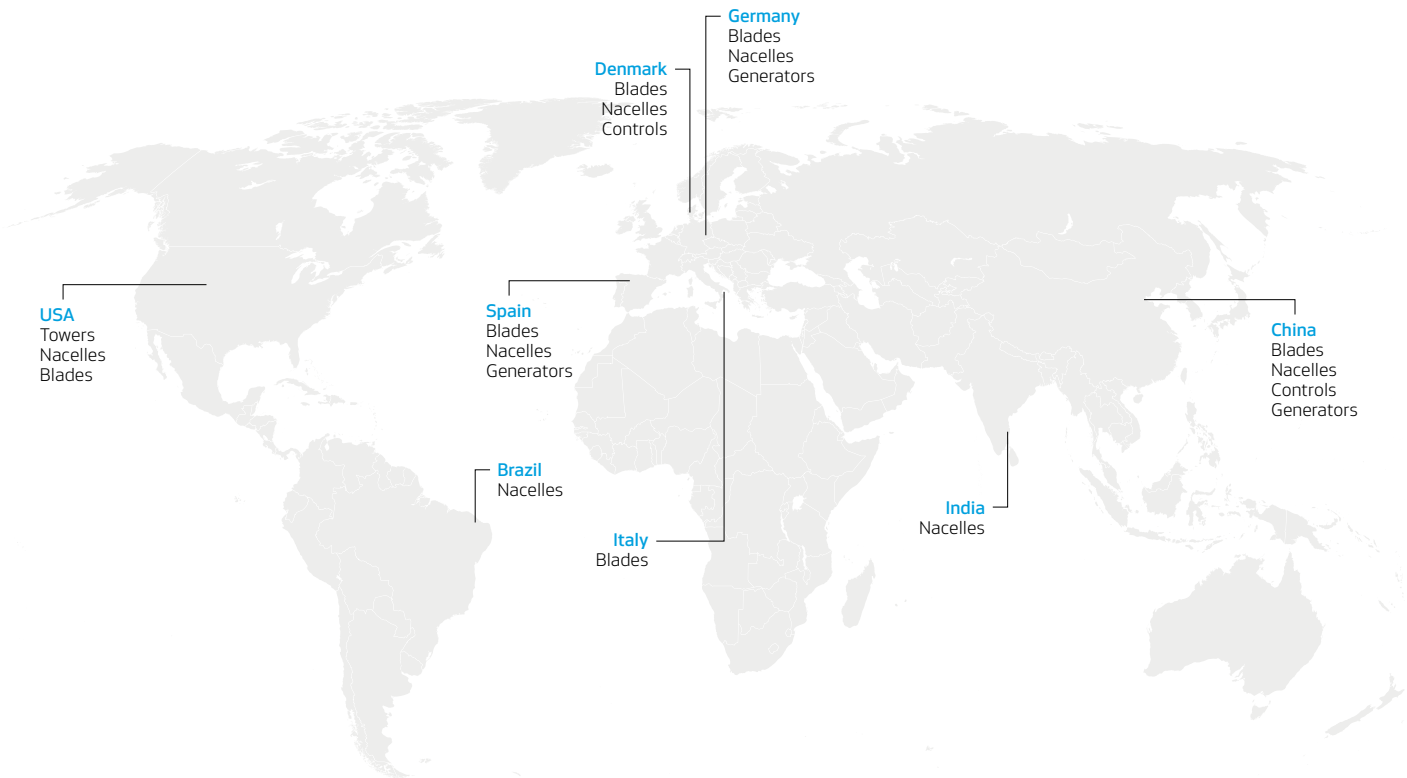
By the end of 2013, Vestas had a well-balanced global footprint for manufacturing wind turbines and delivering services close to its customers in order to ensure cost competitiveness. Combined with further efficiency improvements, Vestas will use its manufacturing scalability and flexibility to achieve cost leadership within the wind power industry.

Sourcing and suppliers

It is Vestas' ambition to work even closer with its suppliers to further improve the professional level of the supply chain. Under the centralised global sourcing programme, Vestas collaborates with fewer but larger suppliers to purchase larger amounts of components or set of components at lower prices. By working closely together with Vestas, selected suppliers are able to develop the best components at the lowest cost while Vestas reduces its need for in-house production.

By further developing proven technologies and using more standard components from strategic suppliers, Vestas can lower its production costs and focus its resources on core value-adding initiatives. These

Manufacturing footprint



include further developing and improving existing platforms in order to reduce the cost of energy for Vestas' products. Sourcing and manufacturing, for instance, can contribute by reducing wind turbine costs and lowering the balance of plant. Going forward, specific ways to reduce cost of energy may be offering longer blades and more powerful generators without increasing the cost correspondingly.

As savings also apply to suppliers, Vestas works on an accelerated earnings program, focusing on reducing the variable costs in all spending areas associated with external suppliers. The programme includes materials that go into manufacturing wind turbines, costs at construction sites, e.g. roads, as well as indirect spend across the company, e.g. travels. All decisions in this regard are based on category management, assessing all aspects of design, manufacturing, construction and delivery.

By delivering improved cost bases, the accelerated earnings program is a key enabler for consolidating Vestas' leading position in a competitive market. Going forward, Vestas intends to continuously lower the cost of energy by reducing the costs associated with manufacturing and sourcing to an even greater extent.

During the course of 2013, Vestas gained good effect from its product cost-out initiatives. As cost out must never compromise quality, Vestas continues its Six Sigma programme and all initiatives aimed at reducing costs are continuously monitored. Saving costs will continue to be a daily focus area for Vestas in order to constantly improve profitability, remain competitive and offer customers low cost of energy.

Working capital management

The regionalised manufacturing footprint leaves room for further reduction of inventories in the different regions by decreasing the lead time. An important focus area is therefore to reduce the working capital tied up in MW under completion, i.e. wind turbines in transport to site, in installation phase and in mechanical completion phase. Vestas aims to further reduce the level of MW under completion.

Moreover, Vestas focuses on bringing down the order-to-cash time by implementing improvements within contract management and cash collection.

Other initiatives completed in 2013 in order to improve net working capital have been optimisation of the timing of supplier payments and renegotiation of customer payment terms. The work to optimise working capital streams will continue in 2014.

Social and environmental performance



Standards, goals and priorities

Vestas' standards and goals within sustainability build on recognised conventions established by international organisations such as the UN, ILO and OECD and are reflected in Vestas' social and environmental priorities:

1. The lowest possible incidence of lost time injuries – the ultimate goal being to avoid accidents altogether.
2. CO₂ impact from wind power must excel against other energy forms.
3. As much of the wind turbine as possible must be recyclable after decommissioning.

Since 2009, Vestas has been part of the UN Global Compact initiative and supports the Compact's ten principles for human rights, labour rights, the environment and anti-corruption.

Combined with additional information about Vestas' sustainability initiatives at Vestas.com, this annual report constitutes Vestas' "Communication on Progress" (COP)¹⁾ under the UN Global Compact. As a result of its endorsement of the UN Global Compact, Vestas has opted to apply the option stipulated in section 99a of the Danish Financial Statements Act concerning the duty of large enterprises to prepare a corporate social responsibility report by referring to the COP report.

Code of Conduct

Vestas' Code of Conduct sets the framework for supporting the principles of the UN Global Compact. To establish the principles of Vestas' Code of Conduct, all employees on and above manager or specialist level must annually acknowledge that they understand Vestas' Code of Conduct and are not aware of any violation of the Code of Conduct within their areas of responsibility which have not been handled correctly.

1) Read more: www.unglobalcompact.org/participant/9947-Vestas-Wind-Systems-A-S.

2) Read more: Risk management. Vestas annual report 2013.

EthicsLine

EthicsLine is open to both employees and external business partners, and can be used to report violations of the Code of Conduct as well as to ask questions about ethical dilemmas. In 2013, Vestas received a total of 52 inquiries through EthicsLine against 76 inquiries in 2012.

Social responsibility

Vestas has global policies concerning human rights and freedom of association, which cover the whole Group. Likewise, Vestas expects all of its business partners to respect these.

As Vestas moves into new wind turbine markets, a social and environmental due diligence process has been developed and launched for selected wind turbine projects to allow identification of risks and planning for mitigation activities early in the sales phase.²⁾ Social and environmental due diligences have been completed during 2013 for turnkey projects in South America and the Middle East and more are in process in Africa, South America and Eastern Europe. Going forward, Vestas aims to perform due diligences for a larger part of its activities.

Safety

Through the dedicated efforts of its employees and supervised contractors, Vestas has managed to reduce the number of lost time injuries. At the end of 2013, the incidence rate was 2.1 which was significantly lower than in e.g. 2009, when the incidence rate was 8.1 – however, slightly above the target of 2.0. The next focus area will be behaviour in order to meet the target of no more than 0.5 incidents of lost time injuries per one million working hours in 2015.

Tragically, three employees at Vestas' contractors suffered fatal injuries during 2013, one of which was supervised by Vestas. The root causes

of the accidents have all been identified as human errors caused by the lack of compliance to existing safety processes.

As Vestas' own safety performance has improved strongly over the years, the performance of contractors has become increasingly important to protect both Vestas' and its contractors' employees from potential harm as well as to live up to customer expectations of safe operations. Measures implemented so far to improve the performance of contractors include pre-qualifications, standardisation of safety requirements and intensified tracking of safety performance.

Employees

During the course of 2013, Vestas continued the restructuring of the organisation that was initiated in 2012. In 2013, as part of the two-year turnaround, Vestas reduced the number of employees by 2,281. The divestment of Vestas' six machining and casting units alone reduced staff by 1,025 employees, bringing the total workforce to 15,497 by year-end in accordance with the target of having no more than 16,000 employees.

Vestas will continue to scale the organisation up and down according to the expected activity level.

Diversity

Vestas has a policy to offer all employees equal opportunities and among other things, Vestas aims for a more equal distribution of gender among employees in leadership positions. If the share of either women or men at a management level is below 40 per cent, the Executive Management will annually evaluate the need for further actions.

By the end of 2013, Vestas' working force represented 79 nationalities. Non-Danish nationals held 53 per cent of the positions in the top management layers – an increase of 11 percentage points over the course of the last five years. The development mirrors the continued globalisation of the Group with Vestas' Executive Management team itself an example of increased diversity with members from Sweden, Spain, France and Denmark.

The Board of Directors continuously work to increase diversity within the board. When proposing new board candidates, the Board of Directors pursue the goal of having several nationalities of both gender as well as a diverse age distribution. However, this goal must not compromise the other recruitment criteria.

In April 2013, Vestas defined a target that members of the under-represented gender should constitute two to three board members elected by the general meeting no later than in 2017. Today, the Board of Directors elected by the general meeting consists of seven male members and one female member. As election of new members first will take place in 2014, there is no development to comment on for the year 2013.

Global bonus programme

As all employees contribute to the same value creation and provide support to the same customers, regardless of whether they work in a support function or whether they develop, manufacture, market, sell, install or render service on wind turbines, all employees are rewarded when Vestas improves its profitability and cash flow generation.

The bonus programme defines a number of key performance indicators, which help accomplish Vestas' strategic goals.

The Group's bonus targets for 2013 were a free cash flow of EUR 500m (55 per cent weighting) and an EBIT margin before special items and before provisioning for bonus of 5 per cent (45 per cent weighting). As the targets for bonus pay-out were achieved in 2013, EUR 97m was provided for bonus in the fourth quarter of 2013.

Satisfaction survey

After skipping the annual employee satisfaction survey in 2012, Vestas conducted a survey in October 2013. The response rate was 93 per cent, against 94 per cent in 2011. The overall satisfaction and motivation index was 66 in 2013, against 68 in 2011, which is considered a satisfactory development in the light of the redundancies carried out in recent years.

Environmental footprint

Vestas operates in an industry consuming large volumes of steel, concrete and energy-intensive global logistics. A V112-3.0 MW turbine weighs more than 350 tonnes. To this should be added the foundation, cement mixers, cranes, trains, ships, etc. Vestas therefore has a special obligation to minimise its environmental footprint and act in harmony with its surroundings: Sustainable behaviour is a prerequisite for Vestas' continued development.

Carbon footprint

Vestas has defined a target for 2015 that a Vestas turbine, throughout its lifetime – production, installation and dismantling – must be at least 15 per cent more CO₂ efficient than in 2010. Vestas currently contributes about 5 per cent of the total CO₂ emissions for a V112-3.0 MW turbine. 5-10 per cent is emitted during transport in connection with construction, dismantling and recycling of the wind turbine, whilst the remaining volume of CO₂ (80-90 per cent) derives from suppliers' materials and component production. In order to further reduce its carbon footprint, Vestas needs to continue improving wind turbine performance and lowering energy consumption in factories and within the supply chain.

Recycling in Vestas' production and recycling of components in decommissioned wind turbines is another important way to improve CO₂ efficiency. Today, 81 per cent of a V112-3.0 MW turbine can be recycled; the target for 2015 is 85 per cent.

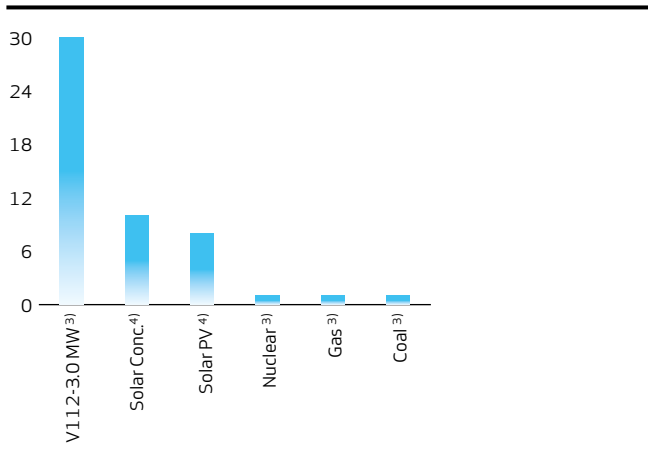
Life cycle assessment

Because a wind turbine only emits 5-10 grams of CO₂ per kWh produced, wind power outperforms traditional energy sources when it comes to carbon footprint, energy pay-back and use of water. The life cycle assessment identifies and evaluates the environmental impact throughout the lifetime of a wind power plant. In 2013, 98 per cent of the MW delivered by Vestas was covered by a publicly available, full ISO 14040/44 life cycle assessment.

A V112-3.0 MW turbine is energy neutral after approx eight months of operation. This means that after eight months, the wind turbine has generated as much energy as the suppliers and Vestas spend on manufacturing, transporting, installing and dismantling the wind turbine in its 20 years lifetime.

Energy payback by energy source

Number of times



Renewable energy in production

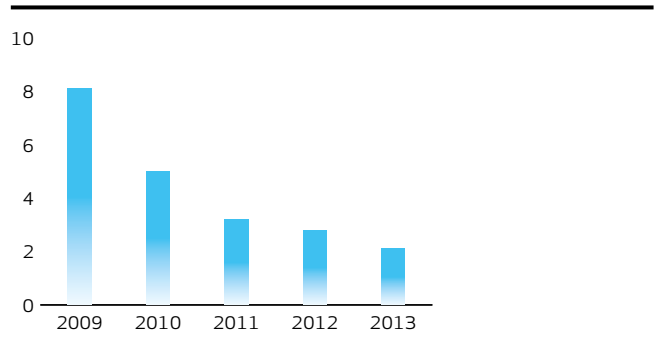
Vestas has defined a goal that all electricity must come from renewable energy sources, subject to availability. The goal was reached in 2013 with a combination of purchase of renewable electricity for operations and Vestas-owned wind power plants as of 31 December 2013 of a combined 52 MW to fully compensate for the consumption of non-renewable electricity. As a result, Vestas also lives up to the WindMade™ criteria of having at least 32 per cent of its electricity coming from renewable energy. By actively sourcing renewable electricity, Vestas saved the environment for 110,000 tonnes of CO₂ emissions in 2013.

Environmental impact

With the divestment of its six machining and casting units in 2013, a significant reduction in Vestas' direct environmental impact is expected for 2014. However, looking at the life cycle impact of a Vestas turbine, the environmental impact remains unchanged with the divestment.⁵⁾

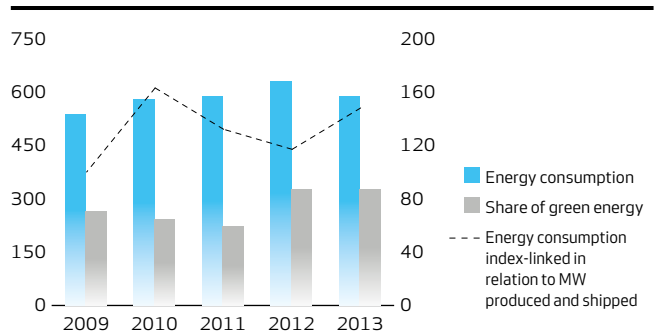
Incidence of lost time injuries

Per one million working hours



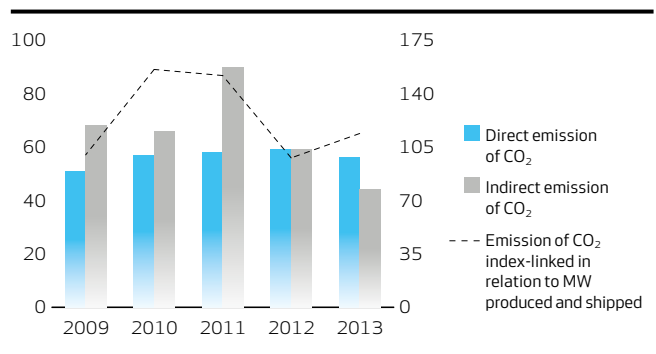
Energy consumption and share of green energy

1,000 MWh · Index



Direct and indirect emission of CO₂

1,000 tonnes · Index



3) PE International's GaBi 6 database and the 2011 report: LCA of electricity production from a V112-3.0 MW wind power plant. The payback includes fuel energy input for gas, coal and nuclear.
 4) Public Interest Research Centre: The Offshore Valuation – A valuation of the UK's offshore renewable energy resource. 2010.
 5) Read more: Consolidated social and environmental statement. Vestas annual report 2013.

Risk management



Vestas' approach to risk management includes identification, evaluation and management of risks across the company in order to reach its financial and strategic targets. The key risks have been further reviewed and assessed by the Executive Management and the Board of Directors. Key risks include risks related to, but not limited to, product development, change in legislation, intellectual property, product quality, supply chain and entering new markets.

Vestas has defined its three most significant risks, being:

- Decreasing governmental support for wind power.
- Entering new markets.
- Introduction of new products.

Financial and other risks, including risks related to currency, interest rate, tax, credit, commodity exposures, financial reporting and control activities, are addressed in the notes to the consolidated accounts.

Decreasing governmental support for wind power

Governments in many countries support the expansion of wind power, and this support has been a material contributing factor to the growth of the wind power industry. Support for investments in wind power is typically provided through financial incentive schemes or public grants to the owners of wind power plants, e.g. through subsidising tariffs on power generated by wind turbines or tax incentives promoting investments in wind power.

The decrease or elimination of direct or indirect government support schemes has a negative impact on the market for wind power. In recent years, government support schemes have been under pressure from governments in need of cutting budgets. Hence, disruptions in and a lack of clarity with respect to government support have occurred in a number of Vestas' key markets, including the EU, the USA and Australia.

New uncertainties evolve from the current EU state aid guidance revision proposal which could result in reduced support for wind power across most European countries from 2014. The revision of all support schemes needs to be done before 31 December 2015. This timeline is expected to cause market unrest as some currently planned projects might no longer be profitable under the aid levels in the new support schemes after 2015.

Potential impact

Uncertainty as to whether particular incentives will be renewed may discourage potential customers from investing in wind power plants because wind power could become less competitive. Uncertainty may also cause delays in contemplated projects. Should government austerity measures continue or contribute to uncertainty around incentives, Vestas could experience decreases in order intake.

Mitigation actions

Vestas' sustained investment in product development has led to continued reductions in the cost of energy for wind power, making wind power more competitive. According to some industrial analysts, the cost of wind power is expected to reach grid parity in 2015¹⁾. Vestas thus continues to focus on reducing the cost of energy in order to make wind power an even more attractive investment.

Entering new markets

In 2013, new wind turbine markets, e.g. South Africa and Uruguay, accounted for 17 per cent of Vestas' order intake. The share of revenues generated outside mature markets is expected to increase further over the coming years.

In order to achieve widespread acceptance in each country that Vestas enters, products and services must be tailored to the customs and cultures of that country. Furthermore, it must be taking into account that

1) MAKE Consulting A/S: Levelised Cost of Energy - Wind energy moves towards grid parity. February 2013.

the time required to achieve widespread acceptance for those products and services may be longer than anticipated. In addition, Vestas is subject to certain risks as a result of having international operations – risks that inevitably are higher in new markets than in mature markets.

These risks include:

- Infrastructure in various countries, including political or economic instability or unrest.
- Difference in and changes to regulatory requirements and exposure to political and economic conditions; local customers' preference for local providers; local content rules, tariffs or other protectionist policies.
- Restrictions on the withdrawal of non-Danish investment and earnings, including potential tax liabilities if Vestas repatriates any of the cash generated by its international operations back to Denmark.
- Nationalisation or expropriation of assets as well as reduced ability to legally enforce Vestas' contractual rights in less developed legal systems.
- Difference in contractual provisions in different markets which Vestas may have difficulty monitoring and complying with.

Potential impact

Vestas' ability to expand its operations in any country may be impacted by these and other factors which can increase cost and complexity. One or more of the before mentioned factors could have a negative effect on Vestas' business, results of operations and financial condition.

Mitigation actions

New markets pose different business risks than mature markets. As engagement in growth markets is essential for the future of Vestas, a comprehensive risk assessment is completed in order to understand the business environment as well as determine the mitigation measures that would allow Vestas to operate in a given market.

Introduction of new products

In 2013, Vestas launched a number of new products that are ready for serial production in 2014 including the V110-2.0 MW, the V117-3.3 MW and the V126-3.3 MW turbines. A successful ramp-up and delivery of new products is important for 2014 as sales commitments have been made on these new wind turbines including in the USA.

Potential impact

In the event of production schedule delays, Vestas' delivery to site could be at risk which could impact Vestas' ability to recognise revenue. Furthermore, if Vestas is unable to comply with contractual obligations and delivery schedules, customers could be contractually entitled to liquidated damages which could have direct financial and reputational consequences for Vestas.

Mitigation actions

Vestas has installed more than 13,000 wind turbines of the 2 MW platform equalling more than 25 GW. As such, the 2 MW platform, which constitutes the majority of orders that need to be executed over the coming years in the USA, has a proven track record.

Furthermore, Vestas' full-scope testing strategy proves its technology and provides full-scope testing of complete nacelles and all critical components before product delivery, significantly reducing the likelihood of delayed and/or flawed market introduction of new products. Out of all wind turbine manufacturers, Vestas has some of the largest available in-house testing facilities.

Shareholders and governance



The Vestas share

Vestas Wind Systems A/S' share capital amounts to DKK 203,704,103, and its shares are listed on NASDAQ OMX Copenhagen under the ticker symbol VWS. Vestas has one share class and a total of 203,704,103 shares, which are 100 per cent free float.

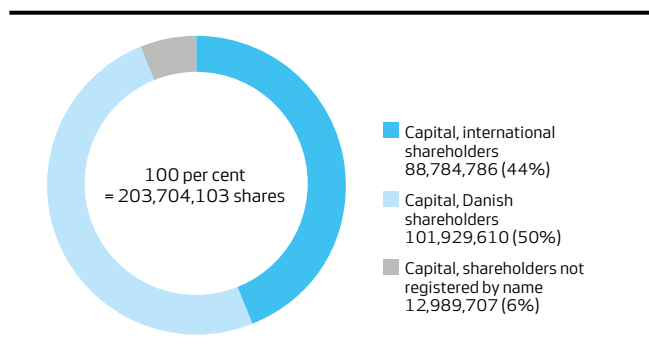
In 2013, the turnover of the company's share on NASDAQ OMX Copenhagen totalled EUR 7.7bn. The share price ended the year at DKK 160.20 as compared to DKK 31.86 at year-end 2012.

Ownership

At the end of the year, the company had 162,750 shareholders registered by name, including custodian banks. The registered shareholders held 94 per cent of the company's share capital. At the end of the year, 158,400 Danish shareholders owned 50 per cent of Vestas. The number of shareholders registered by name decreased by approx 11 per cent from 2012 to the end of 2013.

Share capital distribution at 31 December 2013

Number of shares · Per cent



In accordance with the Danish Public Companies Act, article 55, Marathon Asset Management LLP, UK, has reported a shareholding that exceeds 5 per cent. The notification was received in April 2013.

Communication with shareholders

Vestas' Investor Relations department aims to be visible and accessible to existing and potential shareholders and other stakeholders with due consideration to legislative requirements and based on corporate governance standards. In order to keep the interest in the Vestas share at a high level, Investor Relations regularly provides information to the company's stakeholders by means of:

- broad distribution of the company's financial reports and company announcements,
- live webcasts in connection with the company's presentation of financial results,
- an informative website,
- roadshow activities following each financial presentation,
- meetings for investors and analysts, investor seminars, exhibitions, conference calls, capital markets days, company visits and other arrangements, and
- daily contact and correspondence through the Investor Relations department.

Vestas aims to continuously improve the communication with its shareholders in order to inform them about Vestas' goals and to safeguard long-term shareholder interests.

However, in order to optimise communications it is necessary for Vestas to know the identity of its shareholders. Vestas therefore recommends that its shareholders have their Vestas shares registered by name in the company's register of shareholders.

Annual General Meeting 2014

The Annual General Meeting of Vestas Wind Systems A/S will be held on 24 March 2014 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

Time schedule

7 February	Deadline for proposals for the agenda
28 February	Convening for the Annual General Meeting
17 March	The record date
20 March	Deadline for registration and submission of proxy
23 March	Deadline for submission of correspondence vote

Distribution of dividends will always be decided with due consideration for the Group's plans for growth and liquidity requirements. The parent company has posted a loss for 2013 of EUR 97m. The Board of Directors recommends therefore that the Annual General Meeting approve that no dividend be paid.

Board member, Jørgen Huno Rasmussen, has informed that he will not stand for re-election. The remaining board members elected by the general meeting have all informed the Board that they will stand for re-election. The Board of Directors proposes that Ms Lykke Friis is elected as new member of the Board of Directors. Lykke Friis is prorector of education at the University of Copenhagen, Denmark, and former Minister for Climate and Energy, Denmark, as well as former Minister for Gender Equality, Denmark.

The Board of Directors proposes that PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab be re-appointed as the company's auditor.

The Board of Directors will also propose an authority for the company, in the period until the next Annual General Meeting, to acquire treasury shares. After such acquisition, Vestas' combined portfolio of treasury shares must not exceed 10 per cent of the share capital.

Authorities granted to the Board of Directors

Vestas' articles of association include an authority to Vestas' Board of Directors concerning an increase of the company's capital in one or more issues of new shares up to a nominal value of DKK 20,370,410 (20,370,410 shares), ref. article 3 of the articles of association. The authority is valid until 1 March 2018.

At the Annual General Meeting in 2013, the shareholders authorised the Board of Directors to let the company acquire treasury shares in the period until the next Annual General Meeting within a total nominal value of up to 10 per cent of the company's share capital from time to time, ref. section 198 of the Danish Public Companies Act.

Statutory report on corporate governance

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of "Rules for Issuers of Shares – NASDAQ OMX Copenhagen", listed companies must prepare a corporate governance report.

The recommendations of the report specify that the circumstances of each company will govern the extent to which the recommendations are complied with, or whether it is appropriate not to comply, as the key issue is to create transparency in corporate governance matters.

Vestas' statutory report for 2013, which is part of the management report, is available at www.vestas.com/investor/corporate_governance#1statutory-reports.

General meeting

The general meeting, consisting of the company's shareholders, is the supreme management body of Vestas Wind Systems A/S and is the supreme authority in all company matters, subject to the limits laid down by Danish legislation and the company's articles of association.

Voting

Vestas has a single class of shares, and no shares carry any special rights. Each share carries one vote.

Amendment requirements

Proposals put to the vote are adopted by a simple majority of votes, unless the Danish Public Companies Act or the articles of association prescribe special rules regarding the adoption.

Amendment to the articles of association, dissolution, de-merger and merger, which under Danish law must be passed by the general meeting, can only be passed by a majority of no less than two-thirds of all votes cast and of the voting capital represented at the general meeting unless otherwise prescribed by the Danish Public Companies Act.

Election of Board members

The Board members' election terms expire in 2014, as Board members elected by the general meeting must retire at the following annual general meeting. However, Board members are eligible for reelection.

Board members elected by the general meeting may be recommended for election by the shareholders or by the Board of Directors. When proposing candidates for Board membership, the Board of Directors seeks to ensure that it is possible for the general meeting to elect a continuing Board of Directors that:

- is able to act independently of special interests;
- represents a balance between continuity and renewal;
- suits the company's situation;
- is knowledgeable of the industry and has the business and financial competencies necessary to ensure that the Board can perform its duties in the best way possible, and;
- reflects the competencies and experience required in order to manage a company with shares registered for trade on a stock exchange and fulfils its obligations as a listed company.

When proposing new board candidates, the Board of Directors pursues the goal of having different nationalities of both genders. In addition, the Board of Directors focuses on having a diverse age distribution. However, these goals must not compromise the other recruitment criteria. Candidates proposed by the Board of Directors must not have reached the age of 70.

Financial calendar 2014

24 March	Annual general meeting
9 May	Interim financial report, first quarter
20 August	Interim financial report, second quarter
7 November	Interim financial report, third quarter

Remuneration report 2013 for the Board of Directors

Efforts are made to ensure that the remuneration of the Board of Directors matches the level in comparable companies, whilst also taking into consideration Board members' required competencies, efforts and the scope of the board work, including the number of meetings.

According to law firm Gorrissen Federspiel's remuneration analysis of Large Cap and OMX C20 CAP companies listed on NASDAQ OMX Copenhagen A/S in Denmark, the average remuneration (excl. of committee remuneration) in 2012 for the chairman of a board was EUR 0.15m (DKK 1.1m), for a deputy chairman EUR 0.09m (DKK 0.7m) and for an ordinary board member EUR 0.05m (DKK 0.4m).¹⁾

Remuneration policy and incentive pay

The Nomination & Compensation Committee has the responsibility of presenting recommendations to the Board of Directors about the remuneration policy established for the Board of Directors. The remuneration policy covers all types of pay and remuneration, including regular pay, incentive earning schemes (including share-based remuneration), pension schemes as well as severance pay, etc.

The remuneration policy and the general guidelines for incentive pay were approved by the shareholders at the Annual General Meeting in March 2013.²⁾

Fixed remuneration

Members of the Board of Directors receive a fixed cash amount (basic remuneration), which is approved by the general meeting for the current financial year. The chairman receives a triple basic remuneration and the deputy chairman receives a double basic remuneration for their extended board duties.

In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees. The chairman receives double committee remuneration.

Board members elected by the employees receive the same remuneration as the board members elected by the general meeting.

In 2013, the Board of Directors held 12 board meetings, six Audit Committee meetings, four Nomination & Compensation Committee meetings and four Technology & Manufacturing Committee meetings.

Remuneration for ad hoc tasks

Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed remuneration for the work carried out in relation to those tasks. The fixed remuneration will be presented for approval at the following Annual General Meeting.

Social security taxes and similar taxes

In addition to the remuneration, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

Incentive programme, bonus pay, etc.

The members of the Board of Directors are not included in incentive programmes (share option programmes, bonus pay or similar plans).³⁾

Compensation on takeover of Vestas Wind Systems A/S

On any takeover, retiring board members will not receive any compensation for their lost board remuneration and similar benefits.

Reimbursement of expenses

Expenses in connection with board and committee meetings are reimbursed as per account rendered.

Pension scheme

The Board of Directors is not covered by any Vestas pension scheme or a defined benefit pension scheme.

Remuneration approved by the Annual General Meeting

At the Annual General Meeting in March 2013, the shareholders approved the level of remuneration for the Board of Directors for the financial year 2013 to remain at the 2012 level.

- basic remuneration of EUR 43,606
- basic committee remuneration of EUR 21,804

For 2013, a total of EUR 1.0m was paid in remuneration to board and committee members compared to EUR 1.2m in 2012, ref. note 6 to the consolidated accounts. In 2012, the chairmanship received an extraordinary remuneration of EUR 0.2m due to unexpected and extensive workload.

Board of Directors' remuneration for the financial year⁴⁾

	2013		2012	
	Number of members	EUR	Number of members	EUR
Remuneration	12	654,090	12	654,090
Audit Committee remuneration	4	109,020	3	87,216
Nomination & Compensation Committee remuneration	4	109,020	3	87,216
Technology & Manufacturing Committee remuneration	5	130,824	4	109,020
Remuneration for ad hoc tasks	-	-	2	230,000
Total remuneration for the financial year		1,002,954		1,167,542

1) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2012). June 2013.

2) Read more: www.vestas.com/en/investor/corporate_governance.

3) In his position as Senior Vice President in Vestas Wind Systems A/S, board member Knud Bjarne Hansen has been granted options and performance shares, ref. note 32 to the consolidated accounts. Vestas annual report 2013.

4) Exclusive of social security taxes and similar taxes.

Remuneration report 2013 for the Executive Management

The Board of Directors believes that a combination of fixed and performance-based pay to the Executive Management helps ensure that the company can attract and retain key employees. The Executive Management is further encouraged to reach short- and long-term business results and to create shareholder value through partly incentive-based pay.

According to law firm Gorrissen Federspiel's remuneration analysis of Large Cap and OMX C20 CAP companies listed on NASDAQ OMX Copenhagen A/S in Denmark, the average remuneration (incl. of pension, benefits and cash bonus) in 2012 for an executive management function was EUR 4.25m¹⁾ (DKK 31.7m).²⁾

Remuneration policy and incentive pay

Based on proposals from the Nomination & Compensation Committee for the remuneration of the Executive Management, the Board of Directors annually assesses and approves the remuneration to ensure that it is in line with the conditions for comparable positions in other companies. All terms of the remuneration of the Executive Management are fixed by the Board of Directors.

Members of the Executive Management receive a competitive remuneration package consisting of a fixed salary, bonus, share-based incentives, warrants and personal benefits, ref. remuneration policy approved by the Annual General Meeting in March 2013.

Members of the Executive Management are employed under executive service contracts, which contain a notice of termination of up to 24 months, which is normal for executives in Danish companies.

Fixed salary

The fixed salary is based on market level to attract and retain talented executives with the required competencies.

Cash bonus

Members of the Executive Management participate in a bonus scheme based on the results for the year and bonus is paid out annually after adoption of the annual report for the relevant financial year.

Bonus pay-out level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at 50 per cent and 75 per cent of the annual base salary, respectively. No pay-out will be made if the targets are not met at the defined minimum acceptable performance level.

The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT and cash flow as well as any other targets approved by the Board of Directors.

Share-based incentives

Share-based incentives focus on retention and long-term value creation for the shareholders.

For any performance year, the number of shares to be granted to the combined Executive Management may amount to a total of 150,000 performance shares if the specified targets are achieved. The maximum grant for any performance year is 225,000 performance shares and is only achievable if the targets are overachieved (150 per cent of the target) but the value of the granted performance shares must not exceed 75 per cent of the annual base salary. The actual number of shares is decided after the end of the performance year, and can be adjusted upwards or downwards, taking the company's performance into consideration. If the minimum requirements for financial performance are not met, there will be no grant of performance shares.

The performance shares will be granted in two portions; the first half of the shares will be granted two years after the performance year and the second half of the shares will be granted four years after the performance year, with the total grant size based on the results in the performance year.

Personal benefits

Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home and work-related newspapers and magazines.

Compensation on takeover of Vestas Wind Systems A/S

The members of the Executive Management will not receive any compensation in the event of termination in connection with a change of ownership of the company's voting majority or if the company is dissolved through a merger or demerger. The Executive Management's notice of termination will, however, be extended to 36 months.

Redundancy pay

There is no agreed redundancy pay or compensation for voluntary or non-voluntary termination.

Pension scheme

Members of the Executive Management are not covered by Vestas' employer administered pension plan or a defined benefit pension scheme. For members of the Executive Management, pension is considered included in the fixed salary.

Remuneration approved by the Board of Directors

In 2013, a total of EUR 3.7m was paid in salaries to the Executive Management.

Based on the results achieved in 2013, the combined Executive Management will receive a bonus of EUR 2.1m in 2014.³⁾ In 2013, EUR 0.7m was expensed as share-based payment, ref. note 32 to the consolidated accounts. In the financial year 2013, a total of 139,571 performance shares were granted to the combined Executive Management.⁴⁾ The first half of the performance shares will be granted in 2016 and the second half will be granted in 2018.

Executive Management's remuneration

	2013 ⁵⁾	2012
Fixed salary (EUR)	3,696,301	2,846,151
Bonus (EUR)	2,066,498	-
Granted performance shares/share options for the financial year (number)	139,571	172,014
Granted performance shares/share options for the financial year (EUR)	892,515	599,432
Exercised options in the financial year (number)	-	-
Exercised options in the financial year (EUR)	-	-
Total granted options for the period 2008 to 2012 (number)	119,687	352,613

1) The average number of members of an executive management function is four members.

2) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2012). June 2013.

3) The Group's bonus targets for 2013 were a free cash flow of EUR 500m (55 per cent weighting) and an EBIT margin before special items and before provisioning for bonus of 5 per cent (45 per cent weighting). As the targets for bonus pay-out were achieved in 2013, a bonus of EUR 2.1m was provided for the Executive Management in the fourth quarter of 2013.

4) The targets for grant of performance shares are similar to the ones for bonus pay-out.

5) Does not include severance payment, bonus, options and restricted shares to former Executives, ref. notes 6 and 32 to the consolidated accounts. Vestas annual report 2013.

Members of the Board of Directors

	Born	Independent ¹⁾	Date of election	Expiry of election period	Number of shares ²⁾
Mr Bert Nordberg	23/03/1956	Yes	March 2012 and re-elected in 2013	2014	10,000
Mr Lars Josefsson	31/05/1953	Yes	March 2012 and re-elected in 2013	2014	2,000
Mr Carsten Bjerg	12/11/1959	Yes	March 2011 and re-elected for subsequent terms, most recently in 2013	2014	1,831
Ms Eija Pitkänen	23/04/1961	Yes	March 2012 and re-elected in 2013	2014	500
Mr Henrik Andersen	31/12/1967	Yes	March 2013	2014	1,250
Mr Henry Sténson	10/06/1955	Yes	March 2013	2014	9,000
Mr Jørgen Huno Rasmussen	25/06/1952	No ³⁾	January 1998 and re-elected for subsequent terms, most recently in 2013	2014	2,935
Mr Jørn Ankær Thomsen	17/05/1945	No ⁴⁾	April 2004 and re-elected for subsequent terms, most recently in 2013	2014	2,500
Mr Kim Hvid Thomsen	08/08/1963	-	May 1996 and re-elected for subsequent terms, most recently in 2012	2016	5,385
Mr Knud Bjarne Hansen	26/03/1952	-	June 2012	2016	915
Mr Michael Abildgaard Lisbjerg	17/09/1974	-	April 2008 and re-elected for subsequent terms, most recently in 2012	2016	834
Ms Sussie Dvinge Agerbo	05/10/1970	-	November 2005 and re-elected for subsequent terms, most recently in 2012	2016	3,000

Board of Directors' special competencies

	Legal	Management of a listed company	Accounting/finance/capital markets	Sustainability/CSR	R&D/manufacturing/logistics	International business experience	Strategic management	Services and infrastructure	HR	Restructuring
Mr Bert Nordberg		X				X	X	X		X
Mr Lars Josefsson		X			X	X	X			
Mr Carsten Bjerg					X	X	X			
Ms Eija Pitkänen				X						
Mr Henrik Andersen	X	X	X			X	X			X
Mr Henry Sténson							X			X
Mr Jørgen Huno Rasmussen		X			X	X	X	X		X
Mr Jørn Ankær Thomsen	X		X				X			X
Mr Kim Hvid Thomsen					X				X	
Mr Knud Bjarne Hansen					X	X	X	X		
Mr Michael Abildgaard Lisbjerg									X	
Ms Sussie Dvinge Agerbo									X	

Members of the Executive Management

	Born	Position	Date of appointment	Fiduciary positions / positions of trust	Number of shares ²⁾
Mr Anders Runevad	16/03/1960	Group President & CEO	September 2013	Member of the Industrial Policy Committee of the Confederation of Danish Industries (DK)	0
Mr Anders Vedel	06/03/1957	Executive Vice President & CTO	February 2012	-	1,141
Mr Jean-Marc Lechêne	29/10/1958	Executive Vice President & COO	July 2012	-	0
Mr Juan Araluca	17/01/1963	Executive Vice President & CSO	February 2012	-	0
Ms Marika Fredriksson	04/11/1963	Executive Vice President & CFO	May 2013	Ferronordic Machines AB (SE) and ÅF AB (SE)	0

1) The Committee on Corporate Governance's definition of independency, see www.vestas.com/en/investor/corporate_governance.

2) No share trading has taken place in 2013. The mentioned number of shares includes both own and related parties' total shareholding. At 31 December 2013, the shares of the Board of Directors and the Executive Management represented a combined market value of approx EUR 0.9m.

3) Does not meet the definition of independence as set out by the Danish Corporate Governance Committee as he has been a member of the Board of Directors for more than 12 years.

4) Does not meet the definition of independence as set out by the Danish Corporate Governance Committee due to connection to one of the law firms acting as consultant to the company.

Fiduciary positions of the members of the Board of Directors

The members of the Board of Directors have informed the company of the following competencies and fiduciary positions in Danish and foreign companies and organisations.¹⁾

Bert Nordberg Director

Chairman of the Board of Directors
Chairman of the Nomination & Compensation Committee

Fiduciary positions

Member of the boards of: AB Electrolux (SE), BlackBerry (CA) and Svenska Cellulosa Aktiebolaget SCA (SE).

Positions of trust

Member of: HP Communications, Media & Entertainment Board of Industry Advisors (US). Representative for: Chamber of Commerce and Industry of Southern Sweden (SE).

Special competencies

Special competence in restructuring, services and infrastructure business; several years of international business experience; development market knowledge.

Lars Josefsson Independent consultant

Deputy chairman of the Board of Directors
Chairman of the Technology & Manufacturing Committee
Member of the Nomination & Compensation Committee

Fiduciary positions

Chairman of the board of: Etagrene Oy (FI).

Special competencies

In-depth knowledge of managing international companies including research and development, technology and production.

Carsten Bjerg Director

Member of the Board of Directors
Member of the Technology & Manufacturing Committee
Member of the Audit Committee²⁾

Fiduciary positions

Deputy chairman of the board of: Rockwool International A/S (DK).

Positions of trust

Chairman of: Fornyelsesfonden (DK). Member of: The General Council of the Confederation of Danish Industries (DK) and the Board of Provincial Industries Employers' Federation (DK).

Special competencies

In-depth knowledge of managing an international group including thorough knowledge of R&D, manufacturing and strategic management.

Eija Pitkänen Vice President, Head of Corporate Responsibility, Telia Sonera

Member of the Board of Directors
Member of the Technology & Manufacturing Committee

Special competencies

Extensive international experience in developing and executing global sustainability strategy as part of business in several international companies.

Henrik Andersen Group Chief Operating Officer, EMEA, ISS A/S

Member of the Board of Directors
Chairman of the Audit Committee³⁾

Fiduciary positions

Member of the board of: ISS Global A/S (DK).

Positions of trust

Member of: The investment committee of Maj Invest Equity 4 K/S (DK).

Special competencies

In-depth knowledge of accounting, finance and capital markets, international business experience including restructuring and strategic management of international companies and legal matters.

Henry Sténson Partner at Brunswick Group

Member of the Board of Directors
Member of the Technology & Manufacturing Committee
Member of the Audit Committee²⁾

Fiduciary positions

Chairman of the board of: Dagens Samhälle (SE). Member of the boards of: Sodexo AB (SE) and Stonghold Invest AB (SE).

Positions of trust

Chairman of the board of: Conservative Party in Stockholm (SE).

Special competencies

More than 20 years' experience from executive teams in global business and extensive experience from communications with media, capital markets and international public affairs. Furthermore, experience from industrial turnaround processes and crisis management.

1) Read more: www.vestas.com/en/investor/corporate_governance.

2) Meets the definition of independence of audit committee members as set out in the Danish Auditors Act.

3) Fulfills the demand for qualifications within financial accounting and meets the definition of independence of audit committee members as set out in the Danish Auditors Act.

Jørgen Huno Rasmussen
Director

Member of the Board of Directors
Member of the Nomination & Compensations Committee

Fiduciary positions

Chairman of the boards of: The Lundbeck Foundation (DK), Lundbeckfond Invest A/S (DK), Tryghedsgruppen SMBA (DK), Tryg A/S (DK) and Tryg Forsikring A/S (DK). Member of the boards of: Haldor Topsoe A/S (DK), Terma A/S (DK), Bladt Industries A/S (DK), Bladt Holding A/S (DK) and Bladt Industries Holding A/S (DK).

Positions of trust

Member of: The Board of representatives of the Tryghedsgruppen (DK).

Special competencies

In-depth knowledge of managing an international, listed group and optimising production processes.

Jørn Ankær Thomsen
Attorney at Law, Gorrissen Federspiel

Member of the Board of Directors
Member of the Nomination & Compensation Committee
Member of the Audit Committee⁴⁾

Fiduciary positions

Chairman of the boards of: Aida A/S (DK), Aktieselskabet Schouw & Co. (DK), Carlsen Byggecenter Løgten A/S (DK), Carlsen Supermarked Løgten A/S (DK), Danish Industrial Equipment A/S (DK), DB 2001 A/S (DK), Den Professionelle Forening Danske Invest Institutional (DK), F.M.J. A/S (DK), Fibertex Nonwovens A/S (DK), Fibertex Personal Care A/S (DK), Fåmandsforeningen Danske Invest Institutional (DK), GAM Holding A/S (DK), GAM Wood A/S (DK), Givesco A/S (DK), Investeringsforeningen Danske Invest (DK), Investeringsforeningen Danske Invest AlmenBolig (DK), Investeringsforeningen Danske Invest Select (DK), Kildebjerg Ry A/S (DK), Løgten Midt A/S (DK), Placeringsforeningen Profil Invest (DK), Schouw & Co. Finans A/S (DK), Specialforeningen Danske Invest (DK), Søndergaard Give A/S (DK) and Th. C. Carlsen, Løgten A/S (DK). Member of the boards of: ASM Foods AB (SE), Biomar Group A/S (DK), Carletti A/S (DK), Dan Cake A/S (DK), Danske Invest Management A/S (DK), Develco Products A/S (DK), Ejendomsselskabet Blomstervej 16 A/S (DK), Givesco Bakery A/S (DK), Hydra-Grene A/S (DK) and Hydra-Grene Holding A/S (DK).

Positions of trust

Chairman of: Direktør Svend Hornsylds Legat (DK). Deputy chairman of: Jens Eskildsen og hustru Mary Antonie Eskildsen memorial foundation (DK). Member of: Købmand Th. C. Carlsens Memorial foundation (DK).

Special competencies

In-depth knowledge of international and national legal matters, including corporate law and securities law.

Kim Hvid Thomsen
Senior Shop Steward, Vestas Wind Systems A/S

Member of the Board of Directors (elected by Group employees)
Member of the Technology & Manufacturing Committee

Fiduciary positions

Deputy chairman of the board of: Metal Skjern-Ringkøbing (DK).

Special competencies

In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Knud Bjarne Hansen
Senior Vice President, Vestas Wind Systems A/S

Member of the Board of Directors (elected by Group employees)

Special competencies

In-depth knowledge of steel and tower production, global procurement, technology transfer, services and infrastructure business and cross-cultural strategic management.

Michael Abildgaard Lisbjerg
Skilled Worker, Production and Shop Steward, Vestas Manufacturing A/S

Member of the Board of Directors (elected by company employees)

Special competencies

In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Sussie Dvinge Agerbo
Management Assistant, Technology & Service Solutions, Vestas Wind Systems A/S

Member of the Board of Directors (elected by company employees)

Special competencies

In-depth knowledge of project management, project execution and organisational structures including human resources and staff development of the Vestas Group.

4) Does not meet the definition of independence as set out by the Danish Auditors Act due to connection to one of the law firms acting as consultant to the company.

Events after the balance sheet date



Upgrade of free cash flow

Based on preliminary reporting, on 6 January 2014, Vestas upgraded the expectations for the 2013 free cash flow to approx EUR 1bn compared to the previous expectation of EUR 500-700m, ref. company announcement No. 1/2014.

Issue of up to 20,370,410 new shares

On 3 February 2014, Vestas announced an issue of up to 20,370,410 new shares, ref. company announcement No. 2/2014.

Agreement on new five-year credit facility of EUR 850m

On 3 February 2014, Vestas made an agreement on a new five-year credit facility of EUR 850m, ref. company announcement No. 3/2014.

Outlook 2014



Revenue is expected to be minimum EUR 6bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 5 per cent with the service earnings remaining stable.

Total investments are expected to amount to approx EUR 250m, and the free cash flow is expected to be minimum EUR 300m in 2014.

Outlook 2014

Revenue (bnEUR)	min. 6
EBIT margin (%) before special items	min. 5
Total investments (mEUR)	approx 250
Free cash flow (mEUR)	min. 300

Consolidated accounts

042	Income statement
043	Statement of comprehensive income
044	Balance sheet
046	Statement of changes in equity
047	Cash flow statement
048	Notes to the consolidated accounts
097	Legal entities
100	Management's statement
101	The independent auditor's report

Consolidated accounts

Consolidated income statement 1 January – 31 December

mEUR	Note	2013	2012
Revenue	3, 4	6,084	7,216
Cost of sales	5, 6	(5,188)	(6,420)
Gross profit		896	796
Research and development costs	5, 6, 7	(246)	(255)
Distribution expenses	5, 6	(195)	(204)
Administrative expenses	5, 6	(244)	(333)
Operating profit before special items		211	4
Special items	5, 8	(109)	(701)
Operating profit/(loss)		102	(697)
Income from investments in associates	15	0	(2)
Financial income	9	5	78
Financial expenses	10	(143)	(92)
Profit/(loss) before tax		(36)	(713)
Corporation tax	11	(46)	(250)
Profit/(loss) for the year		(82)	(963)
Attributable to:			
Shareholders in Vestas Wind Systems A/S		(82)	(963)
		(82)	(963)
Earnings per share (EPS)	12		
Earnings per share (EUR)		(0.41)	(4.76)
Earnings per share (EUR), diluted		(0.40)	(4.76)

Consolidated statement of comprehensive income 31 December

mEUR	2013	2012
Profit/(loss) for the year	(82)	(963)
Items that may be subsequently reclassified to profit or loss:		
Exchange rate adjustment from conversion to EUR	0	(9)
Exchange rate adjustments relating to foreign entities	(53)	(11)
Fair value adjustments of derivative financial instruments	50	0
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	0	24
Tax on derivative financial instruments	(12)	(6)
Other comprehensive income after tax	(15)	(2)
Total comprehensive income	(97)	(965)
Attributable to:		
Shareholders in Vestas Wind Systems A/S	(97)	(965)
	(97)	(965)

Consolidated balance sheet 31 December – Assets

mEUR	Note	2013	2012
Goodwill		215	216
Completed development projects		331	485
Software		42	64
Development projects in progress		153	251
Total intangible assets	13	741	1,016
Land and buildings		803	785
Plant and machinery		219	220
Other fixtures and fittings, tools and equipment		151	218
Property, plant and equipment in progress		48	63
Total property, plant and equipment	14	1,221	1,286
Investments in associates	15	1	1
Other receivables	20	34	32
Deferred tax	16	155	146
Total other non-current assets		190	179
Total non-current assets		2,152	2,481
Inventories	17	1,425	2,244
Trade receivables	18	626	792
Construction contracts in progress	19	47	21
Other receivables	20	307	389
Corporation tax	22	57	63
Cash at bank and in hand	30	694	851
Total current assets		3,156	4,360
Current and non-current assets held for sale	21	332	131
Total assets		5,640	6,972

Consolidated balance sheet 31 December – Equity and liabilities

mEUR	Note	2013	2012
Share capital	23	27	27
Other reserves		(10)	5
Retained earnings		1,507	1,590
Total equity		1,524	1,622
Deferred tax	16	21	17
Provisions	24	200	175
Pension obligations		2	2
Financial debts	25	604	1,458
Total non-current liabilities		827	1,652
Prepayments from customers		1,568	1,716
Construction contracts in progress	19	12	77
Trade payables		832	1,008
Provisions	24	165	159
Financial debts	25	4	293
Other liabilities	26	426	412
Corporation tax	22	39	33
Total current liabilities		3,046	3,698
Liabilities directly associated with current and non-current assets held for sale	21	243	0
Total liabilities		4,116	5,350
Total equity and liabilities		5,640	6,972

Consolidated statement of changes in equity 1 January – 31 December

mEUR	Other reserves			Retained earnings	Total	
	Share capital	Translation reserve	Cash flow hedging reserve			
Equity at 1 January 2013	27	7	(2)	5	1,590	1,622
Acquisitions of treasury shares	0	0	0	0	(7)	(7)
Total comprehensive income for the year ¹⁾	0	(53)	38	(15)	(82)	(97)
Share-based payment	0	0	0	0	6	6
Equity at 31 December 2013	27	(46)	36	(10)	1,507	1,524

mEUR	Other reserves			Retained earnings	Total	
	Share capital	Translation reserve	Cash flow hedging reserve			
Equity at 1 January 2012	27	27	(20)	7	2,542	2,576
Total comprehensive income for the year ¹⁾	0	(20)	18	(2)	(963)	(965)
Share-based payment	0	0	0	0	11	11
Equity at 31 December 2012	27	7	(2)	5	1,590	1,622

Refer to the parent company's statement of changes in equity on page 111 for information about which reserves are available for distribution. For proposed distribution of profit, refer to page 109 of the parent company's annual accounts.

1) Refer to the consolidated statement of comprehensive income for the specification of the translation and cash flow hedging reserve items relating to total income for the year.

Group accounting policies

Treasury shares

Purchase and sales sums as well as dividends relating to treasury shares are recognised directly in retained earnings in equity.

A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares.

Proceeds from the sale of treasury shares and the issuing of new shares in Vestas Wind Systems A/S relating to the exercise of share options or employee shares are recognised directly in equity.

Dividend

A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The dividend distribution proposed for the year is disclosed as a separate equity item.

An interim dividend is recognised as a liability at the time of resolution.

Translation reserve

The translation reserve in the consolidated accounts comprises exchange adjustments arising on the translation of the financial statements of foreign enterprises from their functional currencies into the presentation currency of the Group (EUR).

Upon full or part realisation of the net investment, exchange adjustments are recognised in the income statement.

Cash flow hedging reserve

The cash flow hedging reserve in the consolidated accounts comprises gains and losses on fair value adjustments of forward exchange contracts concerning future transactions as well as hedging in connection with commodities.

Consolidated cash flow statement 1 January – 31 December

mEUR	Note	2013	2012
Profit/(loss) for the year		(82)	(963)
Adjustments for non-cash transactions	27	677	1,345
Interest received, etc.		5	38
Interest paid, etc.		(124)	(92)
Corporation tax paid		(57)	(97)
Cash flow from operating activities before change in net working capital		419	231
Change in net working capital	28	829	(304)
Cash flow from operating activities		1,248	(73)
Purchase of intangible assets		(189)	(169)
Purchase of property, plant and equipment		(73)	(167)
Disposal of enterprises	29	0	0
Disposal of property, plant and equipment		20	45
Disposal of other non-current assets		3	5
Cash flow from investing activities		(239)	(286)
Free cash flow		1,009	(359)
Acquisition of treasury shares		(7)	0
Repayment of financial debts		(1,143)	(50)
Raising of financial debts		0	882
Cash flow from financing activities		(1,150)	832
Change in cash at bank and in hand less current portion of bank debt		(141)	473
Cash at bank and in hand less current portion of bank debt at 1 January		847	370
Exchange rate adjustments on cash at bank and in hand		(16)	4
Cash at bank and in hand less current portion of bank debt at 31 December		690	847
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		623	691
Cash at bank and in hand with disposal restrictions	30	71	160
Total cash at bank and in hand		694	851
Current portion of bank debt	25	(4)	(4)
		690	847

Group accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year. Cash flows relating to acquired enterprises are recognised from the date of acquisition. Cash flows relating to enterprises disposed of are recognised until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions and changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from business acquisitions and disposals and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately. The establishment of finance leases is treated as non-cash transactions.

Cash flows from financing activities

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, acquisition and sale of treasury shares together with distribution of dividends to shareholders. Cash flows from finance lease assets are recognised as interest payments and repayments of debts.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and in hand and current bank debt. Assets and short term debts included as cash at bank and in hand in the cash flow statement are those included in the Group's cash management.

Notes to the consolidated accounts

Note	Page
1	Group accounting policies 049
2	Critical accounting judgements and estimates 052
3	Segment information 053
4	Revenue 057
5	Amortisation, depreciation and impairment losses 058
6	Staff costs 058
7	Research and development costs 059
8	Special items 060
9	Financial income 060
10	Financial expenses 060
11	Corporation tax 061
12	Earnings per share (EPS) 061
13	Intangible assets 062
14	Property, plant and equipment 065
15	Investments in associates 067
16	Deferred tax 068
17	Inventories 070
18	Trade receivables 071
19	Construction contracts in progress 072
20	Other receivables 072
21	Current and non-current assets held for sale/disposal group 073
22	Corporation tax 074
23	Share capital 074
24	Provisions 075
25	Financial debts 077
26	Other liabilities 078
27	Adjustment for non-cash transactions 078
28	Change in net working capital 078
29	Acquisition and sale of enterprises 079
30	Cash at bank and in hand 079
31	Fees to auditors appointed by the Annual General Meeting 080
32	Management's incentive programmes 080
33	Related party transactions 083
34	Government grants 083
35	Mortgages and security 084
36	Contractual obligations 084
37	Contingent liabilities and contingent assets 085
38	Derivative financial instruments, risk and capital management 085
39	Subsequent events 096
40	New accounting regulations 096

1 Group accounting policies

The Consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The parent company's annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to listed companies.

The annual report has been prepared in accordance with the additional Danish disclosure requirements for annual reports of listed companies. Reference is made to the disclosure requirements for annual reports of listed companies laid down by the NASDAQ OMX Copenhagen, the Danish Financial Statements Act and the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The annual report has been prepared under the historical cost method, except for the derivative financial instruments which are measured at fair value and non-current assets held for sale which are measured at the lower of carrying amount and fair value less costs to sell.

The accounting policies described below have been applied consistently over the financial year and in respect of the comparative figures.

The accounting policies remain unchanged from 2012.

The annual report is presented in million EUR.

This note describes the general accounting policies and in addition, Vestas describes the accounting policy in conjunction with the statements of cash flows and change in equity and each note with the aim to provide a more understandable description of each accounting area. The description of the accounting policies in the statement of cash flows and notes are part of the complete description of the Group's accounting policies. Please refer to the overview on page 52, to see in which note the detailed accounting policy is included.

Implementation of new International Financial Reporting Standards

No new standards or interpretations of importance to net profit and equity were implemented in 2013.

A description of new standards and interpretations that are not yet effective is included in note 40 to the consolidated accounts.

Consolidated accounts and business combinations

The consolidated accounts comprise Vestas Wind Systems A/S (the parent company) and the enterprises in which Vestas Wind Systems A/S directly or indirectly holds more than 50 per cent of the votes or otherwise exercises control (subsidiaries). Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Enterprises that are not subsidiaries, but in which the Group holds between 20 and 50 per cent of the votes or otherwise exercises significant influence on operational and financial management, are classified as associates.

An overview of Group legal entities is provided on pages 97–99.

The consolidated accounts are prepared from the financial statements of the parent company and subsidiaries by combining accounting items of a uniform nature, with subsequent elimination of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as unrealised profits and losses on transactions between consolidated enterprises.

The consolidated accounts are based on financial statements prepared under the accounting policies of the Vestas Group.

Newly acquired or newly founded subsidiaries are recognised from the date of obtaining the control of the enterprise acquired (date of acquisition). Upon acquisition of subsidiaries the acquisition method is applied.

Cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn-outs.

Expenses related to the acquisition are recognised in the income statement in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the enterprise acquired are recognised at the fair value at the date of acquisition calculated in accordance with the Group accounting policies.

In connection with every acquisition, goodwill and a non-controlling interest (minority) are recognised according to one of the following methods:

- 1) Goodwill relating to the enterprise acquired comprises a positive difference, if any, between the total fair value of the enterprise acquired and the fair value of the total net assets for accounting purposes. The non-controlling interest is recognised at the share of the total fair value of the enterprise acquired (full goodwill).
- 2) Goodwill relating to the enterprise acquired comprises a positive difference, if any, between the cost and the fair value of the Group's share of the net assets for accounting purposes of the acquired enterprise at the date of acquisition. The non-controlling interest is recognised at the proportionate share of the net assets acquired (proportionate goodwill).

Goodwill is recognised in intangible assets. It is not amortised, but reviewed for impairment once a year and also if events or changes in circumstances indicate that the carrying value may be impaired. If impairment is established, the goodwill is written down to its lower recoverable amount.

Sold or liquidated enterprises are recognised up to the date of disposal. Any gain or loss compared to the carrying amount at the date of disposal is recognised in the income statement to the extent the control of the subsidiary is also transferred.

Translation policies

Functional currency and presentation currency

Assets, liabilities and transactions of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK); however, due to the Group's international relations, the consolidated accounts are presented in euro (EUR).

Translation into presentation currency

The balance sheet is translated into the presentation currency at the EUR rate at the balance sheet date. In the income statement the transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transactions.

Translation of transactions and amounts

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

Translation of Group enterprises

On recognition in the consolidated accounts of foreign enterprises with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognised in other comprehensive income in the consolidated accounts.

On recognition in the consolidated accounts of associates with functional currencies that differ from the presentation currency of the Group, the shares of results for the year are translated at average exchange rates, and the shares of equity including goodwill are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign associates at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

On full or partial disposal of foreign entities, resulting in a loss of control or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised in other comprehensive income, is recognised in the income statement at the same time as any profit or loss on the disposal.

Income statement

Cost of sales

Cost of sales, including warranty costs, comprise the expenses incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect expenses such as salaries, rental and lease expenses as well as depreciation of production facilities.

Furthermore, provisions for losses on construction contracts are included in cost of sales.

Distribution expenses

Distribution expenses comprise expenses incurred for the sale and distribution of products, etc. sold during the year. Also included are expenses relating to employees and depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Income from investments in associates

The proportionate share of the results of associates after tax and elimination of the proportionate share of intercompany profits/losses is recognised in the consolidated income statement.

Leases

For accounting purposes, lease contracts are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset had been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straightline basis in the income statement over the lease term.

Pension obligations

Obligations relating to defined contribution plans, where the Group continuously makes fixed pension contributions to independent pension funds, are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet in other payables.

Other long-term staff benefits are recognised by using an actuarial calculation. Accordingly, all actuarial gains and losses are recognised immediately in the income statement. Other long-term staff obligations include anniversary bonuses.

Prepayments from customers

Prepayments from customers recognised in liabilities are measured at cost and comprise prepayments received for wind turbines or wind power plants ordered but not yet delivered and service prepayments received in respect of wind turbines and wind power plants delivered.

Other debt

Other debts are measured at amortised cost.

Glossary

Financial ratios

EBIT margin: Profit/loss before income from associates, financial income and expenses and tax as a percentage of revenue.

EBITDA margin: Profit/loss before depreciation and amortisation, income from associates, financial income and expenses and tax as a percentage of revenue.

Gearing (%): Interest-bearing liabilities at year-end divided by equity at year-end.

Gross margin (%): Gross profit/loss as a percentage of revenue.

Net working capital (NWC): Inventories, trade receivables, construction contracts in progress, other receivables minus trade and other payables, prepayments from customers and construction contracts in progress.

Net interest-bearing debt/EBITDA: Net interest-bearing debt divided by profit/loss before financial income and expenses, depreciation and amortisation.

Return on equity (%): Profit/loss after tax for the year divided by average equity.

Return on invested capital (ROIC) (%): Operating profit/loss after tax (effective tax rate) as a percentage of average property, plant and equipment and intangible assets, inventories and receivables less non-interest bearing debt including provisions.

Solvency ratio (%): Equity at year-end divided by total assets.

Share ratios

Book value per share: Equity at year-end divided by the number of shares at year-end.

Cash flow from operating activities per share: Cash flows from operating activities divided by the average number of shares.

Dividend per share: Dividend percentage multiplied by the nominal value of the share.

Earnings per share (EPS): Profit/loss for the year divided by the average number of shares in circulation.

Payout ratio: Total dividend distribution divided by profit/loss for the year.

P/E ratio: The official closing price on the NASDAQ OMX Copenhagen divided by earnings per share for the year.

Price/book value: The official closing price on the NASDAQ OMX Copenhagen divided by year-end book value per share.

Terminology used in accounting policies

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IFRIC/SIC: International Financial Reporting Interpretations Committee/
Standing Interpretations Committee

2 Critical accounting judgements and estimates

When preparing the annual report of the Vestas Group, management makes a number of accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The Group's accounting policies are described in detail in the notes to the consolidated accounts.

Basis of preparation

Vestas has agreed to the terms of a new bank agreement, with a consortium of banks. The terms of the agreement, which has been credit approved, comprises a EUR 850 m revolving and bonding facility (credit facility) for five years.

The company's outlook, the credit facility and the initiated equity issuance, will ensure that the required financial resources are available to the Group in the years to come, including 2014. The credit facility is dependent on that certain quarterly financial ratios (covenants) are met and that certain proceeds from the equity issuance are obtained. Based on the Group's outlook and expectations, it is Management's assessment, that the financial resources will be available throughout 2014. Material deviations from the outlook may inherently change this picture.

For further details of the bank agreements, refer to note 38.

Critical estimates

The calculation of the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions relating to future events.

The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual amounts deviating from these estimates. Key risks of the Vestas Group have been described on pages 30-31 of the Management report, and in the individual notes to the consolidated accounts.

It may be necessary to change estimates made previously due to changes in the assumptions on which the previous estimates were based or due to new knowledge or subsequent events.

The areas involving a high degree of judgment and estimation that are significant to the financial statements are described in more detail in the related notes.

Group accounting policies	Critical accounting judgements and estimates	Note	Page
Segment information		3	053
Revenue	Use of percentage-of-completion method	4	057
Research and development costs		7	059
Special items		8	060
Financial income and expenses		9/10	060
Corporation tax		11/22	061/074
Intangible assets	Goodwill and development projects	13	062
Property, plant and equipment	Impairment test	14	065
Investments in associates		15	067
Deferred tax	Deferred tax assets	16	068
Inventories		17	070
Trade receivables		18	071
Construction contracts in progress		19	072
Current and non-current assets held for sale	Estimate	21	073
Provisions	Warranty provisions	24	075
Financial debts		25	077
Share based payment		32	080
Government grants		34	083
Derivative financial instruments		38	085

3 Segment information

Group accounting policies

The reportable segments identified make up most of the Group's external revenue, which is solely derived from the sale of wind turbines and associated service activities. The reportable segments are an aggregation of operating segments within the Vestas Group as prescribed by IFRS 8. The reportable segments are determined based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Executive Management. Thus, they are determined based on both geographical segments and business units (production and sales business units) of the Group. Service activities are a separate reportable segment. The remaining units not included in the identified reportable segments are included under unallocated net expenses.

The production business units are classified as one reportable segment because the revenues generated by these units are driven by the Group's transfer pricing policy and are consistent across the Group. In addition, as Vestas only sells one product - wind turbines - revenue is recognised largely based on the delivery of a complete wind turbine not on the basis of the independent sale of the three main products (blades, nacelles and towers) that make up the wind turbine.

The measure of EBIT, revenues and expenses included in segmental reporting are the same as those used in the consolidated accounts.

Income and expenses included in profit for the year are allocated to the extent that they can be directly or indirectly attributed to the segments on a reliable basis. Expenses allocated as either directly or indirectly attributable comprise of cost of sales, research and development costs, distribution expenses and administrative expenses.

The income and expenses allocated as indirectly attributable to the segments are allocated by means of allocation keys determined on the basis of the utilisation of key resources in the segment.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets, property, plant and equipment, assets held for sale and investments in associates.

Current segment assets comprise the current assets used directly for segment operations, including inventories, trade receivables, other receivables and prepayments.

Inter-company balances primarily comprise arms' length transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the consolidated accounts.

3 Segment information (continued)

2013 mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service activity	Total reportable segments
EXTERNAL REVENUE						
Wind turbines and wind power plants	3,094	1,405	583	0	-	5,082
Service	-	-	-	-	954	954
Other	11	0	0	37	0	48
Total external revenue	3,105	1,405	583	37	954	6,084
Internal revenue ¹⁾	564	155	17	3,405	0	4,141
Total segment revenue	3,669	1,560	600	3,442	954	10,225
Reportable segments' operating results (EBIT)²⁾	0	(28)	22	105	147	246
Financial items (net)	53	26	(2)	33	-	110
OTHER SEGMENT ITEMS						
Depreciation and amortisation	17	6	6	105	0	134
Impairment losses ³⁾ (recognised in the income statement)	0	0	0	33	0	33
Reversal of impairment losses (recognised in the income statement)	0	0	0	25	0	25
Warranty provisions for the year	3	0	0	0	0	3
Share-based payments	6	0	0	0	0	6
Additions to property, plant and equipment and intangible assets	12	10	1	30	0	53
Non-current assets (excluding deferred tax, pensions, etc.)	97	23	13	854	0	987
Non-current assets held for sale	252	0	0	0	0	252
Segment assets	1,515	507	214	1,397	367	4,000
External revenue specified by country:						
Germany	882	-	-	-	-	
External revenue in Denmark						247
External revenue outside Denmark						5,837
			USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)			-	-	-	1,205
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)			323	148	356	827

1) Internal revenue relates to intra-group sales as well as service, royalty and rental income from other companies in the Group.

2) Service EBIT of EUR 1.47m is after allocation of Group costs of EUR 66m based on revenue split. EBIT before allocation of Group costs amounts to EUR 213m.

3) Impairment losses from other segments amount to EUR 0m.

External revenue specified by country comprises all countries with external revenue that accounts for more than 10 per cent of the Group's total external revenue.

In 2013 and 2012 no single customer accounted for more than 10 per cent of the Group's total external revenue. The non-current assets in all other countries did not individually exceed 10 per cent of total non-current assets for the Group.

3 Segment information (continued)

2012 mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service activity	Total reportable segments
EXTERNAL REVENUE						
Wind turbines and wind power plants	3,213	2,281	804	0	-	6,298
Service	-	-	-	-	886	886
Other	12	0	0	20	0	32
Total external revenue	3,225	2,281	804	20	886	7,216
Internal revenue ¹⁾	522	58	26	4,730	0	5,336
Total segment revenue	3,747	2,339	830	4,750	886	12,552
Reportable segments' operating results (EBIT)²⁾	29	(70)	(62)	(139)	81	(161)
Financial items (net)	13	(18)	(3)	48	-	40
OTHER SEGMENT ITEMS						
Depreciation and amortisation	10	7	8	149	8	182
Impairment losses ³⁾ (recognised in the income statement)	1	84	29	360	0	474
Reversal of impairment losses (recognised in the income statement)	0	0	0	0	0	0
Warranty provisions for the year	2	1	0	0	0	3
Share-based payments	14	0	0	0	0	14
Additions to property, plant and equipment and intangible assets	9	13	3	98	8	131
Non-current assets (excluding deferred tax, pensions, etc.)	91	25	27	892	13	1,048
Non-current assets held for sale	0	0	0	131	0	131
Segment assets	1,592	970	473	1,542	405	4,982
External revenue specified by country:						
USA	-	1,413	-	-	-	
Germany	942	-	-	-	-	
External revenue in Denmark						146
External revenue outside Denmark						7,070
			USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)			-	-	-	1,609
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)			227	218	412	857

1) Internal revenue relates to intra-group sales as well as service, royalty and rental income from other companies in the Group.

2) Service EBIT of EUR 81m is after allocation of Group costs of EUR 66m, based on revenue split. EBIT before allocation of Group costs amounts to EUR 147m.

3) Impairment losses from other segments amount to EUR 97m.

3 Segment information (continued)

mEUR	2013	2012
RECONCILIATION		
Reportable segments' EBIT	246	(161)
Unallocated net expenses ¹⁾	(144)	(536)
Consolidated operating profit (EBIT)	102	(697)
Reportable segments' revenue	10,225	12,552
All other segments' revenue	616	609
Elimination of internal revenue	(4,757)	(5,945)
Consolidated revenue	6,084	7,216
Reportable segments' assets	4,000	4,590
All other segments' assets	2,890	3,504
Elimination	(1,250)	(1,122)
Consolidated total assets	5,640	6,972

1) Includes parent company income (service, royalty and other rental income from Group companies) reduced by costs related to Vestas Technology and Service Solutions and Group staff functions. The change compared to 2012 is driven by the drop in special items and fixed costs savings..

4 Revenue

Group accounting policies

Revenue comprises sale of wind turbines and wind power plants, aftersales service and sale of spare parts.

Sale of individual wind turbines and small wind power plants based on standard solutions (supply-only and supply-and-installation projects) as well as spare parts sales are recognised in the income statement provided that risk has been transferred to the buyer prior to the year-end, and provided that the income can be measured reliably and is expected to be received. Contracts to deliver large wind power plants with a high degree of customisation are recognised as revenue as the wind power plants are constructed based on the stage of completion of the individual contract (turnkey projects). Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power plants sold, are recognised in the income statement over the term of the agreement as the agreed services are provided.

Critical accounting judgements

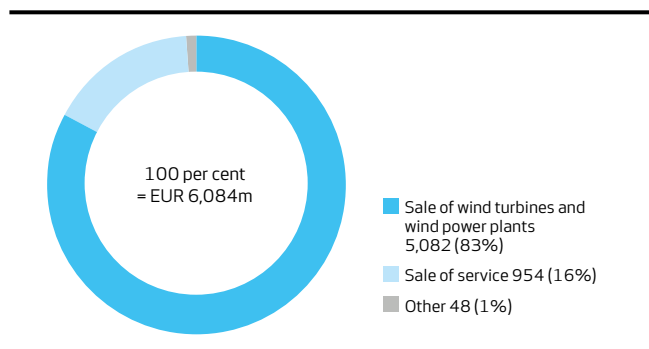
Use of percentage-of-completion method

Management performs critical accounting estimates in connection with income recognition. Provided that the wind powers plants are customised to a high degree, revenue from projects in progress is recognised under the percentage-of-completion method corresponding to the selling price of the work performed based on the stage of completion (turnkey projects). Where projects do not qualify for recognition under the percentage-of-completion method, total revenue is not recognised until the point in time when the risk is transferred to the buyer (supply-only and supply-and-installation projects).

Delays, etc. may result in material timing deviations in the Group's revenue recognition, and thus earnings, compared to expectations.

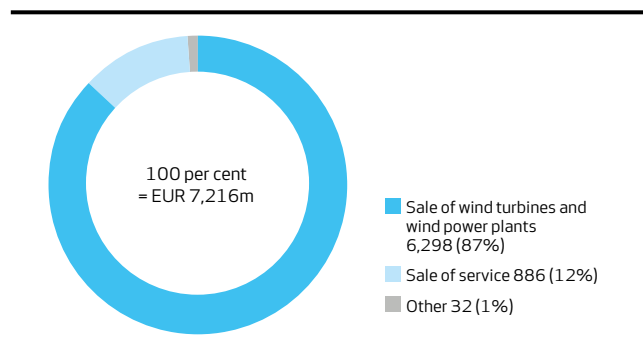
Revenue (2013)

mEUR and percentage



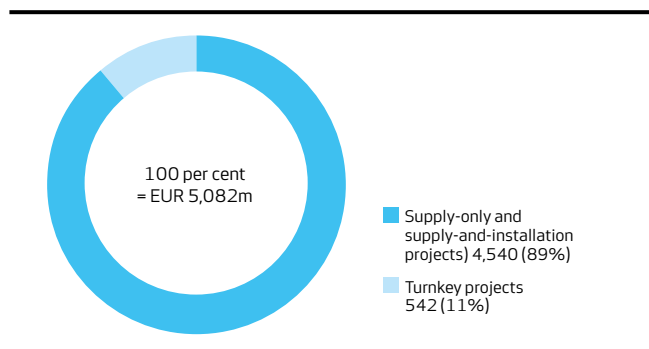
Revenue (2012)

mEUR and percentage



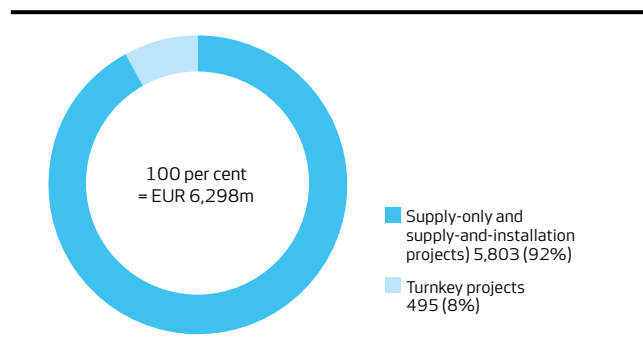
Revenue segmentation, contract type (2013)

mEUR and percentage



Revenue segmentation, contract type (2012)

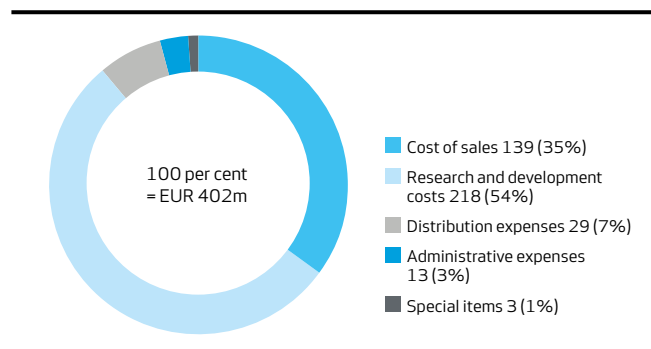
mEUR and percentage



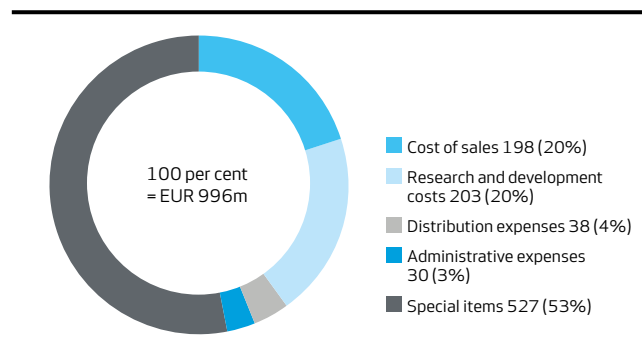
5 Amortisation, depreciation and impairment losses

mEUR	2013	2012
Amortisation, depreciation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets	216	221
Impairment losses, intangible assets	0	172
Depreciation, property, plant and equipment	179	241
Impairment losses, property, plant and equipment	8	362
Gains and losses on sold property, plant and equipment	(1)	0
	402	996

Amortisation, depreciation and impairment losses specification (2013)
mEUR and percentage



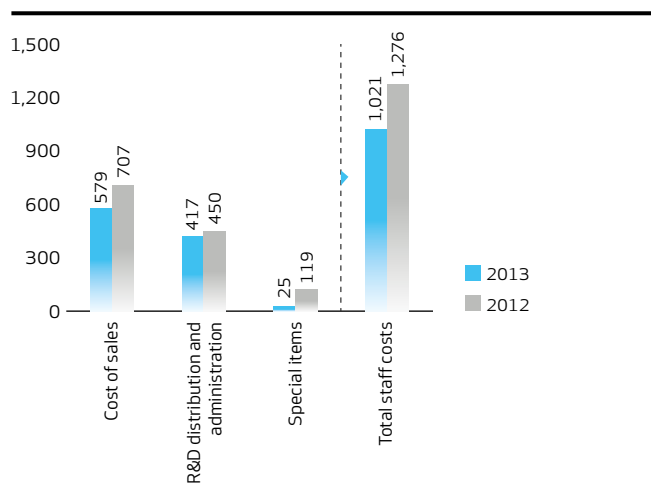
Amortisation, depreciation and impairment losses specification (2012)
mEUR and percentage



6 Staff costs

mEUR	2013	2012
Staff costs are specified as follows:		
Wages and salaries, etc.	870	1,091
Share-based payment	6	14
Pension schemes	41	53
Other social security expenses	104	118
	1,021	1,276

Staff costs expensed on the profit and loss statement
mEUR



6 Staff costs (continued)

mEUR	2013	2012
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	1
Executive Management		
Wages and salaries, etc.	6	3
Share-based payment	1	1
	7	4
Severance payment to former executives amounted to EUR 6.2m (2012: EUR 0.5m).		
Board of Directors and Executive Management are not covered by any pension schemes.		
Average number of employees	17,051	21,033
Number of employees 31 December	15,497	17,778

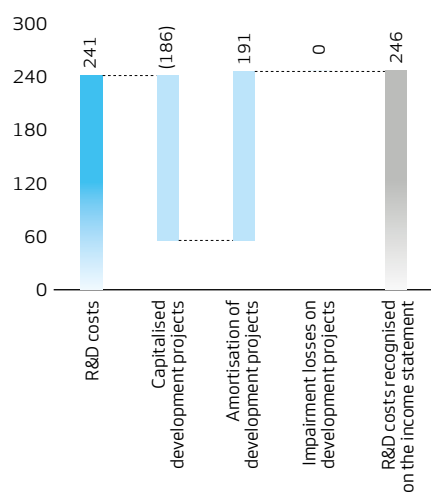
7 Research and development costs

Group accounting policies

Research and development costs comprise development costs that do not qualify for capitalisation, as well as amortisation of and impairment losses on capitalised development costs.

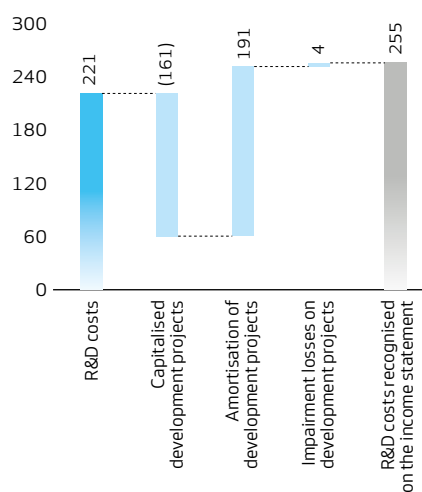
R&D costs (2013)

mEUR



R&D costs (2012)

mEUR



8 Special items

Group accounting policies

Special items comprise material amounts that are not attributable to normal operations. This includes costs related to significant organisational restructuring and adjustments to production capacity and the product programme. The costs include the write-down of intangible and tangible assets as well as provisions for reorganisations and any reversal/adjustments (gains or losses on disposal of the assets) thereof.

mEUR	2013	2012
Impairment losses on intangible assets	0	168
Impairment losses on property, plant and equipment	33	177
Reversal of impairment losses	(25)	0
Impairment losses on assets held for sale	29	182
(Gains)/losses on disposal of assets held for sale	32	0
Write-down of inventories	0	24
Staff costs	25	119
Cancelled obligations (leasing, rental etc.)	0	10
Consultants/external assistance	5	11
Other restructuring cost	10	10
	109	701

9 Financial income

Group accounting policies

Financial income and expenses comprise interest, exchange gains and losses and impairment losses on securities, debt and foreign currency transactions, amortisation of financial assets and liabilities, including finance lease obligations, as well as extra payments and repayments under the on-account taxation scheme.

Borrowing costs related to the renewal of long-term credit facilities are capitalised and amortised between the agreement and renewal date. Whereas, borrowing costs related to construction of qualifying assets are recognised as part of the assets' cost price.

mEUR	2013	2012
Exchange rate adjustments	0	37
Deposits and receivables:		
– Interest income	4	19
– Other financial income	1	10
Hedge ineffectiveness (cash flow hedge)	0	9
Change in discounting of provisions	0	3
	5	78

10 Financial expenses

mEUR	2013	2012
Exchange rate adjustments	16	0
Financial debts, which are measured at amortised cost:		
– Interest expenses	85	59
– Other financial expenses	39	33
Hedge ineffectiveness (cash flow hedge)	3	0
	143	92

In 2013, borrowing costs amounting to EUR 1m (2012: EUR 1m) were capitalised as part of property, plant and equipment and development projects at a rate of 3.4 per cent (2012: 3.1 per cent).

11 Corporation tax

Group accounting policies

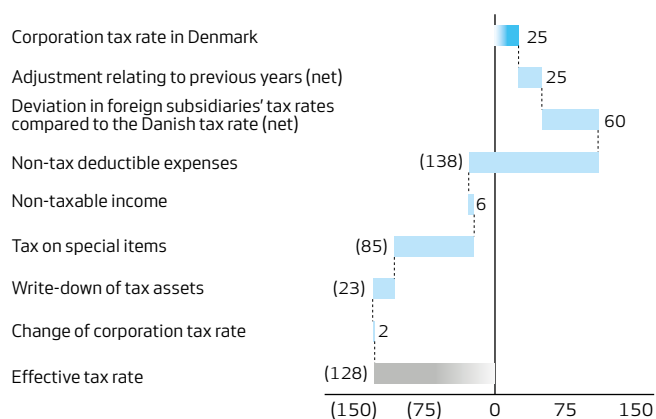
Tax for the year consists of current tax and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

To the extent that the Vestas Group achieves any tax allowance in the calculation of the taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of the schemes is recognised in current tax for the year. However, where the total tax allowance exceeds the total cost of the scheme for accounting purposes, the tax effect of the excess allowance is recognised directly in equity.

mEUR	2013	2012
Current tax on profit for the year	72	70
Deferred tax on profit for the year	(16)	164
Tax on profit for the year	56	234
Change in corporation tax rate	(1)	0
Adjustments relating to previous years (net)	(9)	16
Corporation tax in the consolidated income statement	46	250
Tax on entries in comprehensive income related to deferred tax	12	6
Tax on entries in comprehensive income	12	6
Total corporation tax for the year	58	256

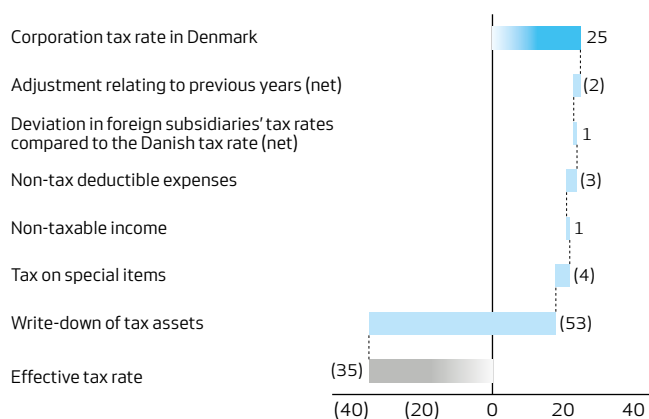
Computation of effective tax rate (2013)

Percentage



Computation of effective tax rate (2012)

Percentage



12 Earnings per share (EPS)

	2013	2012
Profit for the year (mEUR)	(82)	(963)
Weighted average number of ordinary shares	203,704,103	203,704,103
Weighted average number of treasury shares	(1,629,786)	(1,455,813)
Weighted average number of ordinary shares outstanding	202,074,317	202,248,290
Dilutive effect of outstanding options	976,966	0
Average number of shares outstanding including dilutive effect of options	203,051,283	202,248,290
Earnings per share (EPS)	(0.41)	(4.76)
Earnings per share (EPS-D), diluted	(0.40)	(4.76)

For information about numbers of shares used for the calculation of earnings per share (EPS), see note 23 to the consolidated accounts.

13 Intangible assets

Group accounting policies

Goodwill

Goodwill is initially recognised in the balance sheet as described under consolidated accounts and business combinations. Subsequently, goodwill is measured at this value less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's operating segments. Identification of operating segments is based on management structure and internal financial management. Management assesses that the smallest operating segment to which the carrying amount of goodwill can be allocated are the Group's geographical segments, Europe and Africa, Americas and Asia Pacific.

The carrying amount of goodwill is tested at least annually for impairment, together with the other non-current assets of the operating segment to which goodwill has been allocated, and if the recoverable amount is lower than the carrying amount of the operating segment, goodwill is written down to its lower recoverable amount in the income statement.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the enterprise or the activity (operating segment) to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in a separate line in the income statement.

Impairment losses are recognised in the income statement in cost of sales, research and development costs, distribution expenses and administrative expenses.

Impairment losses on goodwill are not reversed.

Development projects and software

Projects for the development and testing of new wind turbines that are clearly defined, identifiable, and for which technical feasibility, sufficient resources and a potential future market or application in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if cost can be measured reliably and sufficient certainty exists that future earnings or the net selling price can cover cost of sales, distribution and administrative expenses as well as research and development costs. At Vestas this is underpinned by a gate process, where these judgements are made at specific gates. Other development costs are recognised in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, amortisation and other expenses attributable to the Group's development activities.

Following completion of the development work, development projects are amortised on a straight-line basis over their estimated useful lives. The amortisation period is three to five years. The basis of amortisation is calculated net of any impairment losses.

The carrying amount of development projects in progress is tested for impairment at least annually, and where the carrying amount exceeds the net present value of the future net cash flows expected to be generated by the development project, the project is written down to its recoverable amount in the income statement. Finished development projects are tested for impairment if there is indication of impairment from the annual review.

Patents and licences included in development projects are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised over the patent period or term of agreement, the life of the development project or the estimated useful life, whichever is shorter. The basis of amortisation is calculated net of any impairment losses.

Acquired software licences and internally developed software is measured at cost less accumulated amortisation and impairment losses. Cost includes both direct internal and external expenses. Software is amortised on a straight-line basis over five years. Costs are compared to value in use and an impairment loss recognised, if the latter is lower. The basis of amortisation is calculated net of any impairment losses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as expenses in the financial year in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period, more than three months, of time to get ready for its intended use or sale.

Critical accounting estimates

Goodwill

In the annual impairment test of goodwill an estimate is made to determine how the parts of the enterprise (reportable segments) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the enterprise in question.

The estimate of the future free net cash flows is based on budgets and business plans, approved by the Board of Directors, forming the basis for forecasting the coming five years and subsequent years after that (i.e. value in use model). Key parameters are revenue development, EBIT, proposed capital expenditure as well as growth expectations for the following years. Budgets and business plans for the coming five years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. Projections for years following the next five-year period are based on general expectations and risks.

The discount rates used to calculate the recoverable amount are before tax and reflect the risk-free interest rate of the individual geographical segments and related risk. The proportion of equity in relation to the Group's future capital structure is expected to continue to be high.

The carrying value of goodwill at 31 December 2013 was EUR 215m (2012: EUR 216m).

Development projects

The fair value of the estimated future earnings is determined based on assumptions in relation to elements such as future use/sale of the projects, interest rates/discount factors, etc.

The carrying value of development projects in progress and finished development projects at 31 December 2013 was EUR 484m (2012: EUR 736m).

13 Intangible assets (continued)

2013 mEUR	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	320	947	168	251	1,686
Exchange rate adjustments	(1)	0	0	0	(1)
Additions	0	0	3	186	189
Disposals	(2)	0	0	0	(2)
Transfers	0	37	0	(37)	0
Transfers to assets held for sale	0	0	0	(247)	(247)
Cost at 31 December	317	984	171	153	1,625
Amortisation and impairment losses at 1 January	104	462	104	0	670
Exchange rate adjustments	0	0	0	0	0
Amortisation for the year	0	191	25	0	216
Impairment losses for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	(2)	0	0	0	(2)
Transfers to assets held for sale	0	0	0	0	0
Amortisation and impairment losses at 31 December	102	653	129	0	884
Carrying amount at 31 December	215	331	42	153	741
Internally generated assets included above	0	331	41	153	525
Amortisation period		3-5 years	5 years		

Included in software are IT projects in progress amounting to EUR 2m (2012: EUR 1m) at 31 December 2013.

2012 mEUR	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	320	873	164	256	1,613
Exchange rate adjustments	0	(3)	(1)	(1)	(5)
Additions	0	0	8	161	169
Disposals	0	(71)	(3)	(17)	(91)
Transfers	0	148	0	(148)	0
Cost at 31 December	320	947	168	251	1,686
Amortisation and impairment losses at 1 January	0	296	74	0	370
Exchange rate adjustments	0	(2)	0	0	(2)
Amortisation for the year	0	191	30	0	221
Impairment losses for the year	104	48	3	17	172
Reversal of amortisation of disposals in the year	0	(71)	(3)	(17)	(91)
Amortisation and impairment losses at 31 December	104	462	104	0	670
Carrying amount at 31 December	216	485	64	251	1,016
Internally generated assets included above	0	485	63	251	799
Amortisation period		3-5 years	5 years		

13 Intangible assets (continued)

Impairment of goodwill

The main part of the carrying amount of goodwill in the Vestas Group arose in connection with the merger between Vestas Wind Systems A/S and NEG Micon A/S in 2004 when Vestas acquired NEG Micon A/S.

Subsequent to recognition of the impairment loss in 2012, all goodwill is allocated to the Europe and Africa segment.

Forecast

Budgets and business plans for the next five years are based on Vestas' investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and recognised in the expected future cash flows. In addition, the budgets and business plans are based on management's expectations of the current market conditions and future growth expectations. Projections for year six onwards are based on general market expectations and risks. More specifically, the following information is used in determining revenue, hence EBIT and capital expenditure:

Projects

- Order backlog as at 31 December 2013
- Expectations on future orders received, among other things based on expected market share of the global market outlook
- Development in new emerging markets
- Support schemes in both mature and new markets

Service

- All open service contracts
- Estimated future service contracts, among other things based on expected new wind power installations and renewal rates

Recoverable amount

The terminal value after the five years is determined taking into account general growth expectations for the segments in question. The growth rate in the terminal period is at the lower end of the wind power industry expectations at the time the impairment test was completed.

At 31 December 2013, the net working capital as a percentage of revenue amounted to (9.8) per cent. In the period 2009–2013 the net working capital as a percentage of revenue moved from 6.2 to (9.8) per cent, see the Group financial highlights for the development in net working capital over this period.

There is no impairment loss recognised in 2013 (2012: EUR 104m, of which EUR 84m was in Americas).

The table below specifies the key parameters used in the impairment model as well as the results of the impairment test:

	2013				2012			
	Discount rate before tax (%)	Growth rate in terminal period (%)	Recoverable amount (mEUR)	Net book value (mEUR)	Discount rate before tax (%)	Growth rate in terminal period (%)	Recoverable amount (mEUR)	Net book value (mEUR)
Europe and Africa	11.3	2	1,967	785	12.4	2	1,572	1,484

Possible changes to the fundamental assumptions might result in the carrying amount of goodwill exceeding the recoverable amount in Europe and Africa.

Development projects

In 2013, an impairment loss of EUR 0m (2012: EUR 65m) was recognised. EUR 61m of the loss in 2012, included in special items, relates to cancelled development projects in relation to the restructuring.

Software

The impairment losses on software in 2013 of EUR 0m (2012: EUR 3m) was recognised in the income statement.

14 Property, plant and equipment

Group accounting policies

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of construction of own assets, cost comprises direct and indirect expenses for materials, components, sub-suppliers and labour. Estimated expenses for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is broken down into separate components which are depreciated separately.

The cost of assets held under finance leases is calculated at the lower of the fair value of the leased asset and the net present value of the future minimum lease payments computed by applying the interest rate implicit in the lease or an approximated value thereof as the discount rate.

Subsequent expenses, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that the expenses incurred will result in future economic benefits to the Group. The carrying amount of the replaced components is derecognised in the balance sheet and recognised as costs in the income statement. All other expenses incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as expenses in the financial year in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period, more than three months, of time to get ready for its intended use.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings.....	20–40 years
Building installations.....	15–25 years
Plant and machinery.....	3–10 years
Power-operated tools of own construction and newly manufactured test and exhibition turbines.....	3–5 years
Other fixtures and fittings, tools and equipment.....	3–5 years
Land is not depreciated.	

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change of accounting estimate.

Depreciation is recognised in the income statement as cost of sales, research and development costs, distribution expenses as well as administrative expenses to the extent that depreciation is not included in the cost of assets of own construction.

The carrying amounts of non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in use.

Value in use is calculated as the net present value of expected future net cash flows from the asset or the operating segment to which the asset has been allocated.

An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation/amortisation had the asset not been impaired.

Critical estimates

Property, plant and equipment is tested for impairment if events or circumstances indicate that the assets have been impaired. Value in use is determined by applying the same methodology as for impairment of goodwill. Hence, the uncertainties related to determination of the amount of impairment, if any, are the same as for determining impairment on goodwill, see note 13.

In 2013, an impairment loss of EUR 33m (2012: EUR 362m) was recognised for property, plant and equipment.

14 Property, plant and equipment (continued)

2013 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	1,091	499	739	63	2,392
Exchange rate adjustments	(17)	(7)	(19)	0	(43)
Additions	(3)	6	30	40	73
Disposals	(14)	(26)	(27)	0	(67)
Transfers	3	51	1	(55)	0
Transfers from assets held for sale	133	46	19	0	198
Transfers to assets held for sale	0	0	(4)	0	(4)
Cost at 31 December	1,193	569	739	48	2,549
Depreciation and impairment losses at 1 January	306	279	521	0	1,106
Exchange rate adjustments	(2)	(4)	(14)	0	(20)
Depreciation for the year	40	48	91	0	179
Impairment losses for the year, net	30	3	0	0	33
Reversal of depreciation of disposals in the year	(3)	(22)	(23)	0	(48)
Reversal of impairment losses	(21)	(4)	0	0	(25)
Transfers	0	4	(4)	0	0
Transfers from assets held for sale	40	46	19	0	105
Transfers to assets held for sale	0	0	(2)	0	(2)
Depreciation and impairment losses at 31 December	390	350	588	0	1,328
Carrying amount at 31 December	803	219	151	48	1,221
Depreciation period	20–40 years	3–10 years	3–5 years		

2012 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	1,268	663	722	165	2,818
Exchange rate adjustments	(8)	(1)	(4)	(1)	(14)
Additions	21	16	101	29	167
Disposals	(26)	(30)	(83)	(2)	(141)
Transfers	16	48	63	(127)	0
Transfers to assets held for sale	(180)	(197)	(60)	(1)	(438)
Cost at 31 December	1,091	499	739	63	2,392
Depreciation and impairment losses at 1 January	248	276	396	0	920
Exchange rate adjustments	(1)	0	(4)	0	(5)
Depreciation for the year	47	60	134	0	241
Impairment losses for the year	112	141	109	0	362
Reversal of depreciation of disposals in the year	(19)	(18)	(60)	0	(97)
Transfers	0	(1)	1	0	0
Transfers to assets held for sale	(81)	(179)	(55)	0	(315)
Depreciation and impairment losses at 31 December	306	279	521	0	1,106
Carrying amount at 31 December	785	220	218	63	1,286
Depreciation period	20–40 years	3–10 years	3–5 years		

14 Property, plant and equipment (continued)

The net impairment loss of EUR 8m recognised in 2013 (2012: EUR 362m) results from the write-down of specific assets due to damage, obsolescence, write-down of factories, etc. and adjustments to asset held for sale, as specified below, as at 31 December 2013. The impairment test, applying the value in use principle with a discount rate of 11.8 per cent (2012: 14.4 per cent) for the Group as a whole has resulted in no further impairment.

15 Investments in associates

Group accounting policies

Investments in associates are measured in the balance sheet at the proportionate share of the net asset value of the associates calculated under the Group's accounting policies with deduction or addition of a proportionate share of unrealised intercompany profits and losses and with addition of the carrying amount of goodwill.

Associates with negative net asset values are measured at EUR 0. Any legal or constructive obligation of the Group to cover the negative balance of the associate is recognised in provisions.

Receivables from associates are measured at amortised cost. Provisions are made for bad debts.

mEUR	2013	2012
Cost at 1 January	3	4
Exchange rate adjustments	0	0
Additions	0	0
Disposals	0	0
Disposals, disposals of companies	0	(1)
Cost at 31 December	3	3
Value adjustments at 1 January	(2)	0
Exchange rate adjustments	0	0
Share of profit	0	(2)
Dividend	0	0
Disposals	0	0
Value adjustments at 31 December	(2)	(2)
Carrying amount at 31 December	1	1

16 Deferred tax

Group accounting policies

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognised in respect of temporary differences on initial recognition of goodwill and other items, apart from business acquisitions, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

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

Deferred tax assets are reviewed on an annual basis and are only recognised when it is probable that they will be utilised in future periods.

Adjustments are made to deferred tax to take account of the elimination of unrealised inter-company profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement except for items recognised directly in equity.

Critical accounting estimates

The Vestas Group recognises deferred tax assets, including the tax value of tax loss carry-forwards, where management assesses that the tax assets may be utilised in the foreseeable future for set-off against future positive taxable income. The assessment is made on an annual basis and is based on the budgets and business plans for future years, including planned business initiatives. Due to the general uncertainties in the years after transition into a new operating business model, the forecast period used to determine the utilisation has been limited to three years.

The assessment in 2013 resulted in the write-down of deferred tax assets by EUR 8m (2012: EUR 377m) primarily due to the fact that the tax losses are not expected to be utilised in the foreseeable future.

At 31 December 2013, the value of recognised deferred tax assets amounted to EUR 158m (2012: EUR 146m), of which EUR 26m (2012: EUR 38m) relates to tax loss carry-forwards. Of the total tax loss carry-forwards, EUR 0m (2012: EUR 0m) is expected to be realised within 12 months, and EUR 26m (2012: EUR 38m) is expected to be realised later than 12 months after the balance sheet date. The value of non-recognised tax assets (primarily tax loss carry-forwards) totals EUR 430m (2012: EUR 422m), which is not expected to be utilised in the foreseeable future.

16 Deferred tax (continued)

mEUR	2013	2012
Deferred tax at 1 January (net)	129	321
Exchange rate adjustments	(4)	(3)
Deferred tax on profit for the year	16	(164)
Adjustment relating to previous years	9	(18)
Disposals of subsidiaries	(2)	0
Changes in corporation tax rate	1	(1)
Tax on entries in comprehensive income	(12)	(6)
Deferred tax at 31 December (net)	137	129
Tax value of tax loss carry-forwards (net)	212	223
Intangible assets	(44)	(64)
Property, plant and equipment	126	191
Current assets	160	115
Provisions	139	107
Tax credit	9	15
Write-down of tax assets	(430)	(422)
Other	(14)	(19)
	158	146
Deferred tax assets (net) transferred to assets held for sale	(3)	0
Deferred tax assets	155	146
Property, plant and equipment	17	16
Current assets	3	0
Other	1	1
Provision for deferred tax	21	17
Deferred tax assets at 31 December (net)	134	129

No provision is made for deferred tax regarding undistributed earnings in subsidiaries, as the Group controls the release of the obligation.

If the earnings were to be distributed, this would release a current tax charge of EUR 0m for 2013 (2012: EUR 0m).

Deferred tax assets are recognised for tax loss carry-forwards corresponding to earnings that are likely to be generated in the future. The assessment has been made considering the ability to utilise tax carry-forwards in previous years as well as future expectations. The deferred tax recognised is mainly in jurisdictions where there are no expiry limits.

Of the total tax carry-forwards, EUR 17m (2012: EUR 24m) are subject to expiry limits, but these losses are all expected to be utilised within three years.

Of the total deferred tax relating to tax loss carry-forwards written down, EUR 173m (2012: EUR 186m) relates to Denmark. The recognised loss carry-forward relating to Denmark amount to EUR 0m (2012: EUR 0m).

17 Inventories

Group accounting policies

Inventories are measured at the lower of cost, using the weighted average method, and net realisable value (NRV).

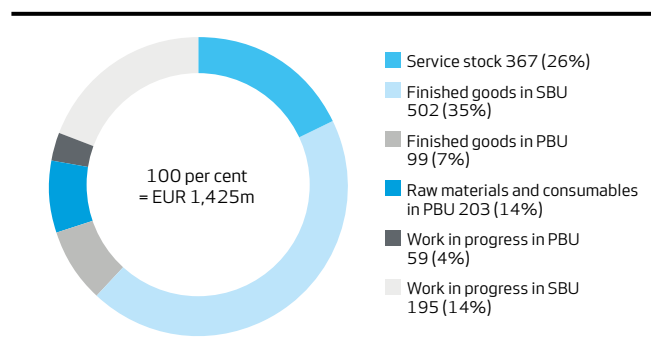
The cost of goods for resale, duties, raw materials and consumables comprises direct costs and transportation expenses.

The cost of work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise materials and labour costs as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process together with costs of factory administration and management.

The NRV of inventories is measured at sales price less costs of completion and selling costs. NRV is determined taking into account marketability, obsolescence and development in the expected selling price.

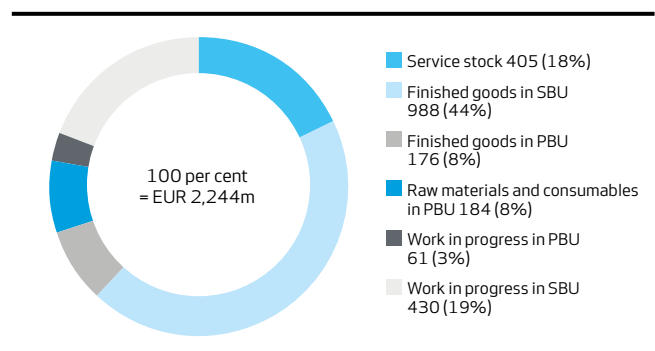
Inventories (2013)

mEUR and percentage



Inventories (2012)

mEUR and percentage



The total value of inventory in the consolidated accounts is EUR 1,495m, of which EUR 70m is classified as non-current assets held for sale.

mEUR	2013	2012
Inventories used for the year, which are included in cost of sales	4,647	5,703
Write-downs of inventories in the year	39	66
Reversal of write-downs in the year	24	33

Furthermore, a write-down of EUR 0m (2012: EUR 24m) on project-related inventories arising from closure of activities was recognised in 2013.

18 Trade receivables

Group accounting policies

Trade receivables and other receivables are measured at amortised cost. Provisions are made for bad debts.

Prepayments recognised as assets comprise prepaid expenses concerning subsequent financial years and are measured at cost.

mEUR	2013	2012
Trade receivables	633	792
Trade receivables transferred to assets held for sale	(7)	0
	626	792
Fair value of security received for trade receivables balances outstanding as at 31 December	94	326
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	(11)	(3)
Write-downs in the year	(2)	(8)
Reversal of write downs	3	0
Write-downs at 31 December	(10)	(11)

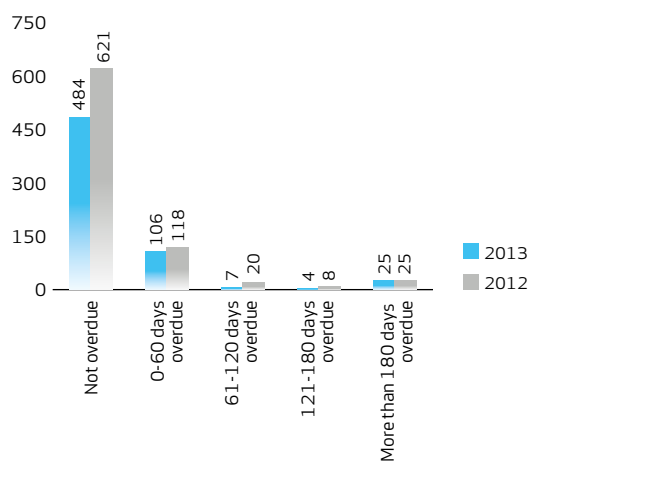
All trade receivables are expected to be received within 12 months.

The total write-downs of trade receivables of EUR 10m (2012: EUR 11m) are based on an individual assessment of each receivable.

Trade receivables are mainly owed by companies within the energy sector. The credit risk is dependent on the development within this sector. Vestas does not have a single significant trade debtor nor are the trade debtors concentrated in specific countries.

The age distribution of receivables

mEUR



19 Construction contracts in progress

Group accounting policies

Construction contracts in progress comprise agreements to deliver large wind power plants with a high degree of customisation (turnkey projects).

Construction contracts in progress are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses.

The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense and an obligation.

The value of self-constructed components is recognised in "Construction contracts in progress" upon delivery of the components to the specific wind power plants construction site.

Prepayments from customers are recognised as liabilities.

A construction contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Construction contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability.

Expenses relating to sales work and the securing of contracts are recognised in the income statement as incurred.

mEUR	2013	2012
Sales value of construction contracts in progress	687	371
Progress billings	(652)	(427)
	35	(56)
– which are included as follows:		
Construction contracts in progress (assets)	47	21
Construction contracts in progress (liabilities)	(12)	(77)
	35	(56)

There were no retentions related to construction contracts in progress at the end of 2013 and 2012.

All receivables relating to construction contracts in progress are expected to be received within 12 months.

20 Other receivables

mEUR	2013	2012
Prepayments	14	19
Supplier claims	6	9
Other receivables	324	393
	344	421
Other receivables transferred to assets held for sale	(3)	0
	341	0
– specified as follows:		
0–1 years	307	389
> 1 year	34	32
	341	421

Other receivables principally comprise of VAT and insurance.

21 Current and non-current assets held for sale

Group accounting policies

Non-current asset (or disposal group) are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Furthermore, if Vestas commits to a sales plan involving loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale.

Non-current assets held for sale are presented separately on the balance sheet. Immediately before the initial classification of the assets as held for sale, the carrying amounts of the assets are measured in accordance with their applicable accounting policy. Non-current assets held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are not depreciated.

Critical accounting estimates

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Market indications on fair value are used as basis for valuation. The assets are expected to be sold within one year.

mEUR	2013	2012
Non-current assets classified as held for sale:		
Development projects in progress	247	0
Property, plant and equipment	2	124
Other non-current assets	3	7
	252	131
Current assets classified as held for sale:		
Inventory	70	0
Other current assets	10	0
	80	0
Total assets	332	131
Current liabilities classified as held for sale:		
Prepayments from customers	208	0
Trade and other payables	17	0
Other current liabilities	18	0
Total liabilities	243	0

Factories

As part of the Group's move towards increased manufacturing flexibility, driven by the market conditions in the USA in 2012, the Board of Directors approved the divestment of a number of manufacturing units. This also resulted in revised business plans and reduced growth expectations, hence the impairment of the non-current assets of the US operations. On classification as held for sale, the assets were written down to the expected sales price, based on market indications, less costs to sell.

In 2013, Vestas decided not to sell the tower factory in Pueblo, Colorado, USA. Consequently, the factory was reclassified to property, plant and equipment. The writing down of the factory in 2012 was partially reversed by EUR 25m as the activity level in the North American market is expected to result in full capacity utilisation in 2014. This resulted in an increase of assets held for sale from EUR 131m to EUR 156m, of which EUR 96m was transferred to property plant and equipment leaving EUR 60m for the machining and castings units

In October 2013, Vestas sold its machining and casting units for EUR 1 resulting in a further write-down of approx EUR 60m (2012: EUR 110m). As at 31 December 2012, only the non-current assets of the machining and castings units were expected to be sold. However, as part of the sales agreement Vestas transferred net current assets of approx EUR 32m from the factories to the buyer on completion of the sale.

Joint venture (JV)

In 2013 Vestas Wind Systems A/S (Vestas) and Mitsubishi Heavy Industries Ltd. (MHI) agreed to form a joint venture (JV), subject to approval by the relevant competition authorities in 2014, dedicated to offshore wind energy. Refer to page 20 for specific details of the agreement.

As part of the agreement to enter into a JV with MHI Vestas' wholly owned subsidiary, Vestas Offshore A/S, and its subsidiaries will be transferred to the JV. Consequently, Vestas transfers control of Vestas Offshore A/S and as a result has classified all the assets and liabilities of Vestas Offshore A/S and its subsidiaries, to be transferred as part of the transaction, as held for sale.

22 Corporation tax

Group accounting policies

Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

mEUR	2013	2012
Corporation tax at 1 January	30	(1)
Exchange rate adjustments	3	1
Corporation tax for the year	(72)	(70)
Adjustments relating to previous years	0	2
Change in corporation tax rate	0	1
Corporation tax paid in the year	57	97
Corporation tax at 31 December	18	30
Corporation tax (assets)	57	63
Corporation tax (liabilities)	(39)	(33)
	18	30

23 Share capital

	2013	2012
The share capital comprises 203,704,103 shares of DKK 1.00	203,704,103	203,704,103
Number of shares at 1 January	203,704,103	203,704,103
Number of shares at 31 December	203,704,103	203,704,103
Shares outstanding	201,748,290	202,248,290
Treasury shares	1,955,813	1,455,813
Number of shares at 31 December	203,704,103	203,704,103

The share capital was increased by 18,500,000 shares of DKK 1.00 in 2009. Except for this increase, the share capital has not changed in the period 2008–2013.

All shares rank equally.

	2013	2012	2013	2012	2013	2012
	Number of shares	Number of shares	Nominal value (DKK)	Nominal value (DKK)	% of share capital	% of share capital
Treasury shares at 1 January	1,455,813	1,455,813	1,455,813	1,455,813	0.7	0.7
Purchases/(sales)	500,000	0	500,000	0	0.2	0.0
Treasury shares at 31 December	1,955,813	1,455,813	1,955,813	1,455,813	0.9	0.7

The Board of Directors has been authorised at the Annual General Meeting to allow Vestas Wind Systems A/S to acquire treasury shares amounting to a total nominal value of 10 per cent of the company's share capital during the period up until the next Annual General Meeting on 24 March 2014.

23 Share capital (continued)

Vestas Wind Systems A/S acquired treasury shares as follows:

	2013	2013	2011	2011	2011	2009
Nominal value (tDKK)	300	200	300	200	200	22
Share price (DKK)	105.16	111.00	179.10	199.67	154.12	339.17
Acquisition amount (mEUR)	4	3	7	5	4	1

Treasury shares are acquired with a view to using them for the Group's incentive programmes.

The share capital has been fully paid.

No dividends have been paid in 2013 and 2012 relating to the financial years 2012 and 2011.

24 Provisions

Group accounting policies

Provisions are recognised when as a consequence of a past event the company has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

Provisions are measured at management's best estimate of the expenses required to settle the obligation. Discounting is applied where relevant.

Warranty provisions comprise warranty obligations made in respect of delivered wind turbines and wind power plants, based on experience. At the start of the warranty period, calculated provisions are made for each type of wind turbine and are released to the income statement over the warranty period as warranty costs are incurred. Subsequently, periodic reviews are performed based on an overall assessment of the need for provisions.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected no later than the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquired enterprise are recognised in goodwill only where a restructuring obligation relating to the acquired enterprise exists at the time of acquisition.

A provision for loss-making contracts is made where the expected benefits to the Group from the contract are lower than the unavoidable costs of meeting obligations under the contract. Expected losses on construction contracts in progress are, however, recognised in construction contracts in progress.

Critical estimates

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers.

In addition to the above, provisions are made for upgrades of turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include wind turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments of previous estimates, upwards as well as downwards, in the light of factual information about population size, costs of repair and the timing of such repairs.

It is estimated that 5–10 per cent of the warranty provisions made for the year relate to adjustments of previous years' estimates of provisions for serial faults, etc. Included in this, is the cost of upgrades of turbines sold in previous year, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

Total warranty provisions of EUR 117m have been made in 2013 (2012: EUR 148m), corresponding to 1.9 per cent (2012: 2.1 per cent) of the Group's revenue.

Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when a written agreement with the sub-supplier has been made.

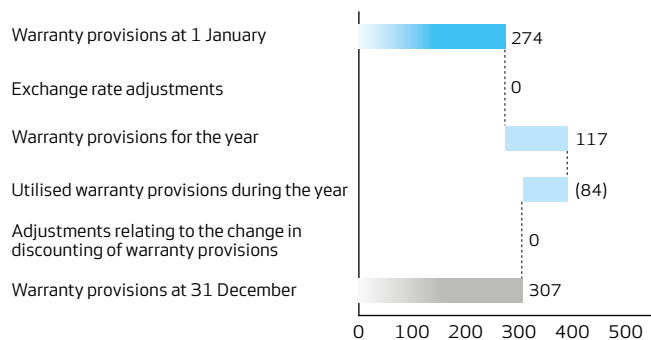
The carrying amount of warranty provisions at 31 December 2013 was EUR 307m (2012: EUR 274m).

For further information on warranty provisions and related product risks, reference is made to page 13 and 30 of the Management report.

24 Provisions (continued)

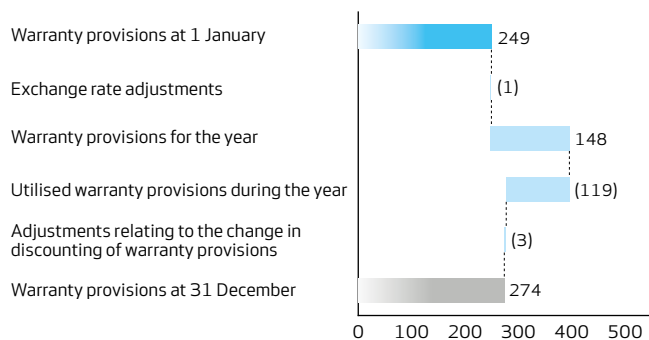
Warranty provisions (2013)

mEUR



Warranty provisions (2012)

mEUR



mEUR	2013	2012
The warranty provisions are expected to be consumed as follows:		
0-1 year	137	132
>1 year	170	142
	307	274

In line with accounting policies, potential product warranties will always be recognised as warranty provisions when revenue from sale of wind turbines is recognised. This may result in commercial constructive obligations beyond the specified legally binding warranty period for the wind turbine being recognised as a warranty obligation.

Product risks

Lack of reliability in several of Vestas' products has previously led to major warranty provisions. In recent years, Vestas has invested significant resources in improving the products and increasing their reliability. This work comprises design, production, installation and continuous maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitiveness of the products and to improve customer earnings.

OTHER PROVISIONS

Other provisions at 1 January	60	66
Exchange rate adjustments	(1)	0
Other provisions for the year	21	27
Utilised other provisions during the year	(22)	(33)
Other provisions at 31 December	58	60

Other provisions include compensation regarding agreements made to purchase wind turbine parts which are not expected to be fulfilled in accordance with the contractually agreed parameters and provisions for onerous service contracts. The provisions have been calculated based on management's best estimates and are expected to be settled, on average, over 3-5 years.

Other provisions are expected to be payable as follows:

0-1 year	28	27
> 1 year	30	33
	58	60

Provisions are expected to be payable as follows:

0-1 year	165	159
> 1 year	200	175
	365	334

25 Financial debts

Group accounting policies

Loans from credit institutions, etc. are recognised initially at the fair value of the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in financial expenses in the income statement over the loan period.

mEUR	2013	2012
Financial debts are recognised in the balance sheet as follows:		
CURRENT LIABILITIES		
Debt to credit institutions	0	289
Bank debt	4	4
	4	293
NON-CURRENT LIABILITIES		
Mortgage debt	4	7
Debt to credit institutions	1	853
Corporate bonds	599	598
	604	1,458
Specified as follows:		
1–5 years	602	1,454
> 5 years	2	4
	608	1,751
Financial debts	608	1,751
Fair value	620	1,618
Nominal value	609	1,753

On 23 March 2010, Vestas issued euro-denominated corporate bonds with a nominal value of EUR 600m at a rate of 4.625 per cent and an effective interest rate of 4.8 per cent. The corporate bonds will mature on 23 March 2015.

It is Group policy to endeavour to ensure an appropriate development in the financial ratios with a view to maintaining the Group's credit rating and to complying with the agreed requirements in the Group's financing agreements.

The fair value is calculated as the present value of agreed cash flows using a current market-based interest rate. The fair value of the issued corporate bonds is determined based on the listed bond price as at 31 December.

26 Other liabilities

mEUR	2013	2012
Staff costs	204	130
Taxes and duties	134	148
Other payables	106	134
	444	412
Other liabilities transferred to current liabilities held for sale	(18)	0
	426	412
Provisions for special items, included in other liabilities, developed as follows:		
Provisions 1 January	60	
Provisions for the year	43	
Utilised provisions	(64)	
Provisions reversed	(4)	
Provisions 31 December	35	

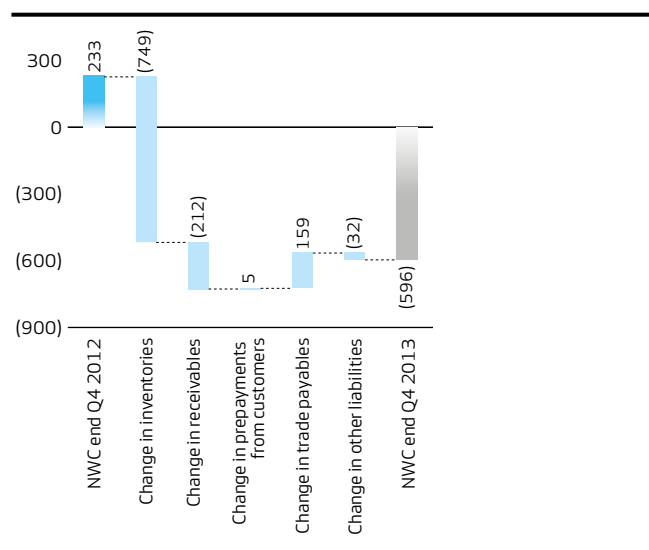
27 Adjustments for non-cash transactions

mEUR	2013	2012
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment, including gains and losses on sale of non-current assets	402	996
Share of profit in associates	0	2
Warranty provisions in the year (net)	33	25
Other provisions in the year	(2)	(6)
Exchange rate adjustment	54	50
Financial income	(5)	(78)
Financial expenses	143	92
Corporation tax for the year	46	250
Cost of share-based payments	6	14
	677	1,345

28 Change in net working capital

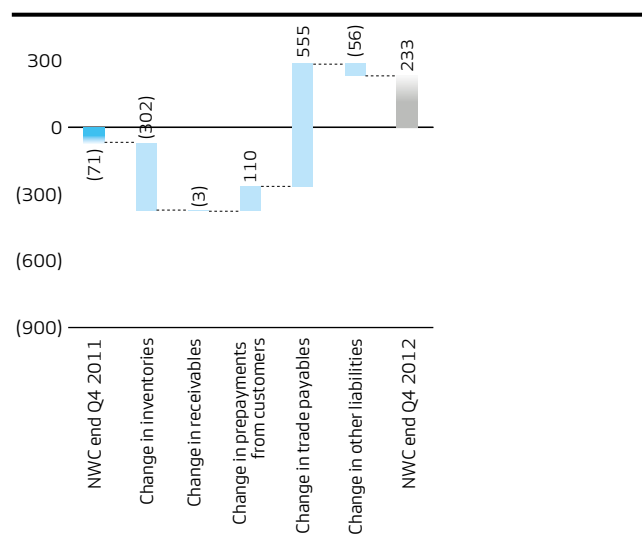
NWC change over the last 12 months (2013)

mEUR



NWC change over the last 12 months (2012)

mEUR



29 Acquisition and sale of enterprises

mEUR	2013	2012
	Carrying amount prior to disposal	Carrying amount prior to disposal
Inventories	23	0
Trade receivables	2	0
Other receivables	12	0
Total current assets	37	0
Trade payables	12	0
Other liabilities	2	0
Total current liabilities	14	0
Net assets	23	0
Total disposal consideration:	0	0
Profit/(loss) on disposal of companies	(23)	0
Disposal consideration	(23)	0
Cash at bank and in hand	(9)	0
Net cash disposal consideration	(32)	0

In 2013, Vestas sold its machining and casting units to the German industry group VTC Partners GmbH for EUR 1. The value of the net assets sold amounted to EUR 32m.

30 Cash at bank and in hand

Cash at bank and in hand with disposal restrictions, EUR 71m (2012: EUR 160m), are included in day-to-day cash management. The balance mainly comprises prepayments from a number of customers in relation to projects and cash deposits relating to issuance of guarantees, where the restrictions are lifted as contractual obligations are met.

31 Fees to auditors appointed by the Annual General Meeting

mEUR	2013	2012
Audit:		
PricewaterhouseCoopers	3	3
Total audit	3	3
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	0	0
Tax assistance	1	1
Other services	5	8
Total non-audit services	6	9
Total	9	12

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the obvious choice due to business knowledge, confidentiality and costs considerations. Vestas has a comprehensive policy for non-audit services ensuring that the provision of non-audit services to the Group does not impair the auditors' independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy and monitors compliance.

32 Management's incentive programmes

Group accounting policies

The value of the services received in exchange for the granting of options/shares is measured at the fair value of the options/shares.

Equity settled share options/restricted shares granted to employees are measured at fair value at the time of granting and are recognised in staff expenses in the income statement over the vesting period. The opposite entry is recognised directly in equity.

On initial recognition of the share options/restricted shares, the number of options/shares expected to vest is estimated. Subsequently, the estimate is revised so that the total expense recognised is based on the actual number of options/shares vested.

The fair value of the options granted is estimated using an option pricing model (Black-Scholes). In determining fair value, the terms and conditions relating to the share options granted are taken into account. The fair value of restricted shares is determined based on Vestas quoted share price at grant adjusted for expected dividend payout (based on historic dividend payout ratio).

The Group operates a number of share-based compensation schemes (share options and restricted share programmes) under which it awards Vestas shares and share options to members of the Executive Management and certain key employees in Vestas Wind Systems A/S or its subsidiaries.

Share option programme

A share option programme was established in 2006 and has since been expanded with new options granted year on year to date.

The members may exercise their options in specified periods and choose to purchase the company's shares at the relevant strike price according to the terms of the programme. Exercise of the options can only occur in the periods during which executives are allowed to trade shares in accordance with the Group's internal rules, being within the four weeks following the company announcement of the annual report and quarterly financial reports. The members of the scheme lose the right to the options if they terminate their employment before the end of the vesting period.

Options are allotted to members when the Board of Directors approves the final annual report relating to the year of grant except for options allotted in 2007. The allotment for 2007 was on 15 May 2007, when the programme was announced.

The requirements of the programmes from 2009 onwards are similar to the 2007 programme except that, for 2010 onwards, only the Executive Management, Presidents (former) and Group Senior Vice Presidents reporting directly to the Executive Management must for a period of three years after exercise of the options hold shares in the company corresponding to 50 per cent of the gains, after tax, they have earned on the options.

The options can be exercised within two years of the date on which three years have elapsed since allotment. This five-year period after the allotment of options is referred to as vesting period.

32 Management's incentive programmes (continued)

The exercise of the options can only occur, if the members themselves have not terminated their employment at the time of the exercise. Options allotted in 2009, 2010, 2011 and 2012 can be exercised from 2013–2015, 2014–2015, 2015–2016 and 2016–2017, respectively.

The options are valued on the date of grant, based on the Black-Scholes valuation model. The share prices and the exercise prices are based on the closing share prices obtained from Bloomberg Financial Markets on the day the options were granted. The risk free interest rate is estimated as the effective interest rate on a Danish government bond with the same economic life, in this case two, five, six and seven-year bonds. The future volatility, which means fluctuations in the shares' total yield, is calculated based on historic weekly closing share prices for a period corresponding to time to maturity of the options.

					Grant date		Balance sheet date
	Executive Management pcs	Other executives pcs	Total pcs	Weighted average exercise price per option DKK	Fair value per option DKK	Total fair value tEUR	Total fair value tEUR
Outstanding at 1 January 2013	352,613	2,645,283	2,997,896	61-381	26-207	39,434	2,000
Transferred	0	0	0	0	0	0	-
Granted 2012 programme	0	22,516	22,516	61	26	78	-
Lapsed	0	(85,549)	(85,549)	61-321	26-158	(770)	-
Outstanding at 31 December 2013	352,613	2,582,250	2,934,863	61-381	26-207	38,742	24,982
Outstanding at 1 January 2012	329,684	2,028,168	2,357,852	184-381	89-207	42,638	2,018
Transferred	61,710	(61,710)	0	184-381	102-207	0	-
Granted 2011 programme		3,242	3,242	184	102	45	-
Granted 2012 programme	172,014	882,174	1,054,188	61	26	3,699	-
Lapsed	(130,319)	(57,256)	(187,575)	61-381	26-207	(2,516)	-
Expired	(80,476)	(149,335)	(229,811)	147-381	89-207	(4,432)	-
Outstanding at 31 December 2012	352,613	2,645,283	2,997,896	61-381	26-207	39,434	2,000
Number of exercisable options at 31 December 2013	64,188	288,126	352,314	380.50 ¹⁾			
Number of exercisable options at 31 December 2012	42,424	113,459	155,701	380.50 ¹⁾			

1) Weighted average.

The exercise price for the outstanding options are DKK 60.66, DKK 184.06, DKK 320.60 and DKK 380.50 for the 2012, 2011, 2010 and 2007 programmes respectively. The weighted average remaining life of the options outstanding at 31 December 2013 was three years (2012: two years).

Included in the 352,613 options outstanding for Executive Management are 232,926 options relating to former executives.

Knud Bjarne Hansen, a member of the Board of Directors, had 44,992 options outstanding as at 31 December (2012: 44,992).

32 Management's incentive programmes (continued)

Restricted performance share programme

In March 2013, the share based incentive programme was revised and going forward the programme will be based on restricted performance shares instead of share options which were used in previous programmes.

The terms and conditions governing the restricted performance share programme are as follows:

- Only participants employed by the Vestas Group as of 31 December are eligible for participation in the restricted performance share programme.
- The number of shares to be granted to each participant is based on a target level for each corporate level.
- As a prerequisite for any grant of restricted performance shares, the minimum requirements set forth in Vestas' global bonus programme must be reached by Vestas for the performance year (reference is made to page 28 where Vestas' minimum requirements for the bonus programme for 2013 are specified) as well as specific KPIs for each business unit.
- The actual number of restricted performance shares available for distribution may range between 50 per cent and 150 per cent of the target level and is determined by Vestas' performance in the financial year as defined in Vestas' global bonus programme.

The grant will take place in 2016 and 2018.

	Awards held at 1 January 2013	Awards granted in 2013	Fair value at grant tEUR	Awards held at 31 December 2013	Fair value of awards at balance sheet date tEUR
Executive Management	0	199,275	1,274	199,275	-
Other executives	0	398,493	2,548	398,493	-
Outstanding at 31 December 2013		597,768	3,822	597,768	12,838

Knud Bjarne Hansen, a member of the Board of Directors, had 4,500 restricted shares outstanding as at 31 December.

Included in the 199,275 restricted shares outstanding for Executive Management are 59,704 restricted shares relating to former executives.

33 Related party transactions

Vestas Wind Systems A/S has no shareholders with controlling influence.

The related parties of the Vestas Group include the Board of Directors of the company, the Executive Management, and other executives, together with close members of the families of these individuals. Related parties also include entities which are significantly influenced by the aforementioned individuals.

Transactions with the Board of Directors, Executive Management and other Executives

Transactions with the Executive Management only consist of normal management remuneration and the transactions mentioned below, see note 6 to the consolidated accounts.

Transactions with the Board of Directors, Executive Management and other Executives in the year comprise the following:

Purchase of normal legal services for EUR 3.5m at arm's length basis (2012: EUR 2.1m) from the law firm Gorrissen Federspiel, where Jørn Ankær Thomsen is Attorney at law. The outstanding balance payable to Gorrissen Federspiel at 31 December 2013 amounted to EUR 0.1m (2012: EUR 0.4m).

Purchase of normal consultancy services for EUR 0.0m at arm's length basis from the communications firm Brunswick Group, where Henry Sténson is partner. The outstanding balance payable to Brunswick Group at 31 December 2013 amounted to EUR 0.0m.

Three people (2012: three) covered by the definition of related parties have directly or indirectly full or part ownership of wind turbines where a company in the Vestas Group performs service work. These transactions take place at arm's length and in total amounted to EUR 0.1m in 2013 (2012: EUR 0.1m). The outstanding amount of purchases from related parties at 31 December 2013 amounted to EUR 0.0m (2012: EUR 0.0m).

Further, Anders Vedel has acquired one V112 wind turbine and 26.6 per cent of another V112 wind turbine. These transactions take place at arm's length and the total acquisition price is EUR 3.7m.

There have been no other transactions with members of the Board of Directors, the Executive Management of Vestas Wind Systems A/S or other Executives during the year.

With the exception of the Board members elected by the employees, no members of the Board of Directors have been employed by the Group in 2013.

Transactions with associates

Related parties also include associates over whom Vestas Wind Systems A/S has significant influence.

Outstanding balances with associates have resulted from standard business transactions regarding purchase and sale of goods and services. No interest is calculated on the outstanding balances and the transactions are entered into with the same trading conditions as for the Group's other customers and suppliers.

34 Government grants

Group accounting policies

Government grants comprise grants for investments, research and development projects, etc. Grants are recognised when there is reasonable certainty that they will be received.

Grants for investments and capitalised development projects are set off against the cost of the assets to which the grants relate. Other grants are recognised in development costs in the income statement so as to offset the expenses for which they compensate.

The Group has received a number of government grants, of which EUR 0m (2012: EUR 2m) has been offset against incurred expenses and EUR 7m (2012: EUR 0m) against non-current assets. Out of the EUR 0m (2012: EUR 2m) offset against incurred expenses, EUR 0m (2012: EUR 2m) was received in cash.

35 Mortgages and security

Security has been provided for the credit facilities of the group. Security has been provided on:

- certain factories and office buildings
- proceeds from certain sales projects,
- trade receivables in a limited number of jurisdictions and associated cash accounts.

Furthermore, subsidiaries representing 85 per cent of revenue, EBITDA and assets of the Group are obligors/guarantors and guarantee for the payments under the facility.

The Group's mortgage loans, mortgage deeds registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

mEUR	2013	2012
Mortgages		
Total mortgage loans	4	7
Mortgage deeds and all-money mortgages:		
Nominal value of mortgage deeds and all-money mortgages	241	10
Carrying amount of pledged assets	311	18
Other mortgage deeds and all-money mortgages in the possession of the Group	5	256
Other securities issued		
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Bank guarantees	447	519

36 Contractual obligations

mEUR	2013	2012
The minimum lease obligations relating to operating leases fall due:		
0-1 year	52	50
1-5 years	89	99
> 5 years	107	59

Operating leases comprise irrevocable operating leases regarding buildings and vehicles. The main obligations relates to buildings in the USA and Germany and runs for up to 19 years after the balance sheet date. The lease agreements will not result in any restrictions in relation to raising of other debts or payment of dividends. Some of the operating lease agreements include the right to renew/buy at specified dates.

Costs recognised in the income statement relating to operating leases amount to EUR 31m in 2013 (2012: EUR 49m).

The Group has entered into binding contracts concerning purchase of plant to be delivered in 2014 and thereafter at a value of EUR 0m (2012: EUR 8m).

The Group has entered into binding contracts concerning purchase of components for production to be delivered in 2014 and thereafter at a total value of EUR 4m (2012: EUR 60m).

37 Contingent liabilities and contingent assets

Contingent liabilities

Vestas is involved in some litigation proceedings including agent matters and a class action regarding the change in accounting policy among others. However, it is management's opinion that settlement or continuation of these proceedings will not have a material effect on the financial position of the Vestas Group.

Contingent assets

Vestas has made supplier claims for faulty deliveries. However, it is management's opinion that settlement of these will not have a material effect on the financial position of the Vestas Group.

The consideration for the sale of Vestas' machining and castings units in 2013 included an earn-out set at a maximum of EUR 25m. Vestas judges the occurrence of the events triggering a pay-out to be highly uncertain and as a consequence the earn-out has not been recognised as at 31 December 2013.

38 Derivative financial instruments, risk and financial management

Group accounting policies

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off (only relevant to currency hedging with banks) only where the enterprise has the right and intention to settle several financial instruments on a net basis.

A currency element of sales agreement is treated as a stand-alone derivative financial instrument if the currency of the contract is neither the functional currency of the Vestas entity entering into the transaction or the counterpart nor a commonly used currency in the country in which the sales take place.

Fair values of derivative financial instruments are calculated on the basis of market data as well as recognised valuation methods.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the value of the hedged asset or the hedged liability related to the hedged risk.

The hedging of future cash flows, except for currency hedging, are treated as fair value hedges of a recognised asset or a recognised liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future cash flows and effectively hedge changes in the value of the hedged item are recognised in comprehensive income. Profits or losses on such hedging transactions are transferred from the hedging reserve on realisation of the hedged item and are recognised in the same entry as the hedged item. However, on hedging of proceeds from future borrowing, profits or losses on the hedging transactions are transferred from equity over the term of the loan.

Changes in the fair values of derivative financial instruments designated as hedges of net investments in foreign subsidiaries or associates and effectively hedging against exchange adjustments in these enterprises are recognised in other comprehensive income.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in financial income and expenses in the income statement.

The Group's policy for managing financial risks

The Vestas Group is exposed to changes in exchange rates, interest rates and commodity prices due to its investments and financing operations. Management identifies the level and concentration of risks and initiates policies to address these, through continuous business reviews. The Group is also exposed to credit and liquidity risks, but it is the Group's policy not to engage in any active speculation in financial risks. Accordingly, the Group's financial management is directed solely towards reducing or eliminating financial risks relating to operations and funding.

The Group's policy for managing financial risks remains unchanged from last year.

38 Derivative financial instruments, risk and financial management (continued)

Liquidity risks

Liquidity risk is the risk that Vestas is unable to meet its obligations as they fall due because of inability to realise assets or obtain adequate funding. The Group ensures that a strong liquidity position is maintained in order to service its financial obligations as they fall due, both under normal and more pressing conditions.

Group Treasury is charged with ensuring that sufficient capital resources are in place at all times through a combination of liquidity management, non-committed and committed credit facilities and other debt instruments. Vestas controls its liquidity risk through a combination of cash pool systems and credit facilities on the basis of continuous cash flow forecasts.

Vestas' new bank facilities consist of a EUR 850m revolving credit facility with a tenor of five years and with a lender group of international banks.

In addition to the revolving credit facility Vestas has a corporate Eurobond of EUR 600m and project-related guarantee facilities of EUR 61.5m ensuring that customers are willing to accept incorporating prepayments in the terms of sales agreements.

The new revolving credit facility is credit approved subject to documentation and a successful capital increase to be completed by Vestas and that the Group meets certain quarterly financial ratios (covenants) if the banks are to continue to make the credit facility available. Based on the Group's outlook and expectations in relation to the future financial performance ratios, it is management's assessment that the credit facilities will be available throughout 2014. Material deviations from the outlook may inherently change this picture.

The value of cash assets with disposal restrictions was EUR 71m at 31 December 2013 (2012: EUR 160m).

38 Derivative financial instruments, risk and financial management (continued)

The following table shows the timing of cash flows related to financial obligations, assets and hedging instruments.

2013 mEUR	Carrying amount	Fair value	< 1 year	1–5 years	More than 5 years	Total cash flows
MEASURED AT AMORTISED COST (LOANS AND OTHER DEBT)						
Mortgage debts	4	4	1	2	2	5
Bank debt and debt to credit institutions	5	5	0	0	1	1
Trade payables	832	832	832	0	0	832
Other liabilities	400	400	400	0	0	400
Corporate bonds	599	609	0	634	0	634
	1,840	1,850	1,233	636	3	1,872
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate obligation	0	0	0	0	0	0
Fixed-rate obligation	0	0	0	0	0	0
Currency hedging agreements:						
Cash flow hedges	26	26	26	0	0	26
Fair value hedges	0	0	0	0	0	0
	26	26	26	0	0	26
Total financial liabilities	1,866	1,866	1,259	636	3	1,898
MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)						
Trade receivables	626	626	626	0	0	626
Construction contracts and other receivables	311	311	277	34	0	311
Cash at bank and in hand	694	694	694	0	0	694
	1,631	1,631	1,597	34	0	1,631
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate assets	0	0	0	0	0	0
Fixed-rate assets	0	0	0	0	0	0
Currency hedging agreements:						
Cash flow hedges	77	77	77	0	0	77
Fair value hedges	4	4	4	0	0	4
	81	81	81	0	0	81
Total financial assets	1,712	1,712	1,678	34	0	1,712

38 Derivative financial instruments, risk and financial management (continued)

2012 mEUR	Carrying amount	Fair value	< 1 year	1–5 years	More than 5 years	Total cash flows
MEASURED AT AMORTISED COST (LOANS AND OTHER DEBT)						
Mortgage debts	7	10	0	3	4	7
Bank debt and debt to credit institutions	1,146	1,146	293	853	0	1,146
Trade payables	1,008	1,008	1,008	0	0	1,008
Other liabilities	389	389	389	0	0	389
Corporate bonds	598	462	0	598	0	598
	3,148	3,015	1,690	1,454	4	3,148
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate obligation	2	2	2	0	0	2
Currency hedging agreements:						
Cash flow hedges	20	20	1	19	0	20
Fair value hedges	1	1	1	0	0	1
	23	23	4	19	0	23
Total financial liabilities	3,171	3,038	1,694	1,473	4	3,171
MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)						
Trade receivables	792	792	792	0	0	792
Construction contracts and other receivables	388	388	356	32	0	388
Cash at bank and in hand	851	851	851	0	0	851
	2,031	2,031	1,999	32	0	2,031
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate assets	0	0	0	0	0	0
Fixed-rate assets	11	11	11	0	0	11
Currency hedging agreements:						
Cash flow hedges	7	7	7	0	0	7
Fair value hedges	4	4	4	0	0	4
	22	22	22	0	0	22
Total financial assets	2,053	2,053	2,021	32	0	2,053

Cash at bank and in hand and investments are measured at amortised cost and any adjustments are made through the income statement.

Cash flows for hedged assets and hedged liabilities as well the hedging instrument are recognised in the income statement in the same period.

Cash flows for floating rate debt are determined based on maturity of the outstanding loan amount and associated interest payable is calculated based on underlying interest on the loan at the reporting date.

For a description of cash flows relating to operating leases, reference is made to note 36 to the consolidated accounts.

38 Derivative financial instruments, risk and financial management (continued)

Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments.
- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
- Level 3: Valuation techniques primarily based on unobservable prices.

The fair value of Vestas' forward exchange contracts as well as of other derivative financial instruments (commodity instruments) is measured according to level 2 as the fair value can be established directly based on exchange rates published and forward interest rates and prices specified at the balance sheet date.

Fair value of bonds is measured as level 1 because the fair value is set from the share price in an open market. The fair value of other financial debts/credit facilities are measured at level 2 based on the most recent agreement.

Credit risks

Vestas is exposed to credit and counterparty risks in its daily business and undertakes a thorough assessment of its clients and counterparties to reduce or eliminate payment risks. Where a counterparty does not meet Vestas' credit standards, payment security is obtained whenever possible. The payment securities acceptable to Vestas must generally be issued by a bank or surety with a senior unsecured credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Vestas delivers its products and services to most parts of the world and is therefore exposed to the country risk and political risk common in developing countries.

The use of financial instruments by Vestas to hedge its market risks related to currencies, interest rates, and commodity prices has the added risk that the counterparty to these transactions may not be able to meet its obligations at maturity. Vestas generally minimises this risk in two ways:

Firstly, by only engaging in such financial transactions with counterparties that have a credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Secondly, by diversifying the financial instruments across acceptable counterparties to minimise the Group's exposure.

Finally, Vestas limits the notional exposure that the Group may have with a single bank. This applies especially to cash accounts.

76 per cent (2012: 78 per cent) of Vestas' customers/trade receivables had not exceeded the deadline for payment at 31 December 2013. The credit risk relating to the outstanding trade receivables balance as at 31 December was mitigated by the EUR 94m (2012: EUR 326m) received as security. Historically, Vestas' customers have paid within the payment period agreed upon.

No bank balances or derivative financial instruments are overdue or written down due to the counterparty's inability to pay. There are no historic losses related to bank balances and derivative financial instruments due to the counterparty's inability to pay.

38 Derivative financial instruments, risk and financial management (continued)

Market risks

Vestas' market risks relating to financial instruments comprise currency risks, interest rate risks and commodity price risks.

Currency risks

The business activities of Vestas involve exchange rate risks linked to the purchase and sale of goods and services outside the eurozone. Vestas pursues a policy of reducing the exchange rate risks by balancing the different currencies to the largest extent and the net exposure in each individual currency is then hedged. Exchange rate risks are primarily hedged through foreign exchange forward contracts.

The combination of production facilities in Europe, the USA and China as well as worldwide sales makes Vestas less sensitive to fluctuations in currencies.

Exchange adjustments relating to investments in Group subsidiaries and associates abroad with a different functional currency than that of the parent company are recognised under other comprehensive income. Related currency risks are not hedged as, in the Group's opinion, hedging of such long-term investments will not be optimal from an overall risk, liquidity and cost perspective.

An increase of 10 per cent (2012: 10 per cent), considered probable by management, in the currencies specified below against the euro, would have the following isolated effects as at 31 December.

		2013	2012
USD:	Equity	47	(2)
	Profit for the year	(83)	4
GBP:	Equity	(30)	14
	Profit for the year	34	0
SEK:	Equity	(37)	(26)
	Profit for the year	8	5
MXN:	Equity	(20)	-
	Profit for the year	(30)	-
PLN:	Equity	(26)	-
	Profit for the year	11	-

Only currencies with a material effect on comprehensive income and the income statement are specified above. The above analysis is based on the assumption that all other variables, interest rates in particular, remain constant. The expectations are based on currently available market data.

The impact of embedded derivatives is included in the equity effect above.

A corresponding decline in the exchange rates for the above currencies would have the same but opposite effect for both equity and profit for the year. The differences between the 2013 and 2012 values are solely due to differences in the nominal amounts in the individual currencies.

38 Derivative financial instruments, risk and financial management (continued)

Currency hedging agreements relating to future transactions (cash flow hedges)

The following net outstanding forward exchange contracts and embedded derivatives of the Group at 31 December are used and qualify as cash flow hedges:

mEUR	2013				2012			
	Nominal principal amount ¹⁾	Accumulated capital gain/loss recognised in the statement of comprehensive income	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount ¹⁾	Accumulated capital gain/loss recognised in the statement of comprehensive income	Fair value of principal amount	Term to maturity (months), up to
USD	477	(1)	478	10	(23)	0	(23)	6
SEK	(373)	(2)	(371)	11	(249)	13	(262)	21
CAD	0	0	0	0	110	0	110	8
GBP	(301)	0	(301)	16	139	(1)	140	9
AUD	(76)	1	(77)	24	0	0	0	0
PLN	0	0	0	0	(243)	8	(251)	6
BRL	0	0	0	0	0	0	0	0
DKK	0	0	0	0	0	0	0	0
UYU	(138)	4	(142)	13	0	0	0	0
RON	(371)	(5)	(366)	27	(117)	(3)	(114)	48
PLN	(265)	(2)	(263)	2	0	0	0	0
TRY	(90)	9	(99)	9	(28)	0	(28)	6
ZAR	(304)	42	(346)	26	(148)	3	(151)	13
MXN	(197)	4	(201)	5	(189)	(5)	(184)	8
CLP	(131)	12	(143)	12	(88)	(2)	(86)	15
EUR	1,821	(12)	1,833	27	838	(13)	851	48
CZK	(2)	0	(2)	21	(2)	0	(2)	13
	50	50	0		0	0	0	

1) Positive principal amounts of forward exchange contracts are purchases of the currency in question, and negative principal amounts are sales.

The Group's cash flow hedges relate primarily to net cash flows outside euro-based countries, primarily in American dollars, Polish zloty, Romanian lei as well as Swedish kroner and South African rand (USD, PLN, RON, SEK and ZAR, respectively) with equivalents in Danish kroner (DKK) and euro (EUR).

The documentation for execution of financial instruments is based on International Swaps and Derivatives Association (ISDA) agreements entered directly with each bank. Part of the ISDA Master Agreement is a set-off clause which determines that set-off of the value of all open financial derivative is possible under the agreement in the event of a default, of which there was none for Vestas in 2013.

Hedging contracts with fair values of EUR 7m (2012: EUR 11m) and EUR 11m (2012: (20)m) recognised in other assets/liabilities are subject to set-off agreements.

38 Derivative financial instruments, risk and financial management (continued)

Currency hedging agreements relating to assets and liabilities recognised in the balance sheet (fair value hedges)

The following net outstanding forward exchange contracts of the Group at 31 December are used and qualify as fair value hedging of assets and liabilities included in the balance sheet.

mEUR	2013				2012			
	Nominal principal amount ¹⁾	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount ¹⁾	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to
USD	138	1	137	1	(23)	0	(23)	1
AUD	(4)	0	(4)	2	(2)	0	(2)	1
NZD	(16)	0	(16)	1	0	0	0	0
NOK	(7)	0	(7)	1	(11)	0	(11)	10
CAD	(94)	1	(95)	1	27	0	27	4
MXN	20	0	20	2	(34)	0	(34)	8
EUR	278	(1)	278	1	93	1	92	10
SEK	(42)	1	(43)	1	(42)	2	(44)	4
GBP	(167)	1	(168)	1	(4)	0	(4)	4
JPY	6	0	6	1	0	0	0	0
SGD	(17)	0	(17)	1	0	0	0	0
TRY	1	0	1	1	0	0	0	0
DKK	8	0	8	1	8	0	8	2
PLN	(100)	0	(100)	1	(12)	0	(12)	3
	3	3	0		0	3	(3)	

1) Positive principal amounts of forward exchange contracts are purchases of the currency in question, and negative principal amounts are sales.

Gains/(losses) on derivative financial instruments for the year used for hedging of fair values amounted to EUR 134m (2012: EUR 59m).

Fair value adjustments caused by movements in the hedged risk on hedged instruments amounted to EUR 134m (2012: EUR 59m).

The Vestas Group's fair value hedges relate to receivables outside euro-based countries, primarily in American dollars and Great British Pounds (USD and GBP), with equivalents in euro (EUR).

All fair value changes are recognised in the income statement.

38 Derivative financial instruments, risk and financial management (continued)

Commodity price risks

Vestas manages the overall risk related to changes in prices for commodities. The commodity risks are addressed either by entering long-term fixed price agreements with suppliers, hedging through financial fixed price agreements with banks or mitigating the risk by including specific commodity price escalation clauses in sales contracts (often it will be a combination of some or all).

Overall Vestas continuously strives to reduce commodity risk in the design and manufacture of the turbine itself by taking raw material into consideration in the efforts to reduce cost while maintaining the operational effectiveness of the Group's products.

The fair value of the commodity hedges outstanding at the balance sheet date amounted to EUR 0m (2012: EUR 0m), which has been recognised in equity.

The isolated effects of a 10 per cent increase or decline in the price curve for the hedged commodities at 31 December are specified as follows:

	2013	2012
10 PER CENT INCREASE		
Equity	1	1
Profit for the year	0	0
10 PER CENT DECLINE		
Equity	(1)	(1)
Profit for the year	0	0

The above analysis is based on the outstanding financial hedge instruments at the balance sheet date.

The hedging of commodities is considered to be an effective cash flow hedge and changes in the value of these are recognised in the statement of comprehensive income. The sensitivity analyses are prepared on the assumption that all other factors remain constant.

Interest rate risks

Vestas' primary interest rate risk consists of interest rate fluctuations, which may influence the Group's debt and lease obligations. Managing the interest risks involves the monitoring of duration and maximum interest rate risk on Vestas' net debts. Vestas uses hedging instruments to manage interest rate risks.

Sensitivity analysis – interest rate risks

Vestas estimates, based on the current market conditions, that a change in the interest rate of 1 percentage point either up or down is considered likely. An increase or decline of 1 percentage point in the level of interest rates, in relation to swaps financial instruments outstanding at the balance sheet day, would have the following effect on equity and the income statement.

mEUR	2013	2012
1 PERCENTAGE POINT INCREASE		
Equity	0	0
Profit for the year	9	(3)
1 PERCENTAGE POINT DECLINE		
Equity	0	0
Profit for the year	(9)	3

38 Derivative financial instruments, risk and financial management (continued)

The Group's interest-bearing financial assets and liabilities have the following terms to contractual review or maturity, depending on which date occurs first. The differences in between 2013 and 2012 values are solely due to differences in the interest bearing assets and liabilities.

2013 mEUR	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1 year	1–5 years	> 5 years			
FINANCIAL LIABILITIES						
Mortgage debt	0	2	2	4	4	4.6
Bank debt and debt to credit institutions	5	0	0	5	0	2.5
Corporate bonds	0	600	0	600	600	4.8
	5	602	2	609	604	
FINANCIAL ASSETS						
Trade receivables	626	0	0	626		
Construction contracts and other receivables	289	34	0	323		
Cash at bank and in hand	694	0	0	694		
	1,609	34	0	1,643		

2012 mEUR	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1 year	1–5 years	> 5 years			
FINANCIAL LIABILITIES						
Mortgage debt	0	3	4	7	7	4.6
Bank debt and debt to credit institutions	321	1,000	0	1,321	0	2.8
Corporate bonds	28	633	0	661	598	4.8
	349	1,636	4	1,989	605	
FINANCIAL ASSETS						
Trade receivables	792	0	0	792		
Construction contracts and other receivables	410	32	0	442		
Cash at bank and in hand	851	0	0	851		
	2,053	32	0	2,085		

The effective interest rates were calculated at the balance sheet date.

38 Derivative financial instruments, risk and financial management (continued)

Tax risks

Vestas pursues an active, but not an aggressive tax policy. Based on its broad, international production and sales platforms, Vestas maintains a well-documented transfer pricing system that gives a true and fair view, ref. international rules based on the OECD guidelines and local legislation. However, transfer pricing may always be challenged due to the interpretation of international guidelines adopted by local authorities.

Financial reporting risks

Based on Vestas' risk management policy, the Global Finance function prepares a description of the key risks relating to financial reporting and measures taken to control such risks. Global Finance works actively with anchoring risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks.

As part of the risk assessment, Vestas' Board of Directors and Executive Management annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risks, including assessing any possibility of the general management overriding controls and affecting the financial reporting.

Control activities

Global Finance is responsible for the implementation and monitoring of Vestas' global financial processes. This helps to ensure a uniform design and structure of the Group's internal controls. The objective of the Group's control activities is to ensure compliance with the targets, policies, manuals, procedures, etc. defined by the Executive Management.

Furthermore, the activities must help ensure that any errors, deviations and shortcomings are prevented, discovered and rectified.

Vestas continuously adjusts and implements global financial processes and controls for all units and functions aimed at further mitigating the risk of incorrect reporting.

Information and communication

Vestas' internal rules, adopted by the Board of Directors, lay down, among other things, overall requirements on financial reporting and external financial reporting in accordance with current legislation and applicable regulations.

The information systems are designed to identify, collect and communicate relevant information, reports, etc. on an ongoing basis and on all levels to facilitate an effective, reliable workflow and the performance of controls. This is done with due consideration to the confidentiality required in a listed company.

Financial management

In connection with financial management it is the Group's objective to create the necessary stability to implement strategic development work while in the long term achieving a competitive return for the company's shareholders. At the same time, the Group has the objective of reducing cost of capital.

The Group's possible methods of maintaining or changing its capital structure are: adjustment of the dividends level; share buy-backs; issuing of new shares; new borrowing; change of the level of funding from prepayments received; credit granted by suppliers; and the sale of assets to reduce debts.

39 Subsequent events

Events after the balance sheet date

Upgrade of free cash flow

Based on preliminary reporting, on 6 January 2014, Vestas upgraded the expectations for the 2013 free cash flow to approx EUR 1bn compared to the previous expectation of EUR 500-700m, ref. company announcement No. 1/2014.

Issue of up to 20,370,410 new shares

On 3 February 2014, Vestas announced an issue of up to 20,370,410 new shares, ref. company announcement No. 2/2014.

Agreement on new five-year credit facility of EUR 850m

On 3 February 2014, Vestas made an agreement on a new five-year credit facility of EUR 850m, ref. company announcement No. 3/2014.

40 New accounting regulations

The IASB published the following new or revised accounting standards and interpretations, effective from 2014 which are assessed to be of relevance to Vestas.

Amendment to IAS 32 – Financial instruments, presentation

The amendment introduces additional application guidance in respect of when to offset financial assets and liabilities in the balance sheet.

Amendment to IAS 36 – Impairment of assets

The amendment rolls back the requirement to disclose value in use for assets or cash generating units to which a significant amount of goodwill has been allocated. Further, it introduces additional disclosures if the basis of impairment is fair value less costs to sell.

Amendment to IAS 39 – Recognition and measurement: Novation of derivatives

Novation of a derivative as a result of compliance with existing legislation or as a result of new legislation (e.g. the EMIR regulation) is not a settlement of the hedging instrument in respect of hedge accounting.

The IASB published the following new or revised accounting standards and interpretation, that are neither effective nor approved by the EU.

IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.

IFRS 9 – Financial instruments

The categories of financial assets are reduced to two :

- those measured as at fair value and
- those measured at amortised cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

Changes in fair value of non-derivative financial liabilities which are designated at fair value are recognised in other comprehensive income.

The standard introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities.

Amendment to IAS 19 – Defined benefit plans: Employee contributions

The amendment sets out more detailed guidance in respect of measurement of defined benefit plans with employee contributions.

Annual Improvements in IFRS' 2010-2012 cycle:

Introduces minor amendments to:

- IFRS 2, Share-based payment,
- IFRS 3, Business combinations,
- IFRS 8, Operating segments,
- IFRS 13 Fair value measurement,
- IAS 16, Property, plant and equipment,
- IAS 24, Related party disclosures, and
- IAS 38, Intangible assets.

Annual improvements 2011-2013 cycle

Introduces minor amendments to:

- IFRS 1, First-time adoption of International Financial Reporting Standards,
- IFRS 3, Business combination,
- IFRS 13, Fair value measurement, and
- IAS 40, Investment property.

Legal entities¹⁾

Name	Place of registered office	Share capital	Votes and ownership
Parent company			
Vestas Wind Systems A/S	Aarhus, Denmark	tDKK 203,704	-
Production units			
Vestas Manufacturing A/S			
Vestas Blades Deutschland GmbH	Aarhus, Denmark	tDKK 100,000	100%
Vestas Blades Italia S.r.l.	Lauchhammer, Germany	tEUR 26	100%
Vestas Wind Technology (China) Co. Ltd.	Taranto, Italy	tEUR 21,364	100%
Vestas Blades America Inc.	Tianjin, China	tUSD 133,640	100%
Vestas Blades Spain S.L.U.	Windsor (CO), USA	tUSD 12,000	100%
Vestas Control Systems Spain S.L.U.	Daimiel, Spain	tEUR 25,500	100%
Vestas Nacelles Italia S.r.l.	Olvega, Spain	tEUR 384	100%
Vestas Nacelles Deutschland GmbH	Taranto, Italy	tEUR 8,423	100%
Vestas Nacelles Spain S.A.	Lübeck, Germany	tEUR 25	100%
Vestas Nacelles Estonia, OÜ	Viveiro, Spain	tEUR 601	100%
Vestas Towers America Inc.	Tallinn, Estonia	tEUR 100	100%
Vestas Towers Mediterranean S.L.	Brighton (CO), USA	tUSD 20,000	100%
	Pueblo (CO), USA	tUSD 70,000	100%
	Madrid, Spain	tEUR 400	100%

1) Companies of immaterial significance have been left out of the overview.

Legal entities

Name	Place of registered office	Share capital	Votes and ownership
Sales and service units			
Vestas Americas A/S	Aarhus, Denmark	tDKK 100,000	100%
Vestas America Holding, Inc.	Portland (OR), USA	tUSD 1,200,000	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD 105,856	100%
Vestas - Canadian Wind Technology Inc.	Portland (OR), USA	tCAD 92,010	100%
Vestas - Portland HQ LLC	Portland (OR), USA	tUSD 10	100%
Vestas Asia Pacific A/S	Aarhus, Denmark	tDKK 33,000	100%
Vestas Asia Pacific Wind Technology Pte. Ltd.	Singapore, Singapore	tSGD 10,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Melbourne, Australia	tAUD 53,000	100%
Vestas Korea Wind Technology Ltd.	Seoul, South Korea	tKRW 500,000	100%
Vestas New Zealand Wind Technology Ltd.	Wellington, New Zealand	tNZD 100	100%
Vestas Taiwan Ltd.	Taipei City, Taiwan	tTWD 500	100%
Vestas Wind Technology (Beijing) Co. Ltd.	Beijing, China	tUSD 1,000	100%
Vestas - Danish Wind Technology A/S	Randers, Denmark	tDKK 30,000	100%
Vestas Wind Technology India Pvt Limited	Chennai, India	tINR 1,490,150	100%
Vestas Wind Technology Japan Co. Ltd.	Tokyo, Japan	tJPY 110,000	100%
Vestas Central Europe A/S	Aarhus, Denmark	tDKK 60,000	100%
Vestas Deutschland GmbH	Husum, Germany	tEUR 16,873	100%
Vestas Services GmbH	Husum, Germany	tEUR 25	100%
Vestas Benelux B.V.	Arnhem, The Netherlands	tEUR 1,362	100%
Vestas Österreich GmbH	Vienna, Austria	tEUR 7,035	100%
Vestas Czechia s.r.o.	Prague, Czech Republic	tCZK 200	100%
Vestas Hungary Kft.	Budapest, Hungary	tHUF 500	100%
Vestas Bulgaria EOOD	Sofia, Bulgaria	tBGN 5	100%
Vestas CEU Romania S.R.L.	Bucharest, Romania	tRON 570	100%
Vestas Central Europe-Zagreb d.o.o	Zagreb, Croatia	tHRK 20	100%
Vestas Slovakia spol S.r.o.	Bratislava, Slovakia	tEUR 5	100%
LCC Vestas RUS	Moscow, Russia	tRUB 4,333	100%
Vestas Eastern Africa Ltd.	Nairobi, Kenya	tKHS 100	100%
Vestas Southern Africa Pty. Ltd.	Sunninghill, South Africa	tZAR 1	100%
Vestas Ukraine LLC	Kiev, Ukraine	tEUR 150	100%
Vestas Central Europe d.o.o. Beograd - Novi Beograd	Belgrade, Serbia	tRSD 11,400	100%
Vestas Mediterranean A/S	Aarhus, Denmark	tDKK 50,000	100%
Vestas Italia S.r.l.	Rome, Italy	tEUR 3,000	100%
Vestas Hellas Wind Technology S.A.	Athens, Greece	tEUR 6,808	100%
Vestas Eólica SAU	Madrid, Spain	tEUR 12,680	100%
Vestas France SAS	Perols, France	tEUR 5,040	100%
Vestas (Portugal) - Serviços de Tecnologia Eólica Lda.	Lisbon, Portugal	tEUR 6,000	100%
Vestas WTG Mexico S.A. de C.V.	Mexico City, Mexico	tMXN 454	100%
Vestas Mexicana del Viento S.A. de C.V.	Mexico City, Mexico	tMXN 61	100%
Vestas do Brasil Energia Eolica Ltda.	Sao Paulo, Brazil	tBRL 2,538	100%
Vestas Argentina S.A.	Buenos Aires, Argentina	tARS 66	100%
Vestas Chile Turbinas Eólica Limitada	Santiago, Chile	tCLP 5,080	100%
Vestas Rüzgar Enerjisi Sistemleri Sanayi ve Ticaret Ltd. Sirketi	Istanbul, Turkey	tTRY 11,500	100%
Vestas Turbinas Eólicas de Uruguay S.A.	Montevideo, Uruguay	tURU 720	100%
Vestas MED (Cyprus) Ltd.	Nicosia, Cyprus	tEUR 300	100%
Vestas Nicaragua SA	Managua, Nicaragua	tNIO 50	100%
Vestas CV Limitada	Cidade de Praia, The Republic of Cape Verde	tCVE 200	100%
Vestas Wind Systems Dominican Republic S.R.L.	Santo Domingo, The Dominican Republic	tDOP 100	100%

Legal entities

Name	Place of registered office	Share capital	Votes and ownership
Sales and service units (continued)			
Vestas Peru S.A.C.	Lima, Peru	tPEN 1	100%
Vestas Middle East S.L.U.	Madrid, Spain	tEUR 25	100%
Vestas Costa Rica S.A.	San José, Costa Rica	tCRC 1	100%
Vestas Northern Europe A/S			
Vestas - Celtic Wind Technology Ltd.	Aarhus, Denmark	tDKK 100,000	100%
Vestas Northern Europe AB	Edinburgh, UK	tGBP 8,200	100%
Vestas Poland Sp.z.o.o.	Malmö, Sweden	tSEK 1,000	100%
Vestas Ireland Ltd.	Szczecin, Poland	tPLN 435	100%
Vestas Norway AS	Dublin, Ireland	tEUR 1,000	100%
Vestas Finland Oy	Oslo, Norway	tNOK 1,100	100%
	Helsinki, Finland	tEUR 3	100%
Vestas Offshore A/S			
Vestas Offshore The Netherlands B.V.	Aarhus, Denmark	tEUR 13,002	100%
Vestas Offshore UK Ltd.	Ijmuiden, The Netherlands	tEUR 18	100%
Vestas Offshore Bligh Bank. NV	Warrington, England	tGBP 4,000	100%
Vestas Offshore Sweden AB	Elsene, Belgium	tEUR 62	100%
Vestas Offshore Germany GmbH	Malmö, Sweden	tSEK 100	100%
Vestas Offshore Northwind (Belgium) NV	Hamburg, Germany	tEUR 25	100%
Vestas Offshore Belgium NV	Brussels, Belgium	tEUR 1,000	100%
	Brussels, Belgium	tEUR 1,000	100%
Other subsidiaries and associates			
Vestas Spare Parts & Repair A/S	Aarhus, Denmark	tDKK 50,000	100%
Vestas Spare Parts Belgium N.V.	Brussels, Belgium	tEUR 500	100%
Vestas Spare Parts & Repair UK, Ltd.	London, England	tGBP 1,000	100%
Vestas Spare Parts & Repair Spain, S.L.	Barcelona, Spain	tEUR 4,000	100%
Vestas Wind Systems (China) Co. Ltd.	Hohhot, China	tEUR 32,220	100%
Vestas Switzerland AG	Zürich, Switzerland	tCHF 100	100%
Vestas Services Philippines, Inc.	Makati City, Philippines	tPHP 9,336	100%
Vestas India Holding A/S	Aarhus, Denmark	tDKK 267,110	100%
Wind Power Invest A/S	Aarhus, Denmark	tDKK 25,000	100%
Vestas Technology (UK) Limited	Isle of Wight, England	tGBP 90	100%
Vestas Technology R&D Singapore Pte. Ltd.	Singapore, Singapore	tSGD 3,805	100%
Vestas Technology R&D Chennai Pte. Ltd.	Chennai, India	tINR 40,000	100%
Vestas Technology R&D America Inc.	Houston (TX), USA	tUSD 1,000	100%
Vestas Technology R&D (Beijing) Co., Ltd.	Beijing, China	tEUR 737	100%
Vestas Shared Service (Deutschland) GmbH	Hamburg, Germany	tEUR 25	100%
Vestas Shared Service (Spain), S.L.U.	Madrid, Spain	tEUR 3	100%
Vestas Shared Service America, Inc.	Portland (OR), USA	tUSD 2,000	100%
Vestas Middle East A/S	Aarhus, Denmark	tDKK 12,000	100%
GREP Svenska AB	Falkenberg, Sweden	tSEK 1,824	100%
Vestas BCP Philippines Inc.	Makati City, Philippines	tPHP 60,700	100%

Management's statement

The Executive Management and Board of Directors have today considered and adopted the annual report of Vestas Wind Systems A/S for the financial year 2013.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of Vestas Wind Systems A/S are prepared in accordance with the Danish Financial Statements Act. Moreover, the consolidated financial statements and the financial statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The management report is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the financial position at

31 December 2013 of the Group and the company and of the results of the Group and company's operations and consolidated cash flows for the financial year 1 January – 31 December 2013.

In our opinion, the management report includes a true and fair account of the development in the operations and financial circumstances of the Group and the company, of the results for the year and of the financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company.

We recommend that the annual report be approved at the Annual General Meeting.

Aarhus, 3 February 2014

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluca
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Jørgen Huno Rasmussen

Jørn Ankær Thomsen

Kim Hvid Thomsen

Knud Bjarne Hansen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

The independent auditor's report

To the Shareholders of Vestas Wind Systems A/S

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2013, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

The audit has not included "Social and environmental key figures", "Social and environmental performance" and "Consolidated social and environmental statement" on pages 9, 27-29, 103-105; these are included in a separate report on page 106.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial

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

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2013 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2013 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2013 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 3 February 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised
Public Accountant

Claus Lindholm Jacobsen
State Authorised
Public Accountant

Consolidated social and environmental statement

- 103** Basis for preparation of the statement
 - 103** Social performance
 - 103** Environmental performance
 - 106** The independent auditor's statement concerning social and environmental highlights for 2013
-

Consolidated social and environmental statement

Basis for preparation of the statement

General reporting standards

Vestas' reporting process meets the international guidelines from the Global Reporting Initiative, GRI G3.0.

The below description of accounting policies and development refers to the social and environmental key figures and indicators presented on page 9 of the annual report.

All Vestas' wholly owned companies are covered by the reporting. Newly established companies are included from the time of production start and for acquired companies from the time when coming under Vestas' operational control. Companies are excluded from the reporting from the time when they leave Vestas' operational control.

Defining materiality

Vestas bases its materiality assessment on an analysis of significant economic, environmental and social impacts of the Group's activities. The analysis is based on internal priorities as well as experience from dialogue with and direct involvement of customers, investors, policy makers, employees and media. The result of the analysis is incorporated in Vestas' COP.

Vestas has previously selected a number of social and environmental key figures that are relevant to understand Vestas' development, results and financial position. These key figures have been maintained after the materiality assessment. The status of the key figures is monitored closely and for relevant indicators specific targets have been defined.

Change in accounting policies

The same measurement and calculation methods are applied at all Vestas sites. No information provided in earlier reports has been restated. There have been no significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.

Social performance

Occupational health & safety

Accounting policies

Occupational health & safety is measured for all activities under the organisational structure. Lost time injuries of all employees are stated on the basis of registration of incidents that have caused at least one workday of absence after the day of the injury.

Injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of lost time injuries including fatalities per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

Absence due to illness is defined as hours absent due to illness, exclusive of absence caused by lost time injuries, maternity leave and child's illness leave. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards (hourly-paid employees) and absence records (salaried employees), respectively.

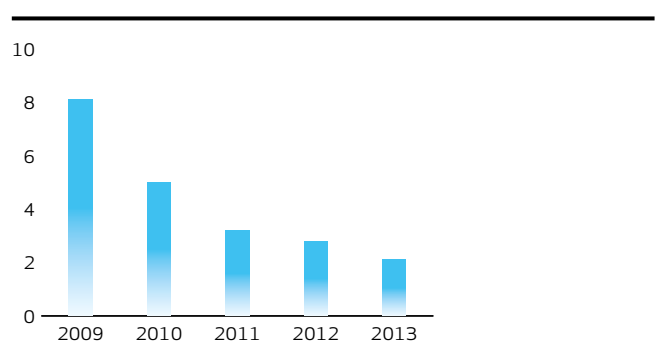
Development

The incidence of lost time injuries was 2.1 per one million working hours in 2013, which was slightly above the 2.0 target.

Absence due to illness increased by 0.1 percentage points for both hourly-paid employees and salaried employees.

Incidence of lost time injuries

Per one million working hours



Employees

Accounting policies

The number of employees is calculated as the number of employees who have a direct contract with Vestas and permanent staff employed through third parties. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of nationality, gender and IPE level (Mercers International Position Evaluation).

Development

During 2013, the total number of employees was reduced from 17,778 to 15,497, however, the production workforce at the nacelle assembly in the USA increased by around 250 employees due to increased activity in the market.

Vestas employees at 31 December 2013

Number

	Europe and Africa	Americas	Asia Pacific	Total
Manufacturing & Global Sourcing	3,545	1,425	1,460	6,430
Sales	3,813	1,127	929	5,869
Technology & Service Solutions	1,396	96	305	1,797
Others	882	143	376	1,401
Total	9,636	2,791	3,070	15,497

The share of women in leadership positions remained at 17 per cent. Non-Danish nationals held 53 per cent of the positions in the top management layers, which was a decrease of 3 percentage points compared to 2012.

Environmental performance

Utilisation of resources

Accounting policies

Metals and other raw materials are stated on the basis of consumption from inventories to manufacturing in the first phase of production and to servicing of wind turbines, respectively, as recorded in the company's ordinary registration systems. Metals include only the amount of metal that is processed by Vestas.

Consumables are stated on the basis of decentralised lists of quantities delivered per site in the financial year. Relevance has mainly been determined on the basis of Vestas' assessment of material environmental impacts, followed by a selection in relation to quantities consumed compared with the activities carried out at the sites.

Electricity, gas and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind turbines. Oil for heating is stated on the basis of external purchases adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water and geothermal heat. Nuclear power is not considered to be renewable energy. Consumption of electricity from non-renewable sources purchased as a result of not being able to purchase renewable electricity at some locations, is in the Group statement balanced with renewable electricity produced by wind power plants owned by Vestas and sold to the local grid.

The consumption of water is stated as measured consumption of fresh water. Cooling water from streams, rivers, lakes, etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

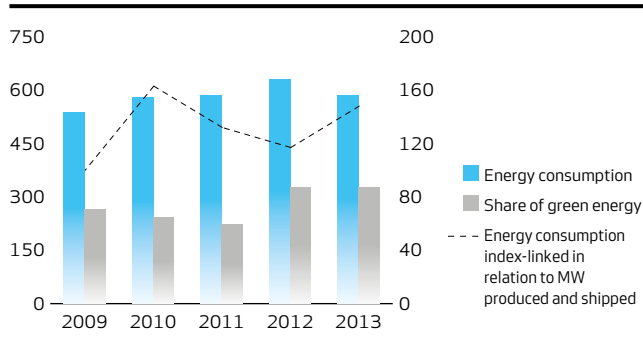
Development

In 2013, consumption of metals fell by 38 per cent compared to 2012, mainly due to a decrease in the production of towers.

In 2013, Vestas' total energy consumption decreased by 7 per cent. When index-linked to MW produced and shipped, Vestas' energy consumption increased by 32 percentage points compared to 2012. The key driver behind the decrease in energy consumption is the reduced production of towers and blades.

Energy consumption and share of green energy

1,000 MWh · Index



In October 2013, Vestas' machining and casting units were divested. The units accounted for 20-25 per cent of Vestas' total energy consumption in 2009-2013.

Vestas' share of renewable energy increased to 56 per cent in 2013 from 52 per cent in 2012, and the share of renewable electricity increased to 100 per cent in 2013 from 89 per cent in 2012.

In 2013, water consumption decreased by 12 per cent, mainly due to the reduced production of towers and blades. When index-linked to MW produced and shipped, water consumption increased by 23 percentage points compared to 2012.

Waste disposal

Accounting policies

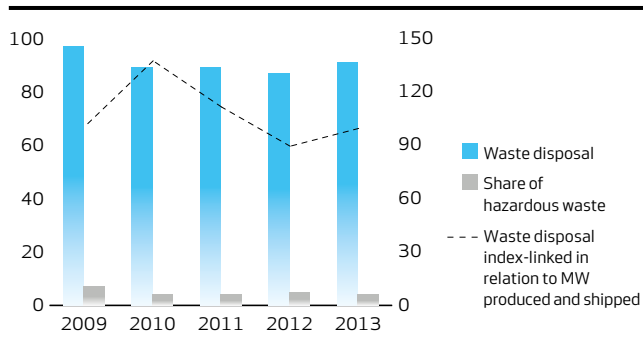
Waste is stated on the basis of weight slips received from the waste recipients for deliveries affected in the accounting period, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load. Waste disposal is based on supplier statements.

Development

In 2013, the volume of waste was reduced by 18 per cent compared to 2012. When index-linked to MW produced and shipped in 2013, Vestas increased its volume of waste by 10 percentage points compared to 2012. The decreased volume of waste is mainly due to the reduced production of towers and blades and the reduced waste generation in casting units.

Waste disposal and share of hazardous waste

1,000 tonnes · Index



Vestas' machining and casting units accounted for 55-60 per cent of the total waste generation in 2009-2013.

In 2013, 59 per cent of the total volume of waste was recycled, against 51 per cent the year before. The increase in the percentage of waste for recycling was primarily due to increased recycling on some of the casting units and blade factories.

Emissions of CO₂

Accounting policies

Direct emission of CO₂ is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the Danish Energy Authority. Indirect emission of CO₂ is calculated on the basis of direct consumption of electricity and district heating, with the usage of national grid emissions factors published by International Energy Agency. Indirect CO₂ emissions from electricity consumption based on non-renewable sources is balanced out by CO₂ emission savings in the production and sale to the grid from Vestas owned wind turbines.

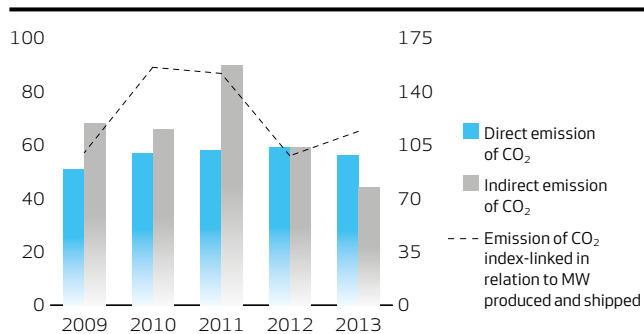
Development

Vestas reduced its direct CO₂ emissions by 5 per cent in 2013, and the indirect CO₂ emissions by 25 per cent. When index-linked to MW produced and shipped in 2013, Vestas increased its CO₂ emissions by 16 percentage points compared to 2012.

Vestas' machining and casting units accounted for 20-30 per cent of the total CO₂ emissions in 2009-2013.

Direct and indirect emission of CO₂

1,000 tonnes · Index



Local community

Accounting policies

Environmental accidents are accidental releases of substance and chemicals that Vestas considers to have a significant impact on the environment. Breaches of internal inspection conditions are stated as the conditions for which measurements are required, and where measurements show breaches of stated conditions.

Development

Vestas did not experience any environmental accidents in 2013. The breach of internal control conditions was due to an exceeding of the night noise level at the casting unit in Kristiansand, Norway.

Products

Accounting policies

CO₂ savings from the produced and shipped MW are calculated on the basis of a capacity factor of 30 per cent of the produced and shipped MW, an expected lifetime of 20 years of the produced and shipped MW, and the latest updated standard factor from the International Energy Agency (IEA) of average CO₂ emission for electricity in the world, at present 502 grams of CO₂ per kWh.

Development

The CO₂ savings decreased due to a lower amount of produced and shipped MW in 2013 compared to 2012.

The independent auditor's statement concerning social and environmental highlights for 2013

To the Stakeholders of Vestas Wind Systems A/S

We have reviewed the consolidated social and environmental key figures and indicators in the annual report of Vestas Wind Systems A/S (Vestas) for the financial year 2013, stated on page 9 in the annual report for 2013.

Criteria for the preparation of reporting on social and environmental highlights

Page 103 of the annual report for 2013 includes the Management's responsibility for choice of the social and environmental key figures and indicators relevant for integration in the annual report page 9. The social and environmental key figures and indicators have been included in the annual report for 2013 according to the accounting policies for social and environmental highlights for the Group applied and described on pages 103-105.

Management's responsibility

The Management is responsible for preparing the consolidated social and environmental key figures and indicators, including for establishing data collection and registration, internal control systems with a view to ensuring reliable reporting, specifying acceptable reporting criteria and choosing data to be collected for intended users of the report.

Assurance provider's responsibility

Our responsibility is, on the basis of our work, to express an opinion on the reliability of the consolidated social and environmental key figures and indicators in the annual report.

Scope, standards and criteria used

We have planned and performed our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000,

"Assurance Engagements other than Audits or Reviews of Historical Financial Information", to obtain limited assurance that the consolidated social and environmental key figures and indicators in the annual report are free of material misstatements and that the information has been presented in accordance with the social and environmental accounting policies here for. The assurance obtained is limited, as our work compared to that of an engagement with reasonable assurance has been limited to, principally, inquiries, interviews and analytical procedures related to registration systems, data and underlying documentation.

Methodology, approach, limitation and scope of work

Based on an assessment of materiality and risk, our work included:

1. Inquiries regarding procedures and methods to ensure that social and environmental key figures and indicators include data from the Group's operations, and that these data have been incorporated in compliance with the social and environmental accounting policies;
2. Assessment of the existing systems for data collection and registration, and procedures to ensure reliable reporting;
3. Analytical review of site data to be consolidated in the 2013 annual report;
4. On site review of documentation at reporting entities in Denmark, Germany and the USA and requests of selected documentation at Group level.

Opinion

Based on our review, nothing has come to our attention which causes us not to believe that the consolidated social and environmental key figures and indicators presented in the annual report of Vestas for 2013 (on page 9) are free of material misstatements and has been stated in accordance with the social and environmental accounting policies here for.

Copenhagen, 3 February 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised
Public Accountant

Claus Lindholm Jacobsen
State Authorised
Public Accountant

Annual accounts for Vestas Wind Systems A/S

- 108** Accounting policies
 - 109** Income statement
 - 110** Balance sheet
 - 111** Statement of changes in equity
 - 112** Notes to the annual accounts
-

Annual accounts for Vestas Wind Systems A/S

Accounting policies for Vestas Wind Systems A/S

The annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to enterprises of reporting class D, as well as the requirements laid down by NASDAQ OMX Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

Vestas Wind Systems A/S' functional currency is Danish kroner (DKK), but due to the international relations of the Group the annual accounts are presented in euro (EUR).

For adopted accounting policies see the notes to the consolidated accounts. The denomination of the items in the parent company's annual accounts complies with the requirements of the DK GAAP. Refer to the section "Terminology", below for a description of the main differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year.

The accounting policies of the parent company deviate from the Group's accounting policies in the following areas:

Investments in subsidiaries

Investments in subsidiaries are recognised and measured in the annual report of the parent company under the equity method.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the enterprise acquired.

Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item "Investments in subsidiaries". The item "Share of profit in subsidiaries after tax" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments in subsidiaries" in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill).

Subsidiaries with a negative net asset value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value. Any legal or constructive obligation of the parent company to cover the negative balance of the company is recognised in provisions.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected cost of disposal or winding up. The gains or losses are included in the income statement.

Goodwill

Goodwill is included in the item "Goodwill" or in the item "Investments in subsidiaries" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is a maximum of 20 years, and is longest for enterprises acquired for strategic purposes with a long-term earnings profile.

Cash flow statement

See the consolidated cash flow statement on page 47.

Terminology

Net revenue (DK GAAP): Revenue (IFRS)

Fixed assets (DK GAAP): Non-current assets (IFRS)

Provisions (DK GAAP): Non-current and current liabilities (IFRS)

Long-term debt (DK GAAP): Non-current liabilities (IFRS)

Short-term debt (DK GAAP): Current liabilities (IFRS)

Income statement 1 January – 31 December for Vestas Wind Systems A/S

mEUR	Note	2013	2012
Net Revenue	1	255	863
Cost of sales	2	(563)	(845)
Gross profit		(308)	18
Administrative expenses	2, 3	(267)	(520)
Operating profit		(575)	(502)
Share of profit in subsidiaries after tax	4	356	(306)
Financial income and expenses (net)	5	(23)	18
Profit before tax		(242)	(790)
Corporation tax	6	145	(143)
Profit for the year		(97)	(933)
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		356	(306)
Retained earnings		(453)	(627)
Dividends		0	0
Profit for the year		(97)	(933)

Balance sheet 31 December for Vestas Wind Systems A/S

mEUR	Note	2013	2012
Intangible assets	7	573	809
Property, plant and equipment	8	327	373
Investments in subsidiaries	9	1,890	1,520
Total fixed assets		2,790	2,702
Inventories	10	118	146
Receivables from subsidiaries		478	2,306
Other receivables		21	26
Prepayments and accrued income	11	5	7
Deferred tax	12	3	4
Total receivables		507	2,343
Cash at bank and in hand		508	624
Total current assets		1,133	3,113
Total assets		3,923	5,815
Share capital		27	27
Reserve for net revaluation under the equity method		86	(245)
Retained earnings		1,297	1,741
Total equity		1,410	1,523
Warranty provisions	13	302	271
Other provisions	14	0	1
Total provisions		302	272
Mortgage debt	15	4	6
Debt to credit institutions	15	599	1,451
Total long-term debt		603	1,457
Short-term share of mortgage debt and debt to credit institutions	15	0	289
Trade payables		70	116
Payables to subsidiaries		1,450	2,045
Other liabilities		88	113
Total short-term debt		1,608	2,563
Total debt		2,211	4,020
Total equity and liabilities		3,923	5,815
Mortgages and security	16		
Contractual obligations	17		
Contingent liabilities	18		
Related party transactions	19		
Currency and interest rate risks and the use of derivative financial instruments	20		
Subsequent events	21		

Statement of changes in equity 1 January – 31 December for Vestas Wind Systems A/S

2013 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	27	(245)	1,741	1,523
Exchange rate adjustments from conversion to EUR	0	0	0	0
Exchange rate adjustments relating to foreign entities	0	(53)	0	(53)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	0	0
Fair value adjustments of derivative financial instruments	0	28	13	41
Share-based payments	0	0	6	6
Tax on changes in equity	0	0	(3)	(3)
Profit for the year	0	356	(453)	(97)
Acquisition of treasury shares	0	0	(7)	(7)
Transferred from retained earnings	0	0	0	0
Equity at 31 December	27	86	1,297	1,410

2012 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	27	72	2,347	2,446
Exchange rate adjustments from conversion to EUR	0	0	(8)	(8)
Exchange rate adjustments relating to foreign entities	0	(11)	0	(11)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	(27)	51	24
Fair value adjustments of derivative financial instruments	0	0	0	0
Share-based payments	0	0	11	11
Tax on changes in equity	0	0	(6)	(6)
Profit for the year	0	(306)	(627)	(933)
Acquisition of treasury shares	0	0	0	0
Transferred from retained earnings	0	27	(27)	0
Equity at 31 December	27	(245)	1,741	1,523

Notes to the annual accounts for Vestas Wind Systems A/S

1 Net Revenue

The net revenue in the parent company consists of sale of spare parts to and royalty income from other Group companies.

2 Staff costs

mEUR	2013	2012
Staff costs are specified as follows:		
Wages and salaries, etc.	185	208
Pension schemes	14	16
Other social security costs	1	1
	200	225
For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company see note 6 to the consolidated accounts. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For option programme, see note 32 to the consolidated accounts.		
Average number of employees	2,247	2,540

3 Fees to auditors appointed by the Annual General Meeting

mEUR	2013	2012
Audit:		
PricewaterhouseCoopers	1	1
Total audit	1	1
Non-audit services:		
PricewaterhouseCoopers		
Tax assistance	1	0
Other services	5	8
Total non-audit services	6	8
Total	7	9

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the obvious choice due to business knowledge, confidentiality and costs consideration. Vestas has a comprehensive policy for non-audit services ensuring that the provision of non-audit services to the Group does not impair the auditors' independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy and monitors compliance.

4 Share of profit in subsidiaries

mEUR	2013	2012
Share of profit in subsidiaries before tax	561	(132)
Share of tax of subsidiaries	(191)	(109)
Amortisation of goodwill	(14)	(65)
	356	(306)

5 Financial income and expenses

mEUR	2013	2012
Financial income from subsidiaries	56	90
Financial expenses to subsidiaries	(8)	(7)
Exchange rate adjustments	22	(1)
Other financial expenses	(93)	(64)
	(23)	18

6 Corporation tax

mEUR	2013	2012
Current tax on profit for the year	(146)	12
Deferred tax on profit for the year	(3)	133
Adjustments relating to previous years (net)	4	(2)
Total corporation tax for the year	(145)	143
Tax on entries in equity relating to deferred tax	3	6
Tax on entries in equity	3	6
Total tax for the year	(142)	149

7 Intangible assets

2013 mEUR	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January	1,004	19	157	252	1,432
Exchange rate adjustments	0	0	0	0	0
Additions	0	0	3	186	189
Disposals	0	0	0	(211)	(211)
Transfers	37	0	0	(37)	0
Cost at 31 December	1,041	19	160	190	1,410
Amortisation at 1 January	520	8	95	0	623
Exchange rate adjustments	(3)	(1)	1	0	(3)
Amortisation for the year	191	1	25	0	217
Amortisation at 31 December	708	8	121	0	837
Carrying amount at 31 December	333	11	39	190	573
Amortisation period	3–5 years	5–20 years	5 years		

Included in software are IT projects in progress amounting to EUR 2m at 31 December 2013.

8 Property, plant and equipment

2013 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	409	31	94	35	569
Additions	1	0	3	17	21
Disposals	(13)	(4)	(6)	0	(23)
Transfers	1	39	0	(40)	0
Cost at 31 December	398	66	91	12	567
Depreciation at 1 January	125	17	54	0	196
Depreciation for the year	16	7	17	0	40
Write down for the year	15	0	0	0	15
Reversal of amortisation on disposals in the year	(6)	(1)	(4)	0	(11)
Depreciation at 31 December	150	23	67	0	240
Carrying amount at 31 December	248	43	24	12	327
Depreciation period	20–40 years	3–10 years	3–5 years		

9 Investments in subsidiaries

mEUR	2013	2012
Cost at 1 January	1,765	1,770
Exchange rate adjustments from conversion to EUR	0	(6)
Additions	40	1
Disposals	(1)	0
Cost at 31 December	1,804	1,765
Value adjustments at 1 January	(245)	72
Exchange rate adjustments	(53)	(11)
Profit shares for the year after tax	370	(241)
Changes in equity	28	0
Dividend	0	0
Amortisation of goodwill	(14)	(65)
Value adjustments at 31 December	86	(245)
Carrying amount at 31 December	1,890	1,520
Remaining positive difference included in the above carrying amount at 31 December	93	106

The legal entities in the Vestas Group are listed on pages 97–99 in the consolidated accounts.

10 Inventories

mEUR	2013	2012
Raw materials and consumables	112	146
Work in progress	6	0
	118	146

Raw materials and consumables relates to the spare parts activity.

11 Prepayments and accrued income

Prepayments and accrued income comprise prepaid software licence and rent.

12 Deferred tax

mEUR	2013	2012
Deferred tax at 1 January	4	139
Deferred tax on profit for the year	3	(133)
Tax on entries in equity	(3)	(6)
Adjustment relating to previous years	(1)	4
Deferred tax at 31 December (net)	3	4

13 Warranty provisions

mEUR	2013	2012
Warranty provisions at 1 January	271	255
Warranty provisions for the year	114	143
Used warranty provisions for the year	(83)	(127)
Warranty provisions at 31 December	302	271
The warranty provisions are expected to be consumed as follows:		
0-1 year	135	130
>1 year	167	141
	302	271

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the wind turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions only include standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. See note 24 to the consolidated accounts for further information on Vestas' warranty provisions.

In addition to the above, provisions are made for upgrades to wind turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include wind turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments, upwards as well as downwards, of previous estimates in light of factual information about population size, costs of repairs and the timing of such repairs.

14 Other provisions

mEUR	2013	2012
Other provisions at 1 January	1	4
Adjustment relating to previous years provisions	(1)	(3)
Other provisions at 31 December	0	1
Other provisions are expected to be payable as follows:		
0-1 year	0	1
> 1 year	0	0
	0	1

15 Long-term debt

mEUR	2013	2012
Short-term share of long-term debt breaks down as follows:		
Debt to credit institutions	0	289
	0	289
Long-term debt breaks down as follows:		
1-5 years	601	1,453
> 5 years	2	4
	603	1,457

16 Mortgages and security

The company's mortgage loans, mortgage deeds and credit facilities registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Furthermore, subsidiaries representing 85 per cent of revenue, EBITDA and assets of the Group are obligors/guarantors and guarantee for the payments under the facility.

mEUR	2013	2012
Total mortgage loans	4	7
Mortgage deeds and all-money mortgages relating to the company's mortgage loans:		
Nominal value of mortgage deeds and all-money mortgages	199	10
Carrying amount of pledged assets	278	18
Other mortgage deeds and all-money mortgages in the possession of the company	0	256
Provided work and payment guarantees	447	519

17 Contractual obligations

mEUR	2013	2012
The lease obligations relating to operating leases fall due:		
0–1 year	4	2
1–5 years	4	2
> 5 years	-	-

Operating leases comprise irrevocable operating leases regarding buildings and cars. The main obligations relate to cars.

18 Contingent liabilities

mEUR	2013	2012
Guarantees for bank debt of subsidiaries	45	45

In addition to this, the parent company provides performance bonds in connection with project supplies in subsidiaries, and their warranty obligations to customers.

The company is jointly taxed with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

For pending lawsuits see note 37 to the consolidated accounts.

19 Related party transactions

For transactions with related parties see note 33 to the consolidated accounts.

20 Currency and interest rate risks and the use of derivative financial instruments

For the use of derivative financial instruments and risks and capital management see note 38 to the consolidated accounts.

21 Subsequent events

For subsequent events see note 39 to the consolidated accounts.

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