Vestas

Vestas Wind Systems A/S

Interim financial report Second quarter 2014

Wind. It means the world to us™

Contents

Press and analyst information meeting
For analysts, investors and the media, an information meeting will be held today, Wednesday, 20 August 2014 at 10 a.m. CEST (9 a.m. BST) at Vestas' Headquarters, Hedeager 44, 8200 Aarhus N, Denmark.

The information meeting will be held in English and webcast live via vestas.com/investor.

The meeting may be attended electronically and questions may be asked through a conference call. The telephone numbers for the conference call are:

Europe:	+44 208 817 9301
USA:	+1 718 354 1226
Denmark:	+45 7026 5040

A replay of the information meeting will subsequently be available from vestas.com/investor.

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Summary

Outlook for 2014: EBIT margin before special items increased to minimum 6 per cent. Second quarter 2014 order intake, revenue and earnings increased compared to the second quarter of 2013.

In the second quarter of 2014, Vestas generated revenue of EUR 1,341m – an increase of 13 per cent compared to the second quarter of 2013. EBIT before special items increased by EUR 92m to EUR 104m primarily due to improved average project margins and higher volume. The EBIT margin before special items was 7.8 per cent. Net result increased by EUR 156m to EUR 94m and the free cash flow decreased by EUR 218m to EUR (21)m compared to the second quarter of 2013.

The intake of firm and unconditional wind turbine orders amounted to 1,932 MW in the second quarter of 2014 – an increase of 18 per cent compared to the second quarter of 2013. The value of the wind turbine backlog amounted to EUR 7.4bn at 30 June 2014. In addition to the wind turbine order backlog, Vestas had service agreements with contractual future revenue of EUR 6.5bn at the end of June 2014. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 13.9bn.

Vestas upgrades the 2014 guidance on EBIT margin before special items from minimum 5 per cent to minimum 6 per cent based on the improved cost base and the expected delivery plan for the second half of 2014.

Group President & CEO Anders Runevad said: "*With another solid quarter showing improvements in most areas, we remain focused on executing on our strategy, Profitable Growth for Vestas. Based on the improved cost base and the expected delivery plan for the second half of the year, we raise our 2014 EBIT margin target to minimum 6 per cent.*"

Q2 at a glance (compared to Q2 2013)

+ 18%	*Vestas had an order intake of 1,932 MW – an increase of 18 per cent*
+ 27%	*Vestas produced and shipped 1,457 MW – an increase of 27 per cent*
+ 31%	*Vestas delivered wind power systems with an aggregate capacity of 1,145 MW – an increase of 31 per cent*
+ 13%	*Vestas generated revenue of EUR 1,341m – an increase of 13 per cent*
+ 6%	*Onshore service revenue amounted to EUR 244m – an increase of 6 per cent*
+ EUR 92m	*EBIT before special items amounted to EUR 104m – an increase of EUR 92m*
+ EUR 156m	*Net profit amounted to EUR 94m – an increase of EUR 156m*
- EUR 218m	*Vestas realised a free cash flow of EUR (21)m – a decrease of EUR 218m*
+ 2%	*The number of employees at the end of the quarter was 17,586 – an increase of 2 per cent*
+ 14% points	*Renewable energy amounted to 60 per cent of the total energy consumption – an increase of 14 percentage points*
- 38%	*Incidence of lost time injuries per one million working hours was 2.0 – a decrease of 38 per cent*

Highlights for the Group

mEUR	Q2 2014[1]	Q2 2013[1]	H1 2014[1]	H1 2013[1]	FY 2013
Financial highlights					
Income statement					
Revenue	1,341	1,185	2,624	2,281	6,084
Gross profit	260	169	444	227	896
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) before special items	202	114	330	102	610
Operating profit/(loss) (EBIT) before special items	104	12	144	(96)	211
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) after special items	252	110	387	86	530
Operating profit/(loss) (EBIT) after special items	154	(9)	181	(131)	102
Net financial items	(9)	(29)	(34)	(58)	(138)
Profit/(loss) before tax	126	(38)	128	(189)	(36)
Net profit/(loss)	94	(62)	96	(213)	(82)
Balance sheet					
Balance sheet total	6,357	6,040	6,357	6,040	5,640
Equity	2,010	1,375	2,010	1,375	1,524
Provisions	375	353	375	353	388
Average interest-bearing position (net)	374	(969)	269	(1,048)	(862)
Net working capital	(336)	(56)	(336)	(56)	(596)
Net investments in property, plant and equipment	32	11	54	18	73
Cash flow statement					
Cash flow from operating activities	34	261	76	238	1,248
Cash flow from investing activities	(55)	(64)	(121)	(101)	(239)
Free cash flow	(21)	197	(45)	137	1,009
Cash flow from financing activities	(25)	(274)	396	(583)	(1,150)
Change in cash at bank and in hand less current portion of bank debt	(46)	(77)	351	(446)	(141)
Financial ratios[2]					
Financial ratios					
Gross margin (%)	19.4	14.3	16.9	10.0	14.7
EBITDA margin before special items (%)	15.1	9.6	12.6	4.5	10.0
EBIT margin before special items (%)	7.8	1.0	5.5	(4.2)	3.5
EBITDA margin after special items (%)	18.8	9.3	14.7	3.8	8.7
EBIT margin after special items (%)	11.5	(0.8)	6.9	(5.7)	1.7
Return on invested capital (ROIC) before special items (%)[3]	19.0	1.6	19.0	1.6	7.7
Solvency ratio (%)	31.6	22.8	31.6	22.8	27.0
Net working capital as percentage of revenue (%)[4]	(5.6)	(1.0)	(5.6)	(1.0)	(9.8)
Return on equity (%)[3]	14.1	(54.8)	14.1	(54.8)	(5.2)
Gearing (%)	30.8	85.0	30.8	85.0	39.9
Share ratios					
Earnings per share(EUR)[5]	1.0	(4.9)	1.0	(4.9)	(0.4)
Book value per share (EUR)	9.0	6.7	9.0	6.7	7.5
Price/book value (EUR)	4.1	1.6	4.1	1.6	2.9
Cash flow from operating activities per share (EUR)	0.1	1.3	0.3	1.2	6.1
Dividend per share (EUR)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Share price at the end of the period (EUR)	36.8	10.9	36.8	10.9	21.5
Average number of shares	224,074,513	203,704,103	219,235,134	203,704,103	203,704,103
Number of shares at the end of the period	224,074,513	203,704,103	224,074,513	203,704,103	203,704,103

1) Neither audited nor reviewed.
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). Reference is made to the 2013 annual report.
3) ROIC and return on equity are calculated over a 12-month period.
4) Net working capital as percentage of minimum outlook for revenue.
5) Earnings per share have been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

	Q2 2014[1)]	Q2 2013[1)]	H1 2014[1)]	H1 2013[1)]	FY 2013
Operational key figures					
Order intake (mEUR)	1,680	1,745	2,722	2,437	5,821
Order intake (MW)	1,932	1,641	3,120	2,285	5,964
Order backlog – wind turbines (bnEUR)	7.4	7.1	7.4	7.1	6.8
Order backlog – service (bnEUR)	6.5	5.9	6.5	5.9	6.7
Produced and shipped wind turbines (MW)	1,457	1,144	2,581	1,757	4,513
Produced and shipped wind turbines (number)	577	520	1,040	806	2,025
Deliveries (MW)	1,145	877	2,133	1,696	4,862
Social and environmental key figures[2)]					
Occupational health & safety[3)]					
Lost time injuries (number)	17	26	32	40	66
- of which fatal injuries (number)	0	1	0	1	1
Consumption of resources[3)]					
Consumption of energy (GWh)	95	126	233	292	586
- of which renewable energy (GWh)	58	58	121	154	325
- of which renewable electricity (GWh)	54	55	109	144	309
Consumption of fresh water (1,000 m^3)	99	120	178	219	512
Waste disposal[3)]					
Volume of waste (1,000 tonnes)	13	17	22	33	71
- of which collected for recycling (1,000 tonnes)	6	11	11	19	42
Emissions[3)]					
Direct emission of CO_2 (1,000 tonnes)	8	12	24	30	56
Indirect emission of CO_2 (1,000 tonnes)	6	10	14	22	44
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	1	0	2	1	1
Employees					
Average number of employees	17,104	17,325	16,684	17,316	17,051
Number of employees at the end of the period	17,586	17,253	17,586	17,253	15,497
- of which outside Europe and Africa	7,162	6,272	7,162	6,272	5,861
Social and environmental indicators[2)]					
Occupational health and safety					
Incidence of lost time injuries per one million working hours[3)]	2.0	3.2	2.0	2.5	2.1
Absence due to illness among hourly-paid employees (%)	2.3	2.8	2.5	2.7	2.5
Absence due to illness among salaried employees (%)	1.1	1.2	1.2	1.3	1.2
Products[3)]					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	41	30	73	46	125
Utilisation of resources[3)]					
Renewable energy (%)	60	46	52	53	56
Renewable electricity for own activities (%)	100	78	100	100	100
Employees					
Women in Board of Directors[4)] and Executive Management (%)	23	15	23	15	15
Women at management level (%)[5)]	18	17	18	17	17
Non-Danes at management level (%)[5)]	54	54	54	54	53

1) Neither audited nor reviewed.
2) Accounting policies for social and environmental key figures for the Group, see pages 103-105 of the annual report 2013.
3) From the second quarter of 2014, the joint venture MHI Vestas Offshore Wind is included in environmental data at pro rata for the share of ownership i.e. 50 per cent. Calculation of CO_2 savings of the MW produced and shipped follows the accounting policies for operational key figures. Based on a materiality assessment, lost time injuries are included pro rata.
4) Only Board members elected by the general meeting are included.
5) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

Financial performance

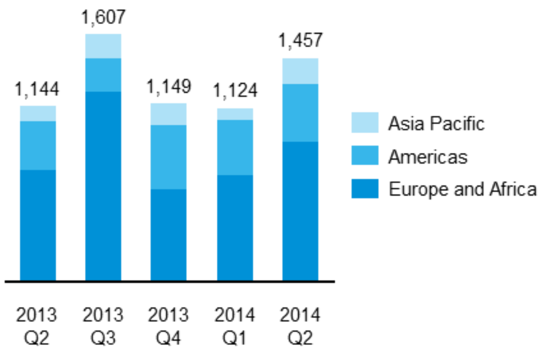
Order backlog and activities – wind turbines

The quarterly order intake was 1,932 MW, of which 70 per cent was announced. This is an improvement of 291 MW or 18 per cent compared to the second quarter of 2013. The value of the quarterly order intake amounted to EUR 1.7bn.

The order backlog amounted to 8,331 MW at the end of June 2014 – an increase of 1,115 MW compared to the end of June 2013. Europe and Africa accounted for 47 per cent and Americas and Asia Pacific accounted for 45 and 8 per cent, respectively. The value of the order backlog was EUR 7.4bn at the end of June 2014 – an increase of EUR 0.3bn compared to end of June 2013.

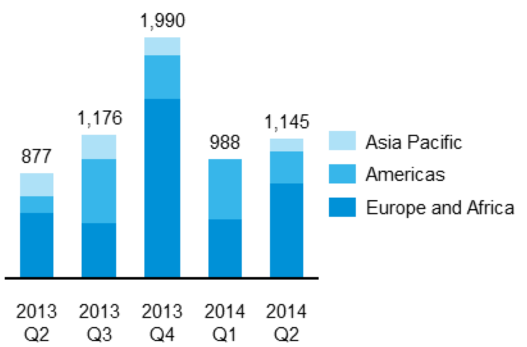
In the second quarter of 2014, Vestas produced and shipped wind turbines with an aggregate output of 1,457 MW (577 wind turbines) against 1,144 MW (520 wind turbines) in the second quarter of 2013.

Produced and shipped
MW



Final capacity delivered to the customers (transfer of risk – ToR) amounted to 1,145 MW; an increase of 31 per cent from the second quarter of 2013.

Deliveries (ToR*)
MW



*Transfer of risk

Overview as per Q2 2014
MW

	Europe and Africa	Americas	Asia Pacific	Total
Under completion, 1 April 2014	1,035	572	133	1,740
Delivered (ToR) to customers during the period	(792)	(267)	(86)	(1,145)
Produced and shipped during the period	907	374	176	1,457
Under completion, 30 June 2014	**1,150**	**679**	**223**	**2,052**

At the end of June 2014, wind turbine projects with a total output of 2,052 MW were under completion. This is reflected in the level of prepayments and inventories as a large share of these MW has not yet been recognised as revenue. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

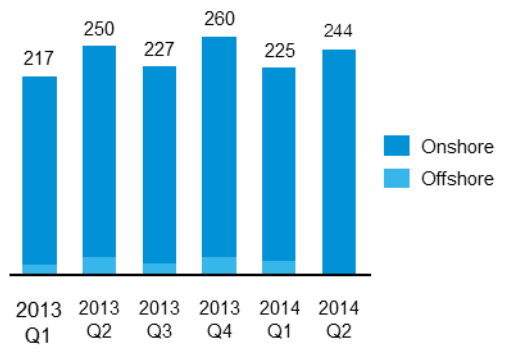
Order backlog and activities – service

At the end of June 2014, Vestas had service agreements with contractual future revenue of EUR 6.5bn – an increase of 17 per cent compared to the end of June 2013. Compared to the first quarter of 2014, the service order backlog declined by EUR 0.4bn due to transfer of service agreements at a value of EUR 0.8bn to the joint venture, MHI Vestas Offshore Wind.

Service revenue amounted to EUR 244m in the second quarter of 2014 – a decrease of 2 per cent compared to the second quarter of 2013. Service revenue in the second quarter of 2014 only includes onshore as offshore service agreements have been transferred to MHI Vestas Offshore Wind. Onshore service revenue alone increased by 6 per cent compared to the second quarter of 2013.

In the second quarter of 2014, the EBIT margin before allocation of Group costs amounted to 25 per cent which is a decrease of 4 percentage points compared to the second quarter of 2013. Even though revenue and earnings from the service business are far more stable than from the wind turbine business, the revenue and earnings generating activities in the different service contracts may vary from quarter to quarter. The EBIT margin after allocation of Group costs was 19 per cent.

Service revenue
mEUR



The service business requires in-depth knowledge about the wind turbines' performance depending on wind conditions and grid types, but only ties up a relatively low amount of capital. Vestas offers an increasingly broader product range covering everything from simple on-call duty to a guaranteed minimum exploitation of the wind.

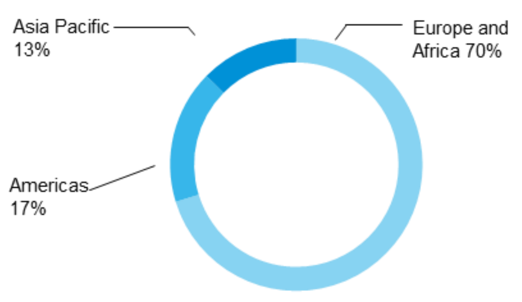
By the end of June 2014, Vestas has installed more than 62 GW in 73 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, close monitoring of more than 26,000 wind turbines equivalent to almost 49 GW is one of the foundations of Vestas' service business' growth strategy.

77 per cent of the expiring service contracts were renewed during the second quarter of 2014.

Income statement

In the second quarter of 2014, revenue amounted to EUR 1,341m; an increase of 13 per cent compared to the second quarter of 2013.

Distribution of revenue Q2 2014
Percentage



The gross profit amounted to EUR 260m – an increase of 54 per cent compared to the second quarter of 2013 – and the gross margin amounted to 19.4 per cent.

It should be emphasised that quarter-on-quarter developments in gross margins may show substantial fluctuations due to volume and composition relating to countries, project complexities, orders and wind turbine types as well as customers' demands for delivery flexibility.

The EBITDA margin before special items amounted to 15.1 per cent – an increase of 5.5 percentage points compared to the second quarter of 2013.

EBIT before special items amounted to EUR 104m – an increase of EUR 92m from the second quarter of 2013. The EBIT margin before special items was 7.8 per cent.

The increases in gross margin, EBITDA margin and EBIT margin were primarily driven by improved average project margins and higher volume.

In the second quarter of 2014, a net gain of EUR 50m was booked as special items relating to the preliminary gain from the establishment of the MHI Vestas Offshore Wind joint venture.

EBIT after special items amounted to EUR 154m – an improvement of EUR 163m compared to the second quarter of 2013. EBIT margin after special items stood at 11.5 per cent.

The second quarter-loss from investments in joint ventures of EUR 19m was negatively impacted by adjustments for internal transactions between Vestas and the MHI Vestas Offshore Wind joint venture with respect to timing of transfer of risk of offshore projects which will be balanced in a later period.

In the second quarter of 2014, net financial items amounted to EUR (9)m against EUR (29)m in the second quarter of 2013 primarily driven by the improvement of the net debt position.

The corporation tax expense amounted to EUR 32m in the second quarter of 2014 and the net result was EUR 94m – an improvement of EUR 156m compared to the second quarter of 2013.

Balance sheet

Vestas had total assets of EUR 6,357m at 30 June 2014 against EUR 6,040m the year before.

At the end of June 2014, Vestas had a net cash position of EUR 442m, representing an improvement of EUR 1,221m compared to the end of the second quarter of 2013. This was driven by the net working capital improvement during the second half of 2013 and the capital increase conducted in February 2014.

Assets and liabilities held for sale

On 6 March 2014, as part of its site simplification project, Vestas announced its plans to sell one of its office facilities in Aarhus, Denmark, which is classified as assets held for sale at EUR 48m.

Assets held for sale decreased by EUR 310m to EUR 48m and liabilities directly associated with current and non-current assets held for sale decreased by EUR 205m to EUR 0m during the quarter as the MHI Vestas

Offshore Wind joint venture was established and consequently, assets and liabilities were transferred to the joint venture.

Net working capital
At the end of June 2014, Vestas' net working capital amounted to EUR (336)m, which is a decrease of EUR 280m compared to the end of June 2013. The development is primarily driven by a lower level of inventories.

During the quarter, net working capital, excluding impacts from the offshore joint venture transaction, increased by EUR 100m driven by the higher activity level in production increasing MW under completion.

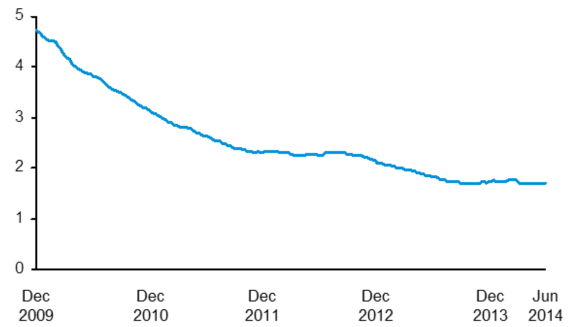
Vestas still aims to reduce the level of MW under completion significantly by decreasing lead time in transportation and installation. At the same time, Vestas focuses on order-to-cash by implementing improvements within contract management and cash collection.

Warranty provisions
In the second quarter of 2014, warranty provisions charged to the income statement amounted to EUR 28m, equivalent to 2.1 per cent of revenue. Warranty consumption amounted to EUR 34m, compared to EUR 28m in the second quarter of 2013. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.6 per cent. The very low level is a result of the continued focus on quality and the improved performance of the wind turbines.

In general, provisions are made for all expected costs associated with wind turbine repairs or replacements, and any reimbursement from other involved parties is not offset unless a written agreement has been made to that effect. Provisions are made to cover possible costs of remedy and other costs in accordance with specific agreements. Provisions are based on estimates, and actual costs may deviate substantially from such estimates.

The ongoing improvement of the Lost Production Factor (LPF) on Vestas wind turbines implies that the customers achieve a consistently better return on their investment. At the end of June 2014, all the wind power plants where Vestas has guaranteed the performance showed an average LPF of less than 2 per cent.

Lost Production Factor
Percentage



Data calculated across 18,760 Vestas wind turbines under full scope service.

Total equity
Vestas' equity amounted to EUR 2,010m at 30 June 2014; an increase of EUR 635m on 30 June 2013, primarily driven by the capital increase conducted in February 2014 and the positive net result for the period from 1 January to 30 June 2014. Equity ratio increased by 8.8 percentage points to 31.6.

Cash flow and investments
In the second quarter of 2014, cash flow from operating activities before changes in net working capital increased by EUR 127m to EUR 134m compared to the second quarter of 2013.

Changes in net working capital in the quarter was driven by the higher activity level in production increasing MW under completion, whereas the second quarter of 2013 was positively impacted by around EUR 100m from the sale of the Gebeleisis wind power plant in Romania co-developed by Vestas.

Cash flow from investment activities amounted to EUR 55m, which is EUR 9m lower than the same period last year. The investments were primarily driven by V110 and V126 moulds and capitalised technology investments.

In the second quarter of 2014, the free cash flow decreased by EUR 218m to EUR (21)m compared to the second quarter of 2013.

Market development

Deliveries and wind turbine backlog per region
MW

	Europe and Africa	Americas	Asia Pacific	Total
Deliveries Q2 2014	792	267	86	**1,145**
Backlog as per 30 June 2014	3,940	3,728	663	**8,331**

Europe and Africa

The European market is still characterised by low activity in Southern Europe which is balanced by growth in some Northern and Eastern European markets. During the second quarter of 2014, Vestas has announced orders in Denmark, Germany, Turkey and France for a total of 375 MW.

In the second quarter of 2014, Vestas delivered 792 MW to the markets in Europe and Africa and the order backlog amounted to 3,940 MW as of 30 June 2014.

Americas

Based on a strong foothold and a continued high market activity in the USA, Vestas has announced US orders of 800 MW in the second quarter of 2014. Most of this order intake came from the master supply agreements announced in the second half of 2013. In the second quarter of 2014, Vestas also received a 53 MW order for the Republic of Guatemala's very first wind power plant.

In the second quarter of 2014, Vestas delivered 267 MW to the markets in Americas and the order backlog amounted to 3,728 MW as of 30 June 2014.

Asia Pacific

During the second quarter of 2014, Vestas has announced orders in the Philippines and South Korea for a total amount of 122 MW.

In the second quarter of 2014, Vestas delivered 86 MW to the markets in Asia Pacific and the order backlog amounted to 663 MW as of 30 June 2014.

Deliveries (ToR)
MW

	Q2 2014	Q2 2013	FY 2013
Germany	175	54	616
United Kingdom	132	48	243
France	88	44	257
South Africa	72	-	65
Turkey	63	30	36
Romania	56	88	324
Belgium	55	-	134
Sweden	35	19	235
Poland	28	142	301
Denmark	27	45	233
Croatia	18	-	-
Netherlands	18	6	21
Ukraine	12	-	111
Kenya	7	-	-
Austria	6	-	35
Italy	-	30	199
Ireland	-	24	68
Portugal	-	4	7
Czech Republic	-	2	2
Greece	-	1	19
Finland	-	-	40
Bulgaria	-	-	14
Switzerland	-	-	11
Total Europe and Africa	**792**	**537**	**2,971**
USA	105	9	102
Chile	103	-	180
Uruguay	48	-	28
Canada	9	81	421
Brazil	2	-	334
Mexico	-	50	104
Nicaragua	-	-	40
Total Americas	**267**	**140**	**1,209**
China	64	99	434
India	22	26	80
Australia	-	75	168
Total Asia Pacific	**86**	**200**	**682**
TOTAL WORLD	**1,145**	**877**	**4,862**

Profitable Growth for Vestas

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

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

Grow profitably 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 and presence in markets like China and India. New regional management has been appointed in both China and India which combined with continuous cost and performance improvements and a higher degree of local sourcing are key levers in these markets going forward.

Vestas has already established a strong track record of winning firm and unconditional orders in new wind turbine markets in Asia, Africa and South America.

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.

In the second quarter of 2014, Vestas saw an increase in the order intake of 18 per cent compared to the second quarter of 2013. The increase was primarily driven by orders in the USA.

Capture full potential of the service business

Having installed an accumulated amount of more than 62 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 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.

In May 2014, Vestas launched the PowerPlus™ upgrades designed to optimise the performance and increase the power output on existing wind power plants by up to 5 per cent while maintaining high reliability.

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, Vestas has appointed a head of service reporting to the CEO.

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.

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 leading position.

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.

The ambition is to reduce the cost of energy faster than the market.

Improve operational excellence

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. In the first quarter of 2014, Vestas announced the closure of one office building in Aarhus, Denmark, as part of its site simplification programme.

The size of Vestas provides a competitive foundation for lowering costs at every stage of the value chain. Through its accelerated earnings programme, launched at 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.

The goal is to achieve cost leadership within the wind power industry.

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 is lower than 1 by the end of each financial year, and the target for the solvency ratio is above 30 per cent each financial year.

Dividend policy and priorities for excess cash allocation

Vestas has 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 coal 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.

Social and environmental performance

Employees

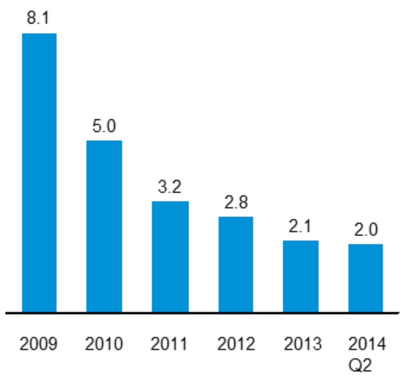
During the first six months of 2014, Vestas increased the number of employees by 2,089 mainly driven by the ramp up at the factories in the USA. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

Safety

The number of lost time injuries decreased significantly from 26 in the second quarter of 2013 to 17 in the second quarter of 2014. Similarly, the incidence of lost time injuries decreased from 3.2 in the second quarter of 2013 to 2.0 in the second quarter of 2014.

Vestas has set a target of incidence of lost time injuries of 1.6 for 2014 and with the 2014 first half year-performance at 2.0, further improvements are needed to achieve the full-year target.

Incidence of lost time injuries
Per one million working hours



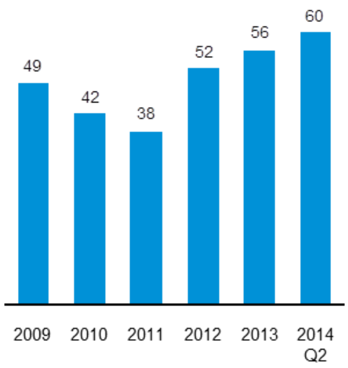
Environmental performance

Vestas' environmental impacts have decreased from the second quarter of 2013 to the second quarter of 2014. The divestment of Vestas' machining and casting units is the main reason for the reduction in energy, water, waste and emission of CO_2. The decrease has to a limited extent been outweighed by the increased activity level in the second quarter of 2014 compared to the year-earlier period.

As from 2014, metals and other raw materials are no longer included in the environmental key figures as indicators for environmental impact are considered more accurate when relating resource consumption and emissions to MW produced and shipped.

Vestas continues to use 100 per cent renewable electricity for its operations. Furthermore, 60 per cent of all energy consumption came from renewable energy sources in the second quarter of 2014.

Renewable energy
Percentage of total energy consumption



During the second quarter of 2014, Vestas has released new life cycle assessment reports, which show that the environmental impacts of Vestas' turbines have decreased. The V112-3.3 MW turbine has reduced its CO_2 emissions by 12 per cent and improved the return-on-energy by 23 per cent. The main reasons for the improvements are environmentally-led initiatives (SF_6 gas take-back scheme) and product upgrade initiatives (increased energy production and product optimisation).

In relation to electricity generation from coal and gas, CO_2 emissions from the V112-3.3 MW turbine is below 1 per cent and the return-on-energy is around 100-fold more favourable for wind. The assessment reports are available on vestas.com/en/about/sustainability.

Outlook 2014

Revenue is still expected to be minimum EUR 6bn including service revenue, which is expected to grow.

Based on the improved cost base and the expected delivery plan for the second half of the year, Vestas now expects to achieve an EBIT margin before special items of minimum 6 per cent compared to the previous guidance of minimum 5 per cent. The service margins are expected to remain stable.

The free cash flow is still expected to be minimum EUR 300m in 2014.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections and similar matters may thus cause delays that could affect Vestas' financial results for 2014.

Total investments are still expected to amount to approx EUR 250m.

Outlook 2014

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

Assumptions and risks

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.

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 2015. 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 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.

Consolidated accounts – 1 January-30 June 2014

Condensed consolidated income statement

mEUR

	Note	Q2 2014	Q2 2013	H1 2014	H1 2013
Revenue		**1,341**	**1,185**	**2,624**	**2,281**
Cost of sales		(1,081)	(1,016)	(2,180)	(2,054)
Gross profit		**260**	**169**	**444**	**227**
Research and development costs		(59)	(51)	(112)	(113)
Distribution expenses		(40)	(43)	(78)	(86)
Administrative expenses		(57)	(63)	(110)	(124)
Operating profit/(loss) (EBIT) before special items		**104**	**12**	**144**	**(96)**
Special items	4	50	(21)	37	(35)
Operating profit/(loss) (EBIT) after special items		**154**	**(9)**	**181**	**(131)**
Income from investments in associates		0	0	0	0
Income from investments in joint ventures	8	(19)	-	(19)	-
Net financial items		(9)	(29)	(34)	(58)
Profit/(loss) before tax		**126**	**(38)**	**128**	**(189)**
Corporation tax		(32)	(24)	(32)	(24)
Net profit/(loss) for the period		**94**	**(62)**	**96**	**(213)**
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.43	(0.31)	0.44	(1.05)
Earnings per share for the period (EUR), diluted		0.43	(0.31)	0.44	(1.05)

Condensed consolidated statement of comprehensive income

mEUR

	Q2 2014	Q2 2013	H1 2014	H1 2013
Profit/(loss) for the period	**94**	**(62)**	**96**	**(213)**
Items to be reclassified to the income statement when specific conditions are met:				
Exchange rate adjustments relating to foreign entities	17	(33)	13	(14)
Fair value adjustments of derivative financial instruments for the period	(31)	(28)	(32)	(31)
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	33	-	12	-
Share of other comprehensive income of joint venture	1	-	1	-
Tax on derivative financial instruments and other comprehensive income	(1)	7	5	8
Other comprehensive income after tax for the period	19	(54)	(1)	(37)
Total comprehensive income for the period	**113**	**(116)**	**95**	**(250)**

Condensed consolidated balance sheet – Assets

mEUR

	Note	30 June 2014	30 June 2013	31 December 2013
Goodwill		215	216	215
Completed development projects		304	409	331
Software		36	52	42
Development projects in progress		143	312	153
Total intangible assets		**698**	**989**	**741**
Land and buildings		719	858	803
Plant and machinery		192	206	219
Other fixtures, fittings, tools and equipment		126	175	151
Property, plant and equipment in progress		84	67	48
Total property, plant and equipment		**1,121**	**1,306**	**1,221**
Investments in associates		1	1	1
Investments in joint ventures	8	179	-	-
Other receivables		35	36	34
Deferred tax		188	150	155
Total other non-current assets		**403**	**187**	**190**
Total non-current assets		**2,222**	**2,482**	**2,152**
Inventories		1,942	2,176	1,425
Trade receivables		483	525	626
Construction contracts in progress		109	46	47
Other receivables		440	331	307
Corporation tax		53	69	57
Cash at bank and in hand		1,060	390	694
Total current assets		**4,087**	**3,537**	**3,156**
Current and non-current assets held for sale	9	48	21	332
TOTAL ASSETS		**6,357**	**6,040**	**5,640**

Condensed consolidated balance sheet – Equity and liabilities

mEUR

	Note	30 June 2014	30 June 2013	31 December 2013
Share capital		30	27	27
Other reserves		(11)	(32)	(10)
Retained earnings		1,991	1,380	1,507
Total equity		**2,010**	**1,375**	**1,524**
Deferred tax		21	21	21
Provisions	10	193	173	200
Pension obligations		2	2	2
Financial debts	5	11	972	604
Total non-current liabilities		**227**	**1,168**	**827**
Prepayments from customers		1,737	1,712	1,568
Construction contracts in progress		25	75	12
Trade payables		1,178	998	832
Provisions	10	159	157	165
Financial debts	5	607	197	4
Other liabilities		370	349	426
Corporation tax		44	9	39
Total current liabilities		**4,120**	**3,497**	**3,046**
Liabilities directly associated with current and non-current assets held for sale	5	0	0	243
Total liabilities		**4,347**	**4,665**	**4,116**
TOTAL EQUITY AND LIABILITIES		**6,357**	**6,040**	**5,640**

Condensed consolidated statement of changes in equity – six months ended 2014

mEUR

	Share capital	Trans-lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
Equity at 1 January 2014	**27**	**(46)**	**36**	**-**	**(10)**	**1,507**	**1,524**
Total comprehensive income for the period	-	13	(15)	1	(1)	96	95
Capital increase	3	-	-	-	-	439	442
Costs of capital increase	-	-	-	-	-	(10)	(10)
Acquisition of treasury shares	-	-	-	-	-	(43)	(43)
Share based payments	-	-	-	-	-	2	2
Equity at 30 June 2014	**30**	**(33)**	**21**	**1**	**(11)**	**1,991**	**2,010**

Condensed consolidated statement of changes in equity – six months ended 2013

mEUR

	Share capital	Translation reserve	Cash flow hedging reserve	Total other reserves	Retained earnings	Total
Equity at 1 January 2013	**27**	**7**	**(2)**	**5**	**1,590**	**1,622**
Total comprehensive income for the period	-	(14)	(23)	(37)	(213)	(250)
Share based payments	-	-	-	-	3	3
Equity at 30 June 2013	**27**	**(7)**	**(25)**	**(32)**	**1,380**	**1,375**

Condensed consolidated cash flow statement

mEUR

	Q2 2014	Q2 2013	H1 2014	H1 2013
Profit/(loss) for the period	94	(62)	96	(213)
Adjustments for non-cash transactions	89	127	189	270
Corporation tax paid	(34)	(28)	(48)	(48)
Interest paid	(15)	(30)	(35)	(61)
Cash flow from operating activities before change in net working capital	134	7	202	(52)
Change in net working capital	(100)	254	(126)	290
Cash flow from operating activities	**34**	**261**	**76**	**238**
Investment in intangible assets	(20)	(53)	(64)	(82)
Investment in property, plant and equipment	(37)	(16)	(59)	(25)
Sale of property, plant and equipment	5	5	5	7
Other	(3)	0	(3)	(1)
Cash flow from investing activities	**(55)**	**(64)**	**(121)**	**(101)**
Free cash flow	**(21)**	**197**	**(45)**	**137**
Capital increase	0	-	432	-
Acquisition of treasury shares	(25)	-	(43)	-
Repayment of financial debts	0	(274)	7	(583)
Cash flow from financing activities	**(25)**	**(274)**	**396**	**(583)**
Change in cash at bank and in hand less current portion of bank debt	**(46)**	**(77)**	**351**	**(446)**
Cash at bank and in hand less current portion of bank debt at 1 April/1 January	1,087	466	690	847
Exchange rate adjustments of cash at bank and in hand	12	(4)	12	(16)
Cash at bank and in hand less current portion of bank debt at 30 June	**1,053**	**385**	**1,053**	**385**
The amount can be specified as follows:				
Cash at bank and in hand without disposal restrictions	963	282	963	282
Cash at bank and in hand with disposal restrictions	97	108	97	108
Total cash at bank and in hand	1,060	390	1,060	390
Current portion of bank debt	(7)	(5)	(7)	(5)
	1,053	**385**	**1,053**	**385**

In connection with the establishment of the joint venture between Vestas Wind Systems A/S and Mitsubishi Heavy Industries Ltd. (ref. note 8), net assets of EUR 139m were transferred from Vestas to the joint venture, MHI Vestas Offshore Wind. As part of this transfer, a gain of EUR 58m was recognised in the income statement and an investment in MHI Vestas Offshore Wind amounting to EUR 197m was recognised on the balance sheet. The entire transaction was carried out non-cash.

Notes to the consolidated accounts

Note 1 - Accounting policies

Basis of preparation
The interim report comprises a summary of the consolidated financial statements of Vestas Wind Systems A/S.

Accounting policies
The interim report is prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The accounting policies remain unchanged from the annual report for 2013, which is presented under International Financial Reporting Standards (IFRSs) as adopted by the EU. Reference is made to the annual report for 2013, pages 46-96, for a complete description of the accounting policies of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected annual profit or loss.

Critical accounting judgements and estimates
Reference is made to the annual report 2013 pages 52, 57, 62, 65, 68, 73 and 75 with the exception of changes in estimates that are required in determining the provision for income tax, measurement of fair value less cost to sell assets held for sale (note 7) and measurement of consideration for the sale of shares in Vestas Offshore A/S (ref. note 8).

New IASs/IFRSs and IFRICs implemented in the period
No new standards or interpretations of importance to net profit and equity were implemented in 2014.

For additional information on IASs/IFRSs and IFRICs implemented in the current year or later, reference is made to note 40 on page 96 of the annual report 2013.

Subsequent to the publication of the annual report 2013, the IASB has published the following new or revised accounting standards and interpretations, effective for future accounting periods which are assessed to be of relevance to Vestas.

IFRS 15: Revenue recognition. The standard includes a new control based model for recognition of revenue from contracts with customers. Revenue is recognised at a point in time or over time depending on the transfer of control of the goods or services concerned to the buyer. The standard includes a number of specific criteria for division of contracts into separate performance obligations which must be recognised in a separate line. Moreover, the standard includes guidance in a number of areas which have previously been open for interpretation, e.g. warranties, right of return, variable consideration, up-front fees, revenue from licences, etc. The standard is effective for financial years beginning on or after 1 January 2016. EU adoption is expected in the second quarter of 2015. Vestas has yet to assess IFRS 15’s full impact.

Apart from the aforementioned, no new IASs/IFRSs or IFRICs have been issued in 2014, to date, which are at this time considered relevant or significant to Vestas.

Note 2 - Segment information

mEUR

	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service	Total reportable segments
Q2 2014						
External revenue	746	146	129	76	244	**1,341**
Internal revenue	178	64	7	819	0	**1,068**
Total segment revenue	**924**	**210**	**136**	**895**	**244**	**2,409**
Reportable segments' operating results (EBIT)[1]	11	(4)	(2)	29	46	**80**
Total assets	**1,176**	**675**	**243**	**1,676**	**383**	**4,153**
Q2 2013						
External revenue	664	131	140	0	250	1,185
Internal revenue	86	24	5	860	0	975
Total segment revenue	**750**	**155**	**145**	**860**	**250**	**2,160**
Reportable segments' operating results (EBIT)	(7)	(3)	6	(38)	53	11
Total assets	**1,376**	**807**	**272**	**1,583**	**402**	**4,440**

Reconciliation	**Q2 2014**	**Q2 2013**
Reportable segments' EBIT	80	11
Unallocated net income/(expenses)[2]	74	(20)
Consolidated operating profit (EBIT)	**154**	**(9)**

1) Service EBIT of EUR 46m is after allocation of Group costs of EUR 16m. Before allocation of Group costs, service EBIT amounts to EUR 62m (2013: EUR 73m).
2) Inclusive of 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.

Note 2 - Segment information (continued)

mEUR

	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service	Total reportable segments
H1 2014						
External revenue	1,288	534	240	93	469	**2,624**
Internal revenue	284	107	10	1,598	0	**1,999**
Total segment revenue	**1,572**	**641**	**250**	**1,691**	**469**	**4,623**
Reportable segments' operating results (EBIT)[1)]	(19)	21	(5)	123	87	**207**
Total assets	**1,176**	**675**	**243**	**1,676**	**383**	**4,153**
H1 2013						
External revenue	1,138	370	302	4	467	2,281
Internal revenue	196	40	8	1,312	0	1,556
Total segment revenue	**1,334**	**410**	**310**	**1,316**	**467**	**3,837**
Reportable segments' operating results (EBIT)	(23)	(24)	11	47	85	**96**
Total assets	**1,376**	**807**	**272**	**1,583**	**402**	**4,440**

Reconciliation	**H1 2014**	**H1 2013**
Reportable segments' EBIT	207	96
Unallocated net income/(expenses)[2)]	(26)	(227)
Consolidated operating profit (EBIT)	**181**	**(131)**

1) Service EBIT of EUR 87m is after allocation of Group costs of EUR 33m. Before allocation of Group costs, service EBIT amounts to EUR 120m (2013: EUR 125m).
2) Inclusive of 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.

Note 3 - Overview of MW under completion per quarter 2014

mEUR

	Europe and Africa	Americas	Asia Pacific	Total
Q1				
Under completion, 1 January 2014	853	690	61	1,604
Delivered (ToR) to customers during the period	(499)	(483)	(6)	(988)
Produced and shipped during the period	681	365	78	1,124
Under completion, 31 March 2014	**1,035**	**572**	**133**	**1,740**
Q2				
Under completion, 1 April 2014	1,035	572	133	1,740
Delivered (ToR) to customers during the period	(792)	(267)	(86)	(1,145)
Produced and shipped during the period	907	374	176	1,457
Under completion, 30 June 2014	**1,150**	**679**	**223**	**2,052**

Note 4 - Special items

In the second quarter of 2014, a total of EUR 50m was booked as special items representing the net gain from the sale of 50 per cent of the shares in Vestas Offshore A/S and its subsidiaries to form the joint venture, MHI Vestas Offshore Wind (ref. note 8).

Note 5 - Development in the balance sheet since 31 December 2013

Since the beginning of the financial year, current and non-current assets held for sale have decreased by EUR 284m to EUR 48m and liabilities directly associated with current and non-current assets held for sale have decreased by EUR 243m to EUR 0m due to the transaction referred to in note 8 involving MHI Vestas Offshore Wind. Since the beginning of the financial year, non-current financial debts have decreased by EUR 593m. This is primarily due to the financial debts now being due within 12 months and therefore classified as current financial debts.

Note 6 - Financial risks

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, ref. annual report 2013. The risks remain unchanged from 2013.

Note 7 - Financial instruments

There are no material differences between the fair values and book values of financial assets and liabilities apart from corporate bonds, whose book value is EUR 600m with a corresponding fair value of EUR 612m. The fair value of cash flow hedges at 30 June 2014 amounts to EUR (1)m.

Note 8 - Investment in joint ventures

With effect from 1 April 2014 (closing date), Vestas Wind Systems A/S transferred its development activities related to the development of the V164-8.0 MW turbine to its wholly owned subsidiary Vestas Offshore A/S (now MHI Vestas Offshore Wind), while Mitsubishi Heavy Industries Ltd. (MHI) injected an amount of EUR 100m. The transaction resulted in an equally shared ownership in MHI Vestas Offshore Wind between Vestas Wind Systems A/S and MHI. As part of the transaction, MHI also acquired an option to purchase an additional 1 per cent of the shares in MHI Vestas Offshore Wind after two years.

Based on the terms of the agreement between the shareholders, it has been determined that the investment in MHI Vestas Offshore Wind shall be classified as a joint venture.

In addition to the EUR 100m transferred to MHI Vestas Offshore Wind, MHI has to transfer up to EUR 200m as milestone payments which are dependent on certain milestones which are to be achieved after the closing of the transaction.

The recognition of the milestone payments is based on an assessment of the likelihood of the milestones being achieved. The estimates and assumptions made to make this assessment are based on experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain.

Based on an assessment of the value of the consideration, a preliminary net gain of EUR 50m has been recognised as special items in the income statement in the six months period ended 30 June 2014. The measurement of the gain is subject to MHI's final approval of the closing balance sheet at 1 April 2014 of Vestas Offshore A/S. Final approval is expected in the third quarter of 2014.

As an accounting policy choice, the preliminary gain recognised on this transaction is based on a proportionate elimination of internal profit on the transaction.

mEUR

	Six months ended 30 June 2014
Beginning of period	0
Addition	197
Share of profit/(loss)	(19)
Share of other comprehensive income	1
End of period	**179**

In the Group's share of profit from the joint venture, income resulting from the sale of wind turbines to the joint venture is recognised in the Group's financial statements only to the extent that the joint venture has sold the wind turbines to unrelated parties. The share of profit/(loss) from the joint venture before elimination of internal profit on sale of wind turbines to the joint venture amounted to EUR (2)m.

The Group's share of the joint venture's revenue and aggregated assets and liabilities at the end of the period amounts to: Revenue: EUR 45m, aggregated assets: EUR 347m and aggregated liabilities: EUR 151m.

Nature of investment in joint ventures:

Name of entity	Country of incorporation	Percentage of ownership interest	Measurement method
MHI Vestas Offshore Wind	Denmark	50 per cent	Equity method

MHI Vestas Offshore Wind is a private company and there is no quoted market price available for its shares.

There are no commitments or contingent liabilities relating to the Group's interest in the joint venture.

Note 9 – Non-current assets held for sale

On 6 March 2014, as part of its site simplification project, Vestas announced its plans to sell one of its office facilities in Aarhus, Denmark, which is classified as assets held for sale at EUR 48m. The measurement basis is fair value less cost to sell. The fair value is based on input from two independent external valuation experts.

Impairment loss recognised in the first half of 2014 amounted to EUR 20m.

Note 10 - Warranty provisions

mEUR	30 June 2014	30 June 2013	31 December 2013
Warranty provisions, 1 January	307	274	274
Provisions for the period	53	46	117
Warranty provisions consumed during the period	(62)	(45)	(84)
Warranty provisions	**298**	**275**	**307**
The provisions are expected to be payable as follows:			
< 1 year	133	133	137
> 1 year	165	142	170

Note 11 - Related party transactions

Since 1 April 2014 and the Group's investment in the joint venture, MHI Vestas Offshore Wind has become a related party. Revenue from sales to MHI Vestas Offshore Wind for the period from 1 April to 30 June 2014 amounts to EUR 168m and payables to MHI Vestas Offshore Wind amounts to EUR 8m at 30 June 2014.

No other significant changes have occurred to closely related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated annual report for 2013.

Note 12 - Contingent assets and liabilities

As many other multinational businesses, Vestas recognises the increased focus on the transfer pricing and the consequent allocation of profits to the relevant countries.

Even though Vestas' subsidiaries pay corporate tax in the countries in which they operate, Vestas is still part of a number of tax audits on different locations.

Some of these disputes concern significant amounts and uncertainties.

Vestas believes that the provisions made for uncertain tax positions not yet settled with the local tax authorities is adequate.

However, the actual obligation may differ and is subject to the result of the litigations and settlements with the relevant tax authorities.

Note 13 - Significant events after the reporting period

Between the end of the quarter and the publication of this interim financial report, other than the developments disclosed in the interim review, no significant events have occurred which have not been recognised and adequately disclosed and which materially affect the profit for the period or the statement of financial position.

Management's statement

The Board of Directors and Executive Management have reviewed and approved the financial report of Vestas Wind Systems for the first six months of 2014. The financial report has not been audited or reviewed by the company's independent auditors.

The financial report for the first six months of 2014 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and accounting policies set out in the annual report 2013 of Vestas Wind Systems A/S. Furthermore, the financial report for the first six months of 2014 and management's review are prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the accounting policies used are appropriate and the overall presentation of the financial report for the first six months of 2014 is adequate. Furthermore, in our opinion, management's review includes a true and fair account of the development in the operations and financial circumstances, of the results for the period and of the financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group in accordance with Danish disclosure requirements for listed companies.

Besides what has been disclosed in the quarterly financial reports, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report for 2013.

Aarhus, Denmark, 20 August 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 Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Jørn Ankær Thomsen

Kim Bredo Rahbek

Kim Hvid Thomsen

Lykke Friis

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

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. There are a number of factors that could 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; (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 from suppliers and vendors; and (m) customer readiness and ability to accept delivery and installation of products and transfer of risk.

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. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2013 (available at vestas.com/investor) and these factors should also be considered. 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 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.

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