Vestas

Annual report 2014

Wind. It means the world to us.™

The Vestas Group

Vestas is the only global energy company dedicated exclusively to wind energy – improving business case certainty and reducing the cost of energy for its customers.

Vestas works in close partnership with customers to offer the most effective solutions. The core business is development, manufacturing and sale and service of wind turbines – with competencies that cover every aspect of the value chain from site studies to service.

The strategic direction remains unchanged – Profitable Growth for Vestas – as does the ambition not just to maintain but expand the global leadership and create an even more flexible and robust company.

The Vestas track record speaks for itself
With installed wind turbines in 73 countries around the world, Vestas has considerable experience in all the key disciplines – engineering, transportation, construction, operations and service. Vestas' projects have covered every kind of site, from high altitude to extreme weather conditions.

Every day, Vestas leverages its global experience to continuously improve the performance of its customers' wind power plants. This is done through the monitoring and performance diagnostics of the world's largest fleet of wind turbines. The continuous stream of data from 27,283 wind turbines enables Vestas to meticulously plan and carry out service inspections, thereby reducing wind turbine downtime to an absolute minimum.

Vestas has delivered 53,743 wind turbines on six continents, which generate more than 130 million MWh of electricity per year – enough electricity to e.g. supply all households in the United Kingdom and reduce carbon emissions by more than 70 million tonnes of CO_2.

66 GW

Vestas has delivered 66 GW (53,743 wind turbines) in 73 countries around the world and have manufacturing facilities in North and Latin America, Europe and Asia.

EUR 6.9bn

In 2014, Vestas' revenue amounted to EUR 6.9bn and EBIT before special items amounted to EUR 559m – an increase of EUR 826m and EUR 348m, respectively, compared to 2013.

EUR 13.7bn

End 2014, Vestas had a wind turbine order backlog of EUR 6.7bn (7,513 MW) and a service order backlog of EUR 7.0bn. The total order backlog amounted to EUR 13.7bn.

Vestas continues to grow profitably

" The strategic direction is in place, and we have a highly capable Executive Management team leading the way. We are in a strong position to drive the business forward and with that reduce the cost of energy and ensure an attractive return on investment for our shareholders."

Bert Nordberg
Chairman of the Board of Directors

Vestas is transformed. On the basis of a revised business model, Vestas has restored confidence and proved that we are able to overcome even the greatest challenges.

I have had the privilege of serving as the Chairman of Vestas' Board for almost three years. Vestas is not the same company it was, when I took the role. From the Board's perspective, the overall objective is to make sure the company is properly run, and that Vestas has a dynamic and qualified management team that understands and is able to further develop the company. We have that now.

Exceeding expectations

During the last couple of years, we have set clear and ambitious goals, and we have achieved them. We have set financial targets, and we have met them – and in some cases even surpassed them.

Our aspiration is to hold our position as the undisputed global leader in wind energy. We want to:

- be market-leading in terms of revenue;
- have best-in-class margins;
- create the strongest brand in the industry; and
- bring wind on a par with coal and gas.

Our strategy is ambitious as well. We want to grow profitably in mature and emerging markets and expand the service business, while at the same time reducing the cost of energy and pursuing operational excellence. With the right strategic approach and the right management team in place, I am confident that we will realise the ambitions, our strategy embodies.

Vestas, today, is a leaner and more flexible and scalable company, and we are prepared for the future challenges of an increasingly dynamic and competitive wind power industry.

Vestas is judged on its ability to generate value for its shareholders, and we are on the right track. Based on the 2014 financial results, we in the Board find it to be the right time to recommend to the Annual General Meeting the distribution of a dividend to our shareholders.

The future is wind

We have shown that we can deliver results in the truly competitive global marketplace – even in strong headwinds. With our 2014 results, I am encouraged about the future. Profitability, cash position and return on invested capital are substantially improving. Customers and shareholders provide positive feedback on the direction of the company. And our technology and service solutions continue to ensure top wind turbine performance.

We must, nonetheless, keep improving and strengthening our ability to remain a trusted partner for the long haul. The global demand for energy will only go up, and I am confident that Vestas is ready for the future as the leading global player within the wind power industry.

Vestas supplies cost-efficient, reliable energy, and we work to ensure that we deliver best-in-class wind energy solutions and set the pace in our industry to the benefit of our customers and our planet.

Renewable energy is going to help us in the race against climate change, energy poverty and water scarcity. This is a race we must win.

Bert Nordberg
Chairman of the Board of Directors

Our strategic direction is unchanged

" Our strategic direction is unchanged. We will build on our global reach in both wind turbines and services and focus on delivery in 2015. Our aim is lower cost of energy, greater operational efficiencies, and value creation for our shareholders and customers."

Anders Runevad
Group President & CEO

2014 was the first year of executing on our new strategy – Profitable Growth for Vestas. We made solid progress in terms of improving profitability and improved our net cash position by around EUR 1.3bn. To achieve our goals, Vestas will continue to leverage and expand on our global reach, our technology and service leadership, and our global scale.

That said, profitable growth requires that we maintain the virtues adopted during the past years. This means firmly prioritising amongst the most business critical issues and ensuring a diligent focus on cost structures, cash levels, and investments.

Tough competition and an ever-changing regulatory environment are some of the challenges we are facing. However, I am encouraged by the higher earnings, the significant improvement to net working capital, and the continued strong cash flow.

The highlights of 2014 include an order intake of 6,544 MW across 31 countries on six continents; continuous growth in our service business; the introduction of market-specific strategies; and further optimising of our manufacturing footprint.

Market changes

Wind energy's advantages are well known, and our aspiration is to be the undisputed global leader in the wind power industry, adapting to the global marketplace, which continues to evolve. We see a steady economic growth, and experience an increase in demand for electricity in regions like Asia, Latin America and Africa, whereas the European and North American markets remain stable. Mature markets are driven by replacement of energy capacity, providing a stable foundation for continued demand, whereas demand in emerging markets is driven more by growth in overall energy consumption. Future growth in demand for energy is expected to come mainly from Asia, Latin America, and Africa.

In the wake of the extension of the American Production Tax Credit (PTC) in the beginning of 2013, the market in the USA rebounded. The PTC was then again extended in December 2014, and although with limited time to secure additional orders, contributed to high activity at the end of the year.

Overall, the global market has stabilised and we expect growth over the coming years. Looking ahead, we are convinced, that the future belongs to wind.

Strategic direction

The strategic direction for Vestas remains the same. We are the largest global player in the wind power industry, and we deliver superior efficiency and profitability. But we will intensify our focus on ensuring that our products and services become even more competitive across markets, both within the wind power industry and compared to other energy sources.

The 2014 strategic review has highlighted that our four strategic objectives are as important now as when they were launched a year ago. Therefore, the point of origin is the same, but modifications have been made to fully reflect relevant changes that have occurred during 2014.

1. Profitable growth in mature and emerging markets
We will continue our focus on profitable growth in mature and emerging markets, partnering more closely with our customers, expanding our key account programme, involving customers in product development, and working closely with them to deliver tailored solutions.

With a total delivery of 6,252 MW – compared to 4,862 MW in 2013 – 2014 was a busy year for the company. Vestas secured a solid growth in total order intake in 2014. In terms of orders, the global market for wind power improved in 2014. A significant pick-up in the US market combined with another year of double-digit growth in Europe and a continued solid level of order intake in new wind power markets more than offset the decrease observed in the Asia Pacific region.

In 2014, Vestas delivered 1,557 MW to the North American markets, thereby reaching the 15 GW milestone of installed capacity in the region.

The European onshore market continued to be stable in 2014. Shifting political winds aside, Europe will remain a large market and therefore a priority for Vestas. With the 2030 EU renewable energy target, Europe as a whole is signalling its continued long-term commitment towards renewable energy buildout.

Emerging markets in Latin America and Africa continue to show growth potential, and with deliveries of 767 MW in Latin America and 165 MW in Africa, I am encouraged about the years to come. We will build on our success in new markets as well as prepare and execute go-to-market plans for selected markets.

In 2014, Vestas announced a new strategy to secure profitable growth in China, thereby reinvigorating our long-standing commitment to the world's largest wind energy market. In addition to introducing our newest and most technologically advanced 2 MW variants, we will also initiate a new and more flexible approach to service, allowing for tailor-made service packages to be designed in close collaboration with our customers.

The offshore market is expected to grow. With the V164-8.0 MW turbine successfully commissioned, the joint venture between Vestas and Mitsubishi Heavy Industries Ltd., established in April 2014, is expected to be a strong vehicle to win an expanding share of the global offshore market.

With a strong global footprint, Vestas has a competitive edge, allowing us to grow profitably in mature and emerging markets. We will continue to scale production up and down in accordance with the level of demand in the different regions. Building on our long-standing global presence, we will continue to pursue opportunities in markets where wind energy is set to expand.

2. Capture full potential of the service business

Vestas' accumulated installed capacity of more than 66 GW of wind power provides a unique platform from which to grow. Almost all Vestas wind turbine contracts are sold with an attached service agreement and the service business is thus set to continue its positive development.

Our data processing capacity allows us to apply unparalleled knowledge of the wind to create tailor-made solutions, thereby meeting customer and project needs. With knowledge and insights from our installed base of Vestas wind turbines, we can optimise wind turbine performance throughout the wind turbine's entire life cycle.

One of the ambitions of the service area in 2014 was to establish it as a separate division and appoint a head of Global Service. Both was achieved, and following the appointment of the head of the division, the underlying global service organisation has also been established. We now have a strong vehicle to execute on the strategic objective to capture the full potential of the service business.

3. Reduce levelised cost of energy

Vestas wants to remain the technology leader of the wind power industry and one of the most important ways of continuing to hold that position is through our product portfolio which in recent years has been simplified, yet at the same time adapted to even better fit the demands of the markets and customers. An example of those efforts is the increased integration of standard components and modularisation across Vestas' product platforms, which reduce the technical complexity and thereby the cost of the wind turbines.

In addition, the two-platform product strategy allows us to accelerate and streamline product development, thereby reducing the time it takes to bring new products to market, while maintaining a platform offering better positioned to suit market and customer demands.

We will continue this strategy of optimising wind turbine performance for specific markets and wind conditions. Consequently, Vestas will further utilise our proven platforms by developing new variants, targeted at improving performance and reducing costs by means of design improvements and optimisations and sourcing of lower cost components.

Also, we will further reduce the levelised cost of energy by outsourcing and using standard components. With this, we reduce manufacturing costs and time-to-market, and thereby lower the cost of energy for our customers.

In some markets, levelised cost of energy of wind is on a par with other sources of energy, and Vestas will continue to focus on reducing the cost of energy in order to strengthen wind power's role as the preferred power generation technology.

4. Improve operational excellence

The lessons learned and the experiences gained through the turnaround period have not been forgotten and thus, cost savings remain a priority area for everyone at Vestas. We have continued our site simplification programme as well as further use of shared services. We will also continue to increase efficiency by leveraging on the scale of our operations. Our goal is to achieve cost leadership within the wind power industry.

Working capital management also remains a high priority area for Vestas and I am pleased to see that our focus on this area led to strong results again in 2014. And our attention to this area is unchanged as we will continue to focus on improving the cash conversion cycle by for instance lowering the working capital tied up while transporting and installing the wind turbines .

A positive forecast

Our overall goal is to be a trusted partner with a leading offering in a competitive marketplace. Executing on our strategic objectives, we will ensure making the most of our potential.

We are confident that we will achieve our goals for 2015, not the least due to our employees, who have worked hard during the past year on executing the strategy, and whom I would like to thank for the passion they put in their work.

We will continue to build our strength within our core business in 2015 and beyond. The overall strategic ambition is to ensure profitable growth for Vestas and expand our global leadership. We have come a long way, and we will continue our journey to create an even more flexible and robust company.

This is done by improving the value we deliver to our customers and by making wind an energy source on a par with coal and gas. And we are dedicated to creating optimal value for our customers and at the same time generating the best possible return on invested capital for our shareholders.

Vestas provides energy for a world in constant development and, with this, we will reach the full potential of wind energy. And I will do my part to make this happen.

Anders Runevad
Group President & CEO

Contents

2014 at a glance – compared to 2013

+10%

Vestas had an order intake of 6,544 MW
– a increase of 10 per cent

+36%

Vestas produced and shipped 6,125 MW
– an increase of 36 per cent

+29%

Vestas delivered wind power systems
with an aggregate capacity of 6,252 MW
– an increase of 29 per cent

+14%

Vestas generated revenue of EUR 6,910m
– an increase of 14 per cent

+7%

Onshore service revenue amounted to EUR 949m
– an increase of 7 per cent

+EUR 348m

EBIT before special items amounted to EUR 559m
– an increase of EUR 348m

+EUR 474m

Net profit amounted to EUR 392m
– an increase of EUR 474m

- EUR 168m

Vestas realised a free cash flow of EUR 841m
– a decrease of EUR 168m

+0% points

Renewable energy amounted to 56 per cent
of the total energy consumption
– unchanged

-24%

Incidence of lost time injuries per
one million working hours was 1.6
– a decrease of 24 per cent

Highlights for the Group

mEUR	2014	2013	2012	2011	2010
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	6,910	6,084	7,216	5,836	6,920
Gross profit	1,178	896	796	725	1,175
Profit before financial income and expenses, depreciation and amortisation (EBITDA) before special items	929	610	473	305	747
Operating profit/(loss) (EBIT) before special items	559	211	4	(38)	468
Profit before financial income and expenses, depreciation and amortisation (EBITDA) after special items	977	530	299	305	684
Operating profit/(loss) (EBIT) after special items	607	102	(697)	(60)	310
Profit/(loss) of financial items	(53)	(138)	(14)	(93)	(72)
Profit/(loss) before tax	523	(36)	(713)	(153)	238
Profit/(loss) for the year	392	(82)	(963)	(166)	156
BALANCE SHEET					
Balance sheet total	6,997	5,640	6,972	7,689	7,066
Equity	2,379	1,524	1,622	2,576	2,754
Provisions	390	388	353	329	370
Average interest-bearing position (net)	494	(862)	(1,189)	(990)	(593)
Net working capital	(957)	(596)	233	(71)	672
Investments in property, plant and equipment	163	73	167	406	458
CASH FLOW STATEMENT					
Cash flow from operating activities	1,126	1,248	(73)	840	56
Cash flow from investing activities	(285)	(239)	(286)	(761)	(789)
Free cash flow	841	1,009	(359)	79	(733)
Cash flow from financing activities	389	(1,150)	832	(13)	568
Change in cash at bank and in hand less current portion of bank debt	1,230	(141)	473	66	(165)
RATIOS[1]					
FINANCIAL RATIOS					
Gross margin (%)	17.0	14.7	11.0	12.4	17.0
EBITDA margin (%) before special items	13.4	10.0	6.6	5.2	10.8
EBIT margin (%) before special items	8.1	3.5	0.1	(0.7)	6.8
EBITDA margin (%) after special items	14.1	8.7	4.1	5.2	9.9
EBIT margin (%) after special items	8.8	1.7	(9.7)	(1.0)	4.5
Return on invested capital (ROIC) (%) before special items[2]	35.3	7.7	0.2	(1.3)	10.8
Solvency ratio (%)	34.0	27.0	23.3	33.5	39.0
Net interest-bearing debt/EBITDA before special items	(1.5)	(0.1)	1.9	1.8	0.8
Return on equity (%)	20.1	(5.2)	(45.9)	(6.2)	5.9
Gearing (%)	25.5	39.9	108.0	35.7	33.2
SHARE RATIOS					
Earnings per share (EUR)	1.8	(0.4)	(4.8)	(0.8)	0.8
Book value per share (EUR)	10.6	7.5	8.0	12.6	13.5
Price / book value (EUR)	2.9	2.9	0.5	0.7	1.7
P / E-value (EUR)	17.2	(53.3)	(0.9)	(10.3)	30.8
Cash flow from operating activities per share (EUR)	5.0	6.1	(0.4)	4.1	0.3
Dividend per share (EUR)[3]	0.52	0.0	0.0	0.0	0.0
Payout ratio (%)[3]	29.5	0.0	0.0	0.0	0.0
Share price 31 December (EUR)	30.4	21.5	4.3	8.3	23.6
Average number of shares	221,674,711	203,704,103	203,704,103	203,704,103	203,704,103
Number of shares at the end of the year	224,074,513	203,704,103	203,704,103	203,704,103	203,704,103

1) 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 financial statements. Vestas annual report 2014.
2) Adjustment for tax based on expected future effective tax rate of 25 per cent.
3) Based on proposed dividend.

	2014	2013	2012	2011	2010
OPERATIONAL KEY FIGURES					
Order intake (bnEUR)	5.8	5.8	3.8	7.3	8.6
Order intake (MW)	6,544	5,964	3,738	7,397	8,673
Order backlog – wind turbines (bnEUR)	6.7	6.8	7.1	9.6	7.7
Order backlog – service (bnEUR)	7.0	6.7	5.3	3.9	2.8
Produced and shipped wind turbines (MW)	6,125	4,513	6,171	5,054	4,057
Produced and shipped wind turbines (number)	2,527	2,025	2,765	2,571	2,025
Deliveries (MW)	6,252	4,862	6,039	5,217	5,842
SOCIAL AND ENVIRONMENTAL KEY FIGURES[1) 2)]					
OCCUPATIONAL HEALTH & SAFETY					
Lost time injuries (number)	53	66	110	132	201
– of which fatal injuries (number)	0	1	0	1	0
UTILISATION OF RESOURCES					
Consumption of energy (GWh)	501	586	630	586	578
– of which renewable energy (GWh)	278	325	327	223	242
– of which renewable electricity (GWh)	255	309	310	208	209
Consumption of fresh water (1,000 m^3)	366	512	581	562	598
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	51	71	87	89	89
– of which collected for recycling (1,000 tonnes)	27	42	44	48	35
EMISSIONS					
Emission of direct CO_2 (1,000 tonnes)	50	56	59	58	57
Emission of indirect CO_2 (1,000 tonnes)	29	44	59	90	66
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	3	1	1	3	3
EMPLOYEES					
Average number of employees	17,905	17,051	21,033	22,926	22,216
Number of employees at the end of the period	19,669	15,497	17,778	22,721	23,252
– of which outside Europe and Africa	8,626	5,861	6,704	8,603	8,127
SOCIAL AND ENVIRONMENTAL INDICATORS[1) 2)]					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of lost time injuries per one million working hours	1.6	2.1	2.8	3.2	5.0
Absence due to illness among hourly-paid employees (%)	2.3	2.5	2.4	2.3	2.6
Absence due to illness among salaried employees (%)	1.3	1.2	1.1	1.3	1.3
PRODUCTS					
CO_2 savings over the life time on the MW produced and shipped (million tonnes of CO_2)	173	125	163	133	108
UTILISATION OF RESOURCES					
Renewable energy (%)	56	56	52	38	42
Renewable electricity for own activities (%)	100	100	89	68	74
EMPLOYEES					
Women in Board of Directors[3)] and Executive Management (%)	23	15	8	0	0
Women at management level (%)[4)]	18	17	17	18	19
Non-Danes at management level (%)[4)]	54	53	56	53	49

1) Read more: Consolidated social and environmental statement. Vestas annual report 2014, page 106.
2) The social and environmental data does not include data from Vestas' investment in the joint venture MHI Vestas Offshore Wind.
3) Only Board members elected by the general meeting are included.
4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

Strategy – Profitable Growth for Vestas

The emerging markets in Latin America, Asia, and Africa are expected to continue to grow.

" The strategic direction is unchanged and the objectives remain – now it is time to focus on execution to create an era of profitable growth."

Anders Runevad
Group President & CEO

Industry dynamics

The world, in which Vestas operates, continues to evolve in ways that significantly affect both the wind power industry and Vestas. Wind energy's advantages are strong and Vestas' aspiration is to continue to be the global leader in the wind power industry. 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.

Market demand remains intact

The demand for renewable energy continues to be strong in both mature and emerging markets and amongst renewable energy sources, wind energy is generally regarded as the most competitive. Mature markets are driven by replacement of energy capacity, providing a stable foundation for continued demand, whereas demand in emerging markets is characterised more by growth in overall energy consumption. Future growth in demand for energy is expected to mainly come from Asia, Latin America and Africa.

The market experienced a large drop in 2013 after the previous American Production Tax Credit (PTC) expired, but with the renewal in the beginning of 2013, the market recovered in 2014. The short-term PTC extension in December 2014, whilst giving very limited time to secure orders, did provide some further market stability for the coming years by extending the demand environment in the US market.

The European onshore market is expected to be stable driven by the renewable energy targets for 2020 and the strong existing energy structure. North America – Vestas' second largest market – is expected to be stable the next two years, and thereafter, the size of the market is dependent on the status of the PTC. The emerging markets in Latin America, Asia, and Africa are expected to continue to grow, and China is expected to remain the largest onshore market.

In the course of the next approx three years, growth in emerging markets, with the exception of China, is not expected to offset the stabilisation of European markets or volatile market conditions in the USA, but they do offer opportunities beyond the near-term perspective.

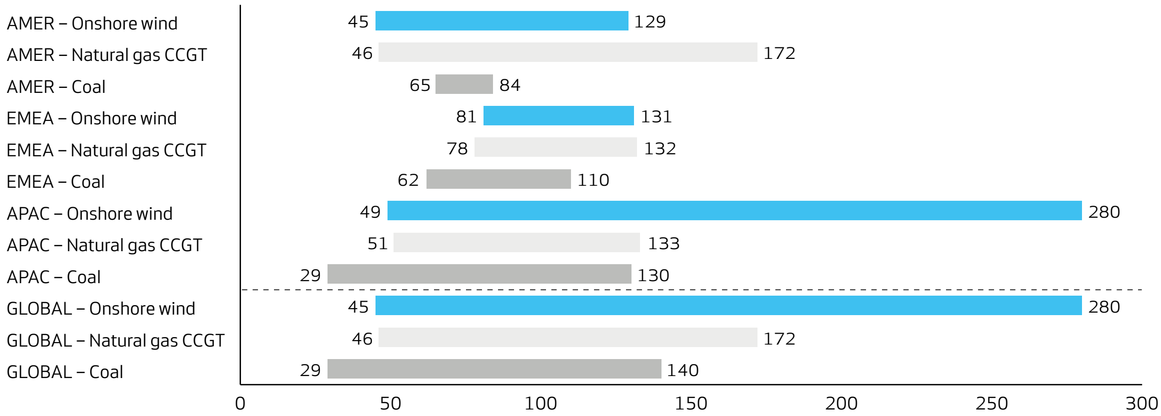
The offshore market is expected to grow. With the V164-8.0 MW turbine successfully commissioned, the joint venture between Vestas and Mitsubishi Heavy Industries Ltd. is expected to be a strong platform for winning an expanding share of the global offshore market.

Wind increasingly often cheapest new power source

Over the last five years, the levelised cost of energy (LCOE) for onshore wind has decreased by 12 per cent, whereas it has increased by more than 60 per cent for coal and gas.[1] This increasingly often puts wind power in a position as the cheapest new power source.

1) Source: Bloomberg New Energy Finance (BNEF): Closing the Gap: Grid parity for onshore wind. November 2011.

Levelised cost of energy (LCOE)
USD/MWh



Source: Bloomberg New Energy Finance (BNEF): Fossil and Wind LCOE ranges by region, H2 2014. August 2014.

In emerging markets, where economic development requires new electricity generation capacity, wind power is often competing head-to-head with other energy sources on equal terms – and winning. One example is Brazil, where the results from auctions on new electricity generation reflect the competitiveness of wind against other energy sources.[2)]

In many mature markets, energy demand is stable, with wind power often competing with existing coal and gas facilities. Here, demand for clean energy thus stems from replacement of existing capacity and political objectives to reduce greenhouse gas emissions and to increase energy security. However, wind power is still competitive.

To further increase wind energy's competitiveness, wind turbine manufacturers are required to make further reductions in LCOE, which links well to Vestas' strategic objective to continue to lower the cost of energy of its products and services and make wind power an even more attractive investment. Analysts expect that LCOE for wind power will decrease by 10 per cent from 2013 until 2020 and by 20 per cent from 2020 until 2030.[2)]

Where LCOE shows the clean cost of the technology installed in a given market, including financing costs, the market price is often influenced by different mechanisms of both direct and indirect nature. The objective of these vary across markets, but a common driver to incentivise investments in renewable electricity production is the fact that the external costs, i.e. costs borne by the society, for instance through environmental impact, are minimal compared to electricity production through fossil fuels or nuclear.

According to a recent study by the European Commission, the external costs per unit of energy produced at a hard coal fired power plant is more than 20 times that of onshore wind power. The same study concludes that 96 per cent of the external costs from electricity generation in Europe stems from fossil and nuclear sources totalling EUR 122.4bn every year.[3)]

In conclusion, wind power is increasingly competitive against other energy sources and the level of financial support compared to external costs still needs to be calibrated. Based on these facts, Vestas continues to believe that the demand environment for wind energy will remain strong.

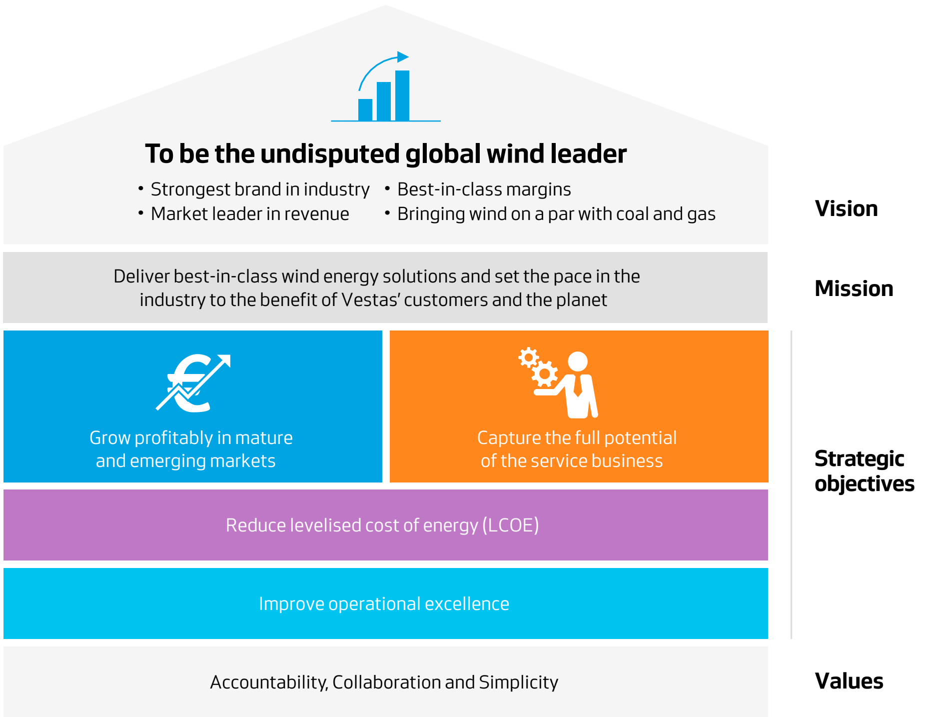
Political and regulatory environment evolving

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

While 2014 has been a year characterised by changes in the regulatory environment, the year has overall provided greater clarity and transparency on the mid-term regulatory environment. On a longer term and broader level, the EU decided on overall 2030 targets and the USA and China announced a climate accord. A few examples of specific key markets, where regulatory transparency increased, are Germany (the Erneuerbare Energie Gesetz – EEG), India (the reintroduction of the Accelerated Depreciation Scheme) and the USA (2014 extension of the Production Tax Credit – PTC). During 2014, decisions in China awaited the modifications of the Feed-in-Tariff. The modifications were introduced in January 2015.

In the light of wind energy becoming more competitive, support systems are becoming more market-based and moving towards systems providing support in addition to the market price – not in place of it. The EU has asked all member states to decide by 2017, which form of market-based support they will introduce and several EU countries are moving in the direction of using market-based support systems. Planned transition to auction systems by 2017 embedded in the German EEG is one example of this development.

2) Source: Bloomberg New Energy Finance (BNEF): H2 2014 Wind Levelised Cost of Electricity Update. August 2014.
3) Source: European Commission: Subsidies and costs of EU Energy. November 2014.



The strategic direction remains unchanged

Outlining the ambition

Vestas has a strong global reach in both the wind turbine and service segments and will continue to build its strength in those segments in 2015 and beyond. The overall strategic ambition to ensure profitable growth for Vestas remains, as does Vestas' ambition to maintain and expand its global leadership and create an even more flexible and robust company, able to consistently deliver best-in-class margins.

To achieve this, Vestas must balance and utilise its three key differentiators:

- Expand global reach (i.e. by increasing market presence and further localising manufacturing).
- Increase technology and service leadership (i.e. by reducing LCOE across product portfolio and by strengthening product and service offerings).
- Leveraging global scale (i.e. by utilising installed base and sourcing opportunities).

At the same time, profitable growth requires that Vestas maintains the virtues adopted during the recent years – meaning constantly prioritising amongst the most business critical issues and by ensuring a diligent focus on overall cost structures, cash levels, and investments.

Vision and mission

As part of the 2013 strategy process, Vestas' vision and mission have been modified on some small, albeit important points, now linking even better to the overall strategic aspirations of the company. Vestas' vision and mission serve as important beacons for uniting all Vestas' key stakeholders and not least its employees, with a clear purpose and direction for where the company is heading and how the employees as individuals can support that journey.

Vision: To be the undisputed global wind leader, meaning:

- Be the market leader in revenue.
- Bring wind on a par with coal and gas.
- Deliver best-in-class margins.
- Have the strongest brand in the wind power industry.

Mission: Deliver best-in-class wind energy solutions and set the pace in the wind power industry to the benefit of Vestas' customers and the planet.

The four key pillars in Vestas' strategy

To achieve its strategy, Vestas will continue to focus on four strategic objectives:

- Profitable growth in mature and emerging markets.
- Capture the full potential of the service business.
- Reduce levelised cost of energy (LCOE).
- 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. These markets have historically been the strongholds of Vestas. The product portfolio has a strong fit for these markets, the brand is well established and recognised, and an experienced sales force is in place.

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, targeting an even higher market share.

Vestas has already established a strong track record of winning orders in new wind turbine markets in Eastern Europe, Asia, Africa and Latin America. Furthermore, Vestas expects to improve its regional competitiveness and presence in the specific markets China, India and Brazil. Plans have been developed for those markets and are now being implemented.

In Brazil, key levers to succeed include local sourcing, cost-out and customisation of Vestas' service offerings, matching the requirements in the Brazilian market, which was also substantiated by the announcement to invest up to EUR 32m in the market.

In India, key levers are investments in the local supply chain and implementation of appropriate business models to ensure that Vestas optimises value capture in different market segments. This strategy is now being implemented.

Finally, a key lever to succeed in China is a full suite of turbine and service products for China's low- and medium-wind sites as outlined in Vestas' China strategy announced in October 2014.

Building on its long-lived global presence, Vestas will also continue to pursue opportunities in markets, where wind energy is set to expand, such as for instance Chile, Costa Rica, Kenya, Slovenia, 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, involving key customers in the development of new wind power technologies and services.

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 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 the full potential of the service business
Having delivered an accumulated amount of more than 66 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 today, is already the largest in the wind power industry. As the majority of Vestas' 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.

In 2014, the service business was established as a separate division and a head of Global Service was appointed. Following this appointment, the global service organisation was implemented later in the year and the division is now set to execute on the strategic objective to capture the full potential of the service business.

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 27,000 wind turbines, Vestas is able to identify the optimal site for a wind power 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. Vestas aims to increase the value of its customer offerings through further development and upselling of service solutions, product improvements, and services like Vestas PowerPlus™ and VestasOnline®.

In addition, the largest installed capacity of wind turbines in the world provides a strong platform for renewals of service agreements and recapturing of previously expired service agreements. Vestas aims to improve the service renewal rate in 2014 of 72 per cent while at the same time developing offerings to recapture part of the around 16 GW installed Vestas wind turbines that in 2014 was not under Vestas service.

Due to its size and global presence, Vestas is well-positioned to offer its customers the most effective service at the lowest cost. It is thus an ongoing and unchanged ambition to continue to reduce the underlying cost structures in the service division. Simultaneously, Vestas intends to improve supply chain delivery performance within the service business through optimisation of distribution networks, better forecasting, and local sourcing.

The ambition to grow the service business by more than 30 per cent mid-term remains unchanged.[4)]

Reduce levelised cost of energy
Based on two wind turbine platforms[5)], Vestas' comprehensive product portfolio will continue to be customer and market driven. As has been the case in previous years, 2014 was also a year in which Vestas maintained focus on matching its wind turbine and service capabilities with customer requirements, following market fluctuations in demand and adapting products to comply with changing regulatory policies. This focus remains unchanged for the coming years as well.

Vestas will continue to improve its cost structure by simplifying its 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 designed to accelerate and streamline product development, thereby reducing the time it takes to bring new products to market, while maintaining a broad product offering.

The recent technological improvements to the existing 2 MW and 3 MW wind turbine platforms have resulted in significantly increased Annual Energy Production (AEP), 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 uti-

4) Read more: Sales and market development – service. Vestas annual report 2014, page 023.
5) Read more: Technology and service solutions. Vestas annual report 2014, page 026

lise 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 after year. The intention 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. The goal is to achieve cost leadership within the wind power industry.

The size of Vestas provides a competitive foundation for lowering costs at every stage of the value chain. Through the Accelerated Earnings programme, launched at the end of 2012, Vestas has successfully lowered the costs of products delivered and the programme has helped Vestas consolidate its leading position in a competitive market. More value can be captured through further capability building, and the next generation of the programme, Accelerated Earnings Pro, is planned for 2015-2017.

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

Finally, working capital management remains an area of 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

Vestas' financial and capital structure targets, as well as related dividend policy, link to the strategic aspirations of the company. Financial stability and structural strength of the balance sheet remain key priorities for the company. Both the Board of Directors as well as Executive Management believe that strong financial performance and stability are prerequisites for delivering excellent commercial results, and therefore adopt a conservative approach to the structure of the company's balance sheet, whilst at the same time ensuring that management focuses on delivering strong financial results.

Mid-term financial targets

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.

Capital structure targets

As a player in a market where projects, customers and wind turbine investors become larger, Vestas aims to be a strong financial counterpart. Consequently, the target for the net debt/EBITDA ratio remains unchanged at 1 by the end of each financial year, and the solvency ratio target has been adjusted to a minimum level of 35 per cent, in line with the company's prudent balance sheet approach.

Dividend policy and priorities for excess cash allocation

Vestas operates with 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 after tax. However, pay-out of dividends will always take into consideration the Group's plans for growth and liquidity requirements.

Group performance

Financial performance

> "2014 was yet another piece of evidence that the financials of the company have improved tremendously over the last few years, and we now find ourselves in a financially strong position to continue our journey towards excellence."

Marika Fredriksson
Executive Vice President & CFO

Order backlog and activities – wind turbines

Compared to 2013, the order intake in MW for the year increased by 10 per cent to 6,544 MW corresponding to EUR 5.8bn. A significant pick-up in the US market combined with another year of double-digit growth in Europe and a continued solid level of order intake in new wind power markets more than offset the decrease observed in the Asia Pacific region. In terms of geography, Europe and Africa accounted for 54 per cent, the Americas for 40 per cent, and Asia Pacific for 6 per cent of the 6,544 MW. 63 per cent of the orders were announced publicly.

At the end of 2014, the wind turbine order backlog amounted to 7,513 MW corresponding to EUR 6.7bn against 7,417 MW and EUR 6.8bn at the end of 2013. The size of the MW backlog was positively impacted by a strong order intake in the USA, Europe and Africa. The lower EUR/MW ratio is, among other things, driven by more supply-only orders as well as a reduction of full-scope offshore orders in the backlog. In terms of MW, Europe and Africa accounted for 53 per cent of the backlog of orders, the Americas for 41 per cent, and Asia Pacific for 6 per cent.

Level of activity

In 2014, Vestas produced and shipped 2,527 wind turbines with an aggregate capacity of 6,125 MW, which (as measured in MW) was a 36 per cent increase compared to 2013, when Vestas produced and shipped 2,025 wind turbines totalling 4,513 MW. In 2014, final capacity delivered to the customers amounted to 6,252 MW – an increase of 29 per cent compared to 2013. The increase was in particular driven by increased deliveries to the USA where deliveries totalled 1,517 MW in 2014 compared to 102 MW in 2013. But deliveries in Europe and Africa also increased from 2,971 MW in 2013 to 3,385 MW in 2014.

At the end of the year, wind turbine projects with a total output of 1,477 MW were under completion – a decrease of 127 MW, or 8 per cent, compared to the end of 2013. 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 2014	853	690	61	1,604
Delivered to customers during 2014	(3,385)	(2,323)	(544)	(6,252)
Produced and shipped during 2014	3,477	2,079	569	6,125
Under completion, 31 December 2014	**945**	**446**	**86**	**1,477**

Order backlog and activities – service

At the end of 2014, Vestas had service agreements with contractual future revenue of EUR 7.0bn – an increase of 4 per cent compared to 2013. Service revenue increased by 1 per cent to EUR 964m compared to 2013. The increased revenue and order backlog in the service business should be seen in the context of Vestas carving out the offshore service business in 2014 as part of setting up the offshore joint venture with Mitsubishi Heavy Industries Ltd. Thus, on a like-for-like basis, the development of the service business would have been even stronger with onshore service revenue growing by 7 per cent from 2013 to 2014.

The EBIT margin before allocation of Group costs amounted to 25 per cent – an increase of 3 percentage points compared to 2013. The improved margin is, among other things, driven by optimisation of the operational performance. The EBIT margin after allocation of Group costs amounted to 18 per cent in 2014, compared to 15 per cent in 2013.

By the end of 2014, Vestas had delivered more than 66 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 27,000 wind turbines, equivalent to more than 51 GW, is one of the foundations of Vestas' service business' growth strategy.

During 2014, Vestas renewed 72 per cent of its expiring service agreements, compared to 75 per cent in 2013.

Income statement

Revenue

Revenue increased by 14 per cent to EUR 6.9bn in 2014 – within the revised guidance range announced in November 2014 of EUR 6.4-7.0bn. Europe and Africa accounted for 60 per cent of annual revenue, while the Americas and Asia Pacific accounted for 31 per cent and 9 per cent of annual revenue, respectively.

Distribution of revenue
mEUR

	2014	2013
Europe and Africa	4,167	3,660
Americas	2,131	1,697
Asia Pacific	612	727
Total	**6,910**	**6,084**
– of which service revenue	964	954

Gross profit and EBITDA

Vestas' gross profit also increased from EUR 896m in 2013 to EUR 1,178m in 2014, driven by better average margins and higher volume. This equals a gross margin of 17.0 per cent – a 2.3 percentage point increase relative to 2013. EBITDA before special items increased by 52 per cent to EUR 929m, which translates into an EBITDA margin before special items of 13.4 per cent – an increase of 3.4 percentage points compared to 2013.

Depreciation and amortisation decreased by EUR 29m to EUR 366m due to the reduced investment activity levels in recent years.

Research and development costs

Research and development costs recognised in the income statement decreased to EUR 213m from EUR 246m in 2013. The total research and development expenditure prior to capitalisation and amortisation decreased to EUR 159m in 2014, against EUR 241m in 2013, driven by, amongst other things, the V164-8.0 MW turbine development costs now transferred to the joint venture.

Distribution expenses

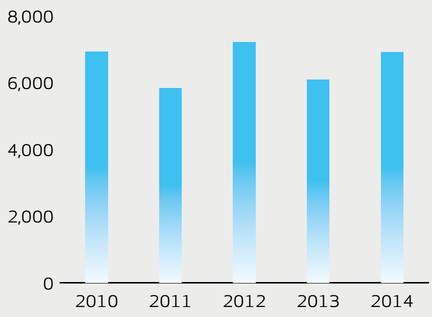
Distribution expenses amounted to EUR 158m, which was EUR 37m lower than in 2013.

Administrative expenses

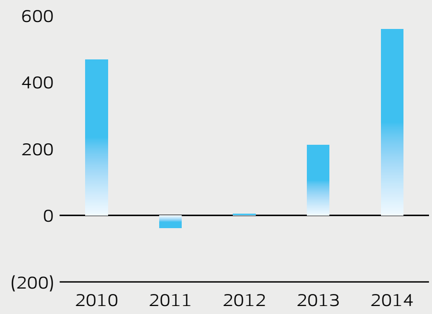
In 2014, administrative expenses amounted to EUR 248m, which was EUR 4m higher than in 2013. The slightly higher administrative expenses should, however, be seen in the context of revenues increasing by 14 per cent from 2013 to 2014 and hence, highlights the continued focus on cost efficiency.

VESTAS **FACTS**

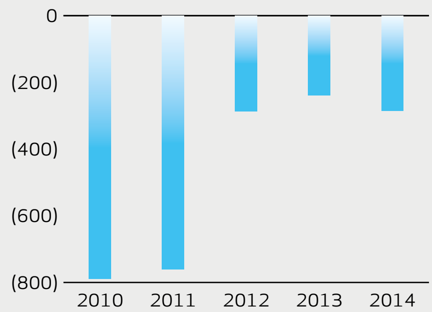
Revenue
mEUR



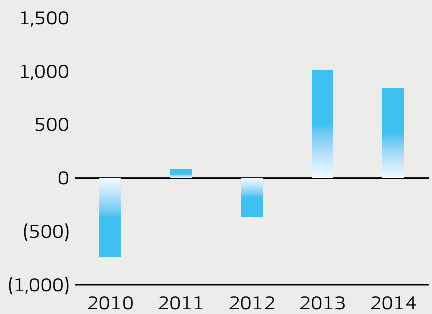
EBIT before special items
mEUR



Total investments
mEUR



Free cash flow
mEUR



Operating profit
The Group reported an operating profit (EBIT) before special items of EUR 559m in 2014, an improvement of EUR 348m relative to 2013. The EBIT margin before special items was 8.1 per cent in 2014 against 3.5 per cent in 2013. This was slightly higher than the range of 7-8 per cent announced in November 2014. Higher gross profits, lower fixed capacity costs, and depreciation and amortisation were the primary drivers of the improved EBIT.

Special items
Vestas has recognised special items of EUR 48m in 2014, mainly driven by a gain from the establishment of the offshore joint venture, leading to EBIT after special items of EUR 607m.

Income from investments accounted for using the equity method
Income (expenses) from investments accounted for using the equity method amounted to EUR (31)m. This was primarily driven by timing differences related to revenue recognition in the offshore joint venture which are expected to reverse as the joint venture recognises revenue from delivery of projects.

Financial items
In 2014, financial items represented a net expense of EUR 53m – a decrease EUR 85m relative to 2013. The decrease in net financial items was primarily driven by lower fees and interest expenses.

Profit before and after tax
Profit before tax amounted to EUR 523m in 2014 compared to EUR (36)m in 2013. In 2014, the income tax expense was EUR 131m, equalling an effective tax rate of 25 per cent against (128) per cent in 2013.

The resulting profit after tax was EUR 392m in 2014 compared to EUR (82)m in 2013, mainly driven by improved operating profit.

Balance sheet
Vestas' total assets increased by EUR 1,357m to EUR 6,997m in 2014. This was primarily driven by an increase in cash at bank and in hand which in turn was attributable to the strong cash flow during the year as well as the capital increase completed in February 2014.

Non-current assets
Non-current assets amounted to EUR 2,198m at the end of 2014, largely at the same level as in 2013. The main development under non-current assets was a EUR 187m increase in investments accounted for using the equity method due to the establishment of the offshore joint venture with Mitsubishi Heavy Industries, which was offset by a similar total decrease of completed development projects and land and buildings.

Current assets
At the end of 2014, current assets amounted to EUR 4,696m – an increase of EUR 1,540m compared to the end of 2013, mainly driven by the improved cash position.

Net working capital
At 31 December 2014, Vestas' net working capital amounted to EUR (957)m, which is an improvement of EUR 361m compared to 2013 and corresponds to (14) per cent of annual revenue. The net working capital improvement during 2014 was primarily driven by increased prepayments and payables.

Inventories
Inventories amounted to EUR 1,509m at the end of 2014, an increase of EUR 84m relative to the end of 2013. The increase can be attributed to higher levels of service inventories and raw materials and finished goods in production units more than offsetting the decreases in work in progress in both sales and production units.

Current and non-current assets and liabilities held for sale
Assets held for sale were reduced from EUR 332m in 2013 to EUR 103m in 2014. The reduction was driven by the agreement to enter into an offshore joint venture with Mitsubishi Heavy Industries Ltd. with effect as of 1 April 2014.

As part of the site simplification project, Vestas expects to sell a number of its office facilities, which at the end of 2014 were classified as assets held for sale at EUR 103m.

Net debt and cash at bank and in hand
The average interest-bearing position (net) was EUR 494m in 2014, against EUR (862)m in 2013. At the end of 2014, Vestas had a net cash position of EUR 1,411m, which is an improvement of EUR 1,325m compared to the end of 2013. The positive free cash flow combined with the capital increase in February 2014, was the main drivers for Vestas increasing its net cash position. Cash at hand and in bank stood at EUR 2,018m and the financial debt of EUR 607m is primarily comprised of the corporate bond of EUR 600m, which matures in March 2015. Vestas is currently evaluating its options in that respect.

The net debt/EBITDA ratio improved markedly to (1.5) by the end of 2014 from (0.1) by the end of 2013.

Warranty provisions
In 2014, Vestas made total warranty provisions of EUR 122m. This equals 1.8 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 2014, Vestas consumed warranty provisions totalling EUR 108m, corresponding to 1.6 per cent of revenue. In 2013, warranty provisions represented 1.9 per cent of revenue and warranty consumption amounted to 1.4 per cent of revenue.

Changes in equity
Vestas' equity amounted to EUR 2,379m at the end of 2014 compared to EUR 1,524m at 31 December 2013. The increase was caused by the reported profit after tax combined with the capital increase completed in February 2014. As a result of this, the solvency ratio improved, despite the increased total assets. At 31 December 2014, the solvency ratio was 34.0 per cent – an increase of 7.0 percentage points compared to 2013.

Cash flow and investments
In 2014, cash flow from operating activities before changes to net working capital amounted to EUR 866m, an increase of EUR 447m compared to 2013. This was driven by the improved profits for the year. Cash flow from operating activities amounted to EUR 1,126m, compared to EUR 1,248m in 2013. The decrease was driven by a smaller improvement in working capital in 2014 compared to 2013.

Cash flow from investing activities amounted to an outflow of EUR 285m, of which EUR 163m was property, plant and equipment. This was slightly higher than the guidance of approx EUR 250m and EUR 39m higher than in 2013. Investments in 2014 were mainly driven by tangible investments for V110 and V126 blades as well as capitalised research and development costs.

Consequently, free cash flow decreased by EUR 168m to EUR 841m, which was in line with the upgraded guidance of approx EUR 850m from January 2015.

Sales and market development – wind turbines

"In 2014, order intake increased for the second year in a row, driven primarily by growth in mature markets. With orders in 31 countries, our geographic diversity remains a strategic asset."

Juan Araluce
Executive Vice President & CSO

Global trends and focus areas

In 2014, the global wind turbine market grew strongly, rebounding from the decline in 2013.

In the wake of a very challenging 2013, the US market accounted for a substantial portion of the increase in the global wind turbine market. In Europe, the volume of installations also increased, and the Chinese market continued its growth in 2014.

Policy decisions, particularly on a national level, continue to influence the markets as seen for example in the USA. Uncertainty regarding energy policies further highlights the need for a flexible business model.

With a strong global footprint, Vestas has a competitive edge and will continue to scale production up and down according to the level of demand in the various regions. To remain competitive, Vestas has a goal of reducing the cost of energy faster than the market.[1)]

Vestas' market development in 2014

Vestas' installed capacity increased from 60 GW in 2013 to 66 GW in 2014 – an increase of 10 per cent. Installations in the USA and Europe accounted for 78 per cent of the increase.

The year 2014 has been very busy with delivery of 6,252 MW compared to 4,862 MW in 2013. The increase especially relates to the US market, where deliveries increased by 1,416 MW. The higher level of activity was also reflected in the increased number of employees, which was mainly driven by the ramp-up at Vestas' factories.[2)]

2014 order intake and backlog per region
MW

	Europe and Africa	Americas	Asia Pacific	Total
Order intake	3,560	2,607	377	6,544
Wind turbine order backlog	4,002	3,106	405	7,513

In terms of orders, the overall market for wind power improved in 2014. Vestas continued a strong focus on priority accounts, which total 47 per cent of the Vestas portfolio.

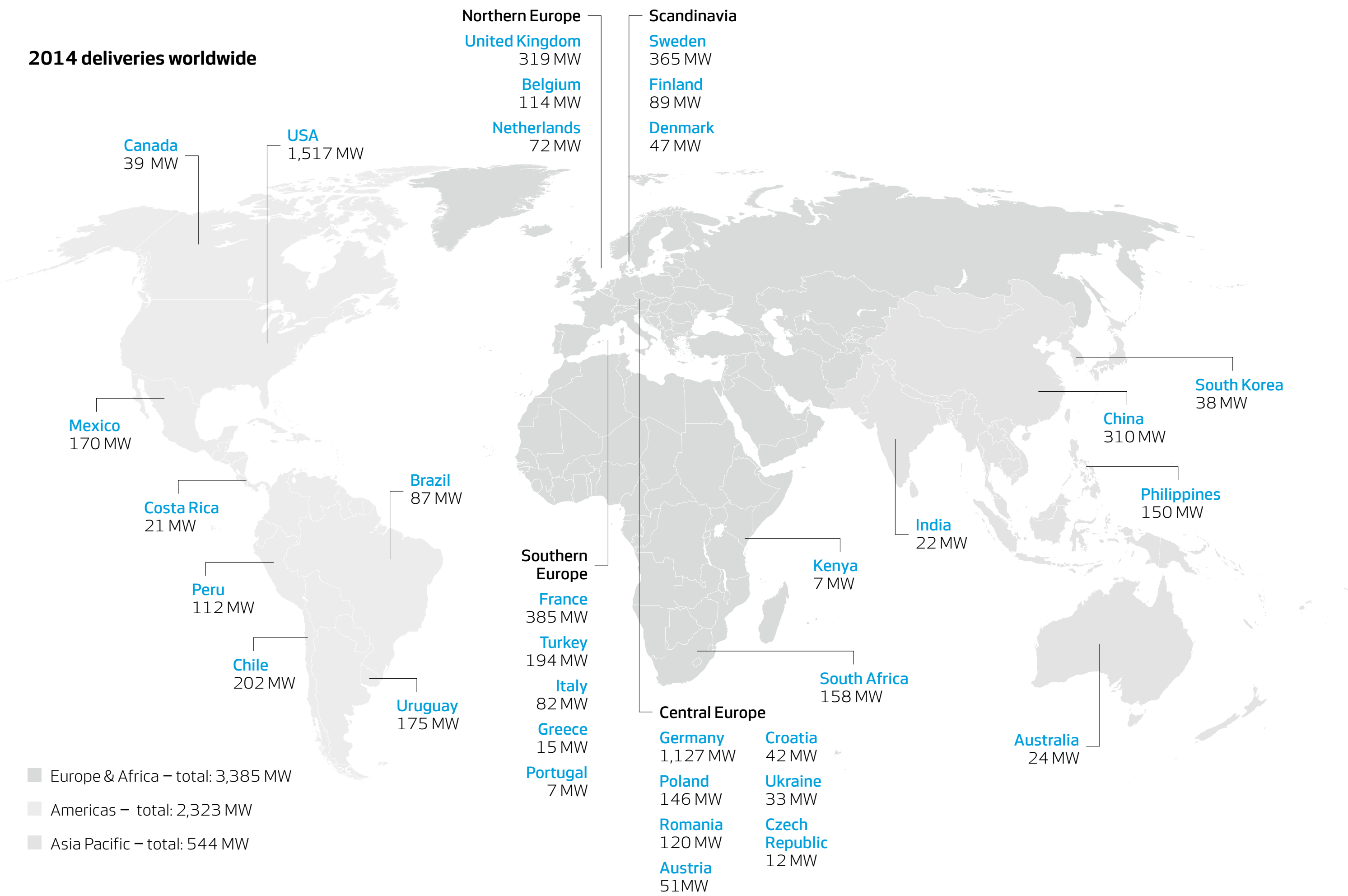
The continued work on excellence in construction of wind power plants remained a focus area in 2014, which reduced installation lead time by 11 per cent from 2013 to 2014. Among other benefits, fast installation of wind power plants also reduces the time for working capital to be tied up in the transportation and construction phase. Going forward, Vestas will continue its efforts to decrease installation lead time by standardising processes and applying lean principles.

Europe and Africa

The European onshore wind turbine market continued to be flat in 2014. Despite shifting political winds, Europe is still expected to remain Vestas' largest market. Vestas delivered 3,385 MW to the markets in Europe and Africa in 2014, up from 2,971 MW in 2013.

1) Read more: Strategy – Profitable Growth for Vestas – Reduce levelised cost of energy. Vestas annual report 2014, page 014.
2) Read more: Social and environmental performance – Employees. Vestas annual report 2014, page 032.

2014 deliveries worldwide



Although renewable energy policies and support schemes remain under discussion in several European markets, the EU as a whole agreed on a 27 per cent renewable energy target by 2030, thereby signalling its continued long-term commitment towards renewable energy build-out.[3] This policy decision, although not fully implemented in legislation yet, should provide the wind turbine market a basis of policy stability and growth prospects.

Like Poland and Italy, Germany, Europe's largest wind turbine market, is moving towards a tender-based system in 2017. Due to the German Erneuerbare-Energien-Gesetz (EEG) 2014 revision, the German market has experienced a record year as projects have been pushed forward to benefit from EEG 2012 conditions. With a smooth EEG revision, Vestas expects a solid market activity in the next couple of years.

The UK market is showing increased signs of activity, which is partly driven by developers seeking to qualify for the existing support scheme that requires projects to be operational by the end of March 2017.

While the European market generally remains stable, Africa continues to show growth potential. In December 2014, Vestas received the largest order in Vestas' history in terms of number of wind turbines in a single project. With its 365 V52-850 kW turbines, the 310 MW Lake Turkana Wind Power Project in Kenya is expected to be the largest wind power plant in Africa once complete.

In 2014, Vestas had an order intake of 3,560 MW in Europe and Africa while the order backlog amounted to 4,002 MW as of 31 December 2014.

Americas
In 2014, Vestas delivered more than 1.5 GW in the USA, including reaching the 15 GW milestone of installed capacity in North America. In total, Vestas delivered 2,323 MW in 2014 to the Americas region.

Market activity in the USA is as always heavily correlated with the Production Tax Credit (PTC). In 2014, the market was characterised by continued PTC-related demand, as customers utilised the PTC based on certain conditions being met.

In terms of order intake, the USA was once again Vestas' largest market in the Americas with 2,167 MW, corresponding to 33 per cent of total order intake in 2014. Furthermore, Vestas has entered into master supply agreements or similar constructs with a potential of up to approx 3 GW under the 2013 and 2014 PTC schemes.

Vestas experienced solid activity in Latin America with orders in e.g. Uruguay, Guatemala and Costa Rica. Markets such as Chile, Mexico, and Peru continue to show increased activity levels with deliveries of 202 MW, 170 MW and 112 MW in 2014, respectively.

In October 2014, Vestas announced that an order received in 2011 for 254 MW to customer CPFL Renováveis in Brazil had been cancelled. The cancellation related to changes to local Brazilian legislation, which occurred after the contract was agreed.

Vestas' commitment to the Brazilian market was, however, once again emphasised, when the plan to invest up to EUR 32m to meet local content requirements was announced in 2014. Such investments will enable the company to compete more effectively in the Brazilian wind power market.

3) Source: European Council: European Council – conclusions (23-24 October 2014). October 2014.

In May 2014, Vestas took a significant step forward, when a formal Letter of Commitment with The Brazilian Development Bank (BNDES) was signed, spelling out that Vestas complies with the content of the Letter of Commitment. In 2014, Vestas delivered 87 MW to Brazil.

In 2014, Vestas had an order intake of 2,607 MW in its Americas region, while the order backlog amounted to 3,106 MW as of 31 December 2014.

Asia Pacific
In October 2014, Vestas announced a new strategy to secure profitable growth in China, thereby reinvigorating its long-standing commitment to the world's largest wind energy market.

As part of the new strategy in China, Vestas will introduce its newest and most technologically advanced 2 MW variants – the V110-2.0 MW and the V100-2.0 MW turbines. These variants are ideal for the Chinese market as they have been developed for low- and medium-wind sites.[4] Additionally, Vestas will initiate a new and more flexible approach to servicing wind turbines, allowing for tailor-made service packages to be designed in close collaboration with its customers.

For Vestas' customers in China, the introduction of the two 2 MW wind turbine variants and a new and more flexible approach to service will result in lower lifetime costs of energy and greater business case certainty.

New management has been appointed in both China and India and a local India market strategy process has been initiated in 2014. The local strategies are being developed around cost-out of products, strengthening local sourcing, and "on the ground" leadership.

Australia accounted for the majority of the overall decline in market activity for Vestas in Asia Pacific. The Australian Renewable Energy Target (RET) is still under discussion, which will impact new projects in the country.

In 2014, Vestas delivered 544 MW to the markets in Asia Pacific. Vestas had an order intake of 377 MW in the markets in Asia Pacific in 2014, while the order backlog amounted to 405 MW as of 31 December 2014.

Offshore
MHI Vestas Offshore Wind, the joint venture between Vestas and Mitsubishi Heavy Industries Ltd. (MHI), was formally established on 1 April 2014. Dedicated to offshore wind power, the joint venture 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 transferred the V164-8.0 MW turbine, the V112 offshore order backlog, and existing offshore service contracts to the joint venture. In return, MHI injected EUR 100m into the joint venture, with another EUR 200m to be injected based on certain milestone achievements, reflecting the natural early product life cycle of the V164-8.0 MW turbine.

Based on the V164-8.0 MW turbine, the partnership between Vestas and MHI is expected to be a strong vehicle to win an expanding share of the global offshore market. Since 1 April 2014, all offshore installation activities have been and will be handled by the joint venture.

Customer performance and loyalty

Vestas continuously works to improve and deepen 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 customers, which in 2014 were responsible for 43 per cent of the total order intake.

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 practice, and validated business results will be shared globally.

Vestas measures its customer relationships through a rigorous annual survey. The most recent survey took place from 7-27 January 2015, and included more than 837 respondents in 46 countries, representing 416 customers. Overall, the customers' perception of Vestas slightly decreased from 2013 to 2014. Overall satisfaction decreased from index 71 to 70, overall reputation index decreased from index 77 to 75, while the net promoter score increased from index 38 to 39 on a scale from -100 to +100.

The survey also shows that the share of Vestas' customers who prefer Vestas as one of their top two partners, has increased from 85 per cent to 89 per cent. This result clearly reflects the solid and trust-based relationship Vestas has with its customers.

4) Read more: Technology and service solutions. Vestas annual report 2014, page 026.

Sales and market development – service

" The global trend is toward long-term service agreements. We have made adjustments to the service portfolio to match customer demand for greater flexibility, contributing to making 2014 a year of continued growth and performance."

Christian Venderby
Group Senior Vice President of Global Service

Service business outline

The service market is expected to grow by 10 per cent in volume annually over the next six years, and the installed base is expected to reach 600 GW in 2020.[1)] With an expected 44 GW of wind turbines installed each year and an intensified focus on service, the potential of the service business is significant.[2)]

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. The outcome is predictability, strengthening the certainty of the customer business case.

Strategic position and direction

The global wind power plant service market is looking for new ways to create value. To capitalise on this opportunity, Vestas' new global service strategy is built on three distinct advantages:

- The wind power industry's largest installed base of more than 66 GW.
- The global footprint of Vestas' service organisation, which today operates in more than 50 countries.
- Vestas' unmatched ability to analyse wind turbine data and predict wind conditions anywhere in the world.

Vestas has a strong and historic market presence selling service offerings but intends to reinforce this competency even further, e.g. by building sales excellence capabilities in regional service sales functions. With an increased focus on cost optimisation, improved sourcing and leaner work streams, Vestas will be able to further utilise the capacity and the potential of the service business. In addition, Vestas will improve delivery performance of its spare parts through optimisation of its distribution network, better forecasting, and local sourcing.

Ambitions for the future

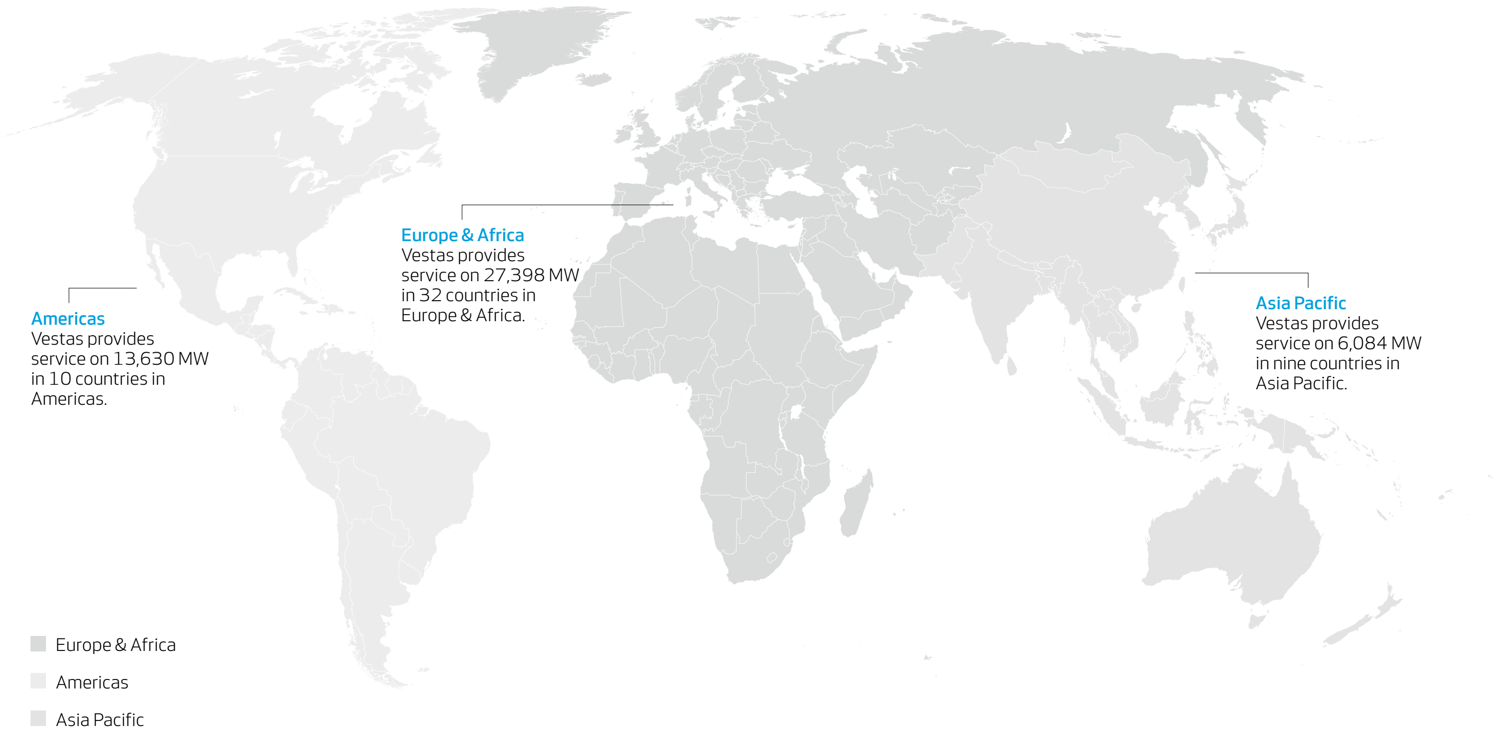
Vestas initiated a reshaping of its service business in 2014. As part of the Profitable Growth for Vestas strategy, the company created a new global service organisation reporting directly to the Group President & CEO. The ambition is to grow the service business by more than 30 per cent over the mid-term, thereby fulfilling Vestas' strategic objective of capturing the full potential of the service business.[3)]

Vestas will continue to reduce costs and create additional value for its customers by providing new service solutions and improve sourcing and business excellence.[4)] Operational improvements will speed up business processes, enabling smoother cooperation across service regions. Stronger customer collaboration will create the foundation for making the necessary commercial changes to fully exploit the potential of Vestas' service business.

As Vestas aims to capture additional market opportunities, its ambition is to become a fleet-wide service solution partner. This means closer integration with strategic customers to optimise entire fleets of wind turbines with matching service and maintenance strategies. By developing innovative and scalable solutions and best practice in collaboration with its customers, Vestas will fully utilise its global service organisation across regions and functions.

1) Source: MAKE Consulting: Global Wind Turbine O&M. June 2014.
2) Source: IHS Emerging Energy Research (EER): Global Wind Power Market Forecast 2014-2030 – Fall Update. December 2014 (base case).
3) Read more: Strategy – Profitable Growth for Vestas. Vestas annual report 2014, page 010.
4) Read more: Technology and service solutions. Vestas annual report 2014, page 026.

Accumulated MW under service agreements



Service market share in 2014

Vestas' service business holds a strong global position, characterised by a full-scale service portfolio and highly skilled personnel.

The majority of Vestas' wind turbine sales contracts include service agreements, typically running for five to ten years.

Market trends such as in-sourcing maintenance and asset management have led to more focus on flexibility in the commercial and operational approach. With a comprehensive knowledge database, Vestas is able to forecast both customer output and operating costs, which ensures an important competitive edge. Also, Vestas has improved the tailor-made service solutions and thereby maintains a very strong position in the market.

Moreover, increased supply chain efficiency, more up-tower repairs, and improved use of predictive and preventive maintenance when the wind is not blowing, will lead to reduced service costs and less lost energy production for the customer.

Regional market share results in 2014

In 2014, Vestas' service order backlog increased by EUR 0.3bn to EUR 7.0bn, and the average duration of the backlog is seven years. Vestas expects the service business to continue to grow with stable margins in 2015.

During the year, Vestas renewed 80 per cent of its expiring service agreements in Europe and Africa, compared to 75 per cent in 2013. In Americas 78 per cent were renewed, compared to 80 per cent in 2013, and in Asia Pacific the share was 49 per cent, compared to 68 per cent in 2013.

In October 2014, Vestas announced a new strategy to secure profitable growth in China. Along with new wind turbine variants ideal for the Chinese market, Vestas initiated a new and more flexible approach to service. Tailor-made service packages are to be designed and refined in close collaboration with the Chinese customers, for instance by reshaping the work flow and increasing flexibility of the delivery model.

Service solutions

It is increasingly important for Vestas to be able to plan, build, operate, and service complete wind power plants for its customers. Vestas sees a strong demand for, and potential in, tailor-made solutions that provide maximum output and involve minimum risk during the lifetime of the wind power plant.

To reach this objective, Vestas will continue to lower the cost of energy and increase the value of its service offerings through a number of initiatives.

An example is the Vestas' PowerPlus™ upgrades introduced in May 2014. PowerPlus™ optimises the performance and increases the power output of existing wind power plants by up to 5 per cent, directly benefiting Vestas customers' bottom line. The Vestas PowerPlus™ technology solutions are part of Vestas' overall strategy of growing the service business and responding to a strong customer demand to increase power output while maintaining high reliability.[5)]

5) Read more: Strategy – Profitable Growth for Vestas – Capture full potential of the service business. Vestas annual report 2014, page 014.

Vestas PowerPlus™ consists of three product offerings:

- Power Uprate: A modification to the wind turbine control parameters that allows the wind turbines to increase their maximum power output from 1.8 MW up to 2.0 MW and from 1.65 MW up to 1.8 MW. The result is an increased Annual Energy Production (AEP) – generally 1.0-4.0 per cent, depending on wind turbine type and site conditions. Power Uprate is designed for the V82-1.65 MW, V90-1.8 MW and V100-1.8 MW turbines.
- Extended Cut Out: A modification of the wind turbine control parameters that allows wind turbines to capture more wind at higher speeds by extending the maximum wind speed limit from 25 m/s up to 30 m/s. The result is an increase in AEP – generally 0.5-2.0 per cent. Extended Cut Out is designed for the V90-3.0 MW and V100-1.8/2.0 MW turbines.
- The Aerodynamic Upgrades: Vortex Generators, which are a cost-effective solution using small fins that optimise air flow over the blades to improve the aerodynamics and increase AEP of a wind power plant – generally up to 0.8 per cent. Aerodynamic Upgrades are designed for the V82-1.65 MW turbine.

Vestas PowerPlus™ has been well received by customers, and Vestas has already sold upgrades to more than 1,300 wind turbines across the world.

Another example is Vestas Forecasting™. Backed by more than 30 years of wind experience, Vestas has developed advanced forecasting solutions to help make wind power more predictable by delivering more accurate, site specific forecasts at wind turbine, wind power plant, and portfolio level.

Vestas' climate library and big data processing tools enable Vestas Forecasting™ to deliver a portfolio of forecasting products that maximises Vestas customers' business case certainty. This service enhancement includes power forecast, weather forecast, and seasonal forecast.

Active Output Management

Wind turbines need to be continually serviced to perform consistently at their best. Harsh weather conditions over the course of a wind turbine's typical 20-year lifetime can reduce the overall performance of a site, resulting in a loss of earnings and a poor return on the customer's investment.

Vestas Active Output Management® service programme (AOM) ensures the highest possible output at all times, so the customer's return on investment is achievable and more secure.

AOM is tailored to suit desired customer risk profiles and consists of the following five concepts:

- AOM 1000: Without charging a basic fee, Vestas offers the customer a range of services on a pay-as-you-go basis.
- AOM 2000: The wind turbine is regularly serviced, and the customer has an option to buy additional services.
- AOM 3000: A full service solution which includes spare parts and labour. Wind turbine reliability is maximised through both scheduled and unscheduled service.
- AOM 4000: A full service solution aimed at maximising output and uptime, including all required components and a guarantee of traditional time-based availability. The service contract typically runs for up to ten years and may be extended by up to five years at a time.
- AOM 5000: A full service solution designed to minimise production loss. The service contract typically runs for up to ten years and may be extended by up to five years at a time. Under the AOM 5000 service concept, Vestas guarantees a minimum exploitation of the available wind.

Power Plant Solutions

Power Plant Solutions is a 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 and wind power plants into services that directly increase the return on the customers' investments.

The range of Power Plant Solutions products include:

- SiteHunt®: Based on input from 35,000 meteorological stations and a comprehensive wind data library, wind resources around the globe are mapped, and the best sites are selected.
- SiteDesign®: Once the site has been selected, Vestas helps its customers identify the most suitable wind turbines and the best on-site position.
- Electrical Pre-Design: Vestas ensures that electricity generated by the wind power plant constantly delivers the maximum output, meeting the requirements and codes of the local power grid.
- Power Plant Controller: Real-time wind power plant control enhances production and increases the level of reliability. This allows the customer to control production and to meet the requirements of the local power grid.
- Vestas Performance Manager: Online or via a smartphone application, the customer gains an overview of how the wind turbines are performing and when they are scheduled for service.
- PowerForecast: Comprehensive historical data for weather conditions and power production are used to calculate the future power production, allowing customers to fulfil grid requirements all across the globe and enhance revenues on the energy markets.
- PowerPlus™: Optimises the performance and increases the power output on existing wind power plants by up to 5 per cent. The Vestas PowerPlus™ technology solutions are a direct response to a strong customer demand to increase power output while maintaining high reliability.[6)]

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

6) Read more: Strategy – Profitable Growth for Vestas – Capture full potential of the service business. Vestas annual report 2014, page 014.

Technology and service solutions

" The focus in 2014 was on delivery, reducing time-to-market, and lowering cost of energy. The V164-8.0 MW turbine was successfully commissioned, and the strong performance is a validation of its quality."

Anders Vedel
Executive Vice President & CTO

Global platforms

Ongoing Vestas analyses of customer needs and the outlooks for various markets confirm that continued development and innovation of the 2 MW and 3 MW platforms is the right track forward in the short- to mid-term perspective. Vestas works persistently on developing product and service solutions to achieve excellent performance across platforms to deliver world-class power plant solutions.

To further increase profitability, Vestas continues to target reductions in both operational and capital expenditure on main components through innovative design solutions. During 2014, long-term product and service solution roadmaps were established, supporting such cost reduction initiatives. As a result of lower cost of energy, and thereby an improved business case for the customers, this further enhances Vestas' competitiveness.[1)]

The continuous development of the 2 MW and 3 MW platforms has ensured that Vestas offers a stronger and more competitive product portfolio across wind regimes, which is being well received by customers.

Lowering the cost of energy

Developed with the aim of lowering cost of energy, the five new wind turbine variants launched in 2013[2)] have proven to be a success and have been well received by customers, evidenced by a satisfying order intake in 2013, and even more so by the 61 per cent share of total order intake in 2014.

Due to the high demand for Vestas' new wind turbine variants, 2014 has been a year with a strong focus on delivery. For example, in January 2014, the V164-8.0 MW turbine was commissioned; in February 2014, the first V110-2.0 MW turbine was installed; and during the summer of 2014, the first V117-3.3 MW and V126-3.3 MW turbines were installed. Furthermore, Vestas also launched and installed a number of new service solutions, all designed to lower the cost of energy for customers through more efficient wind turbine operations, and hence increased energy output.

The five new wind turbine variants also showcase Vestas' efforts to continuously optimise the existing 2 MW and 3 MW platforms, and thereby lowering the cost of energy while at the same time keeping investments low. By further use of outsourcing and standard components, Vestas is now able to reap the benefits of lower manufacturing costs.

The new 2 MW platform variants are examples of how to reduce costs through a combination of design adjustments and sourcing. More specifically, closer collaboration between suppliers and Vestas in the design phase allows for more optimal, and hence less costly, solutions, driven by a higher degree of usage of standard components. Especially suited for low- and medium wind sites, these new wind turbine variants will contribute to lowering the cost of energy for customers in markets like the USA, China, India and Brazil.

In 2014, Vestas also optimised the 3 MW platform by introducing new product solutions, such as the Large Diameter Steel Tower (LDST) and the Vestas De-icing System (VDS) to improve Annual Energy Production (AEP) and help customers boost their business cases on sites with specific requirements.

The LDST is a cost-effective solution to increase tower height for 3 MW turbines from 137 meters and above. Reaching higher hub heights with this innovative patented solution boosts AEP on low wind sites by up

1) Read more: Strategy – Profitable Growth for Vestas – Reduce levelised cost of energy. Vestas annual report, page 014.
2) Read more: Risk management – Introduction of new products. Vestas annual report 2014, page 036.

to 8 per cent. Vestas has so far delivered and commissioned the LDST solution on low-wind projects in both Finland and Germany and will therefore optimise power generation at these sites.

Cold climates found in countries such as Canada, Austria, Sweden, and Finland often involve icy conditions. Severe icing can potentially reduce AEP by more than 20 per cent, directly impacting the wind power plants' output. The VDS has been developed to detect and efficiently remove ice formed on wind turbine blades, letting wind turbines maintain full power production and revenue generation for customers when icy conditions exist. In 2014, Vestas received more than 100 MW of firm orders utilising the VDS for installation in 2015.

Further supported by its Customer Advisory Board initiative, Vestas will continue to focus on meeting customer requirements by lowering cost of energy, reduce time-to-market and provide greater business case certainty.

Industrialisation

The concept of industrialisation involves moving from 'one size fits all' to customer specific configurability based on standardised, modular building blocks. It involves standardising design solutions and components, sharing product architecture across platforms, and configuring the standard components and modules to match customer requirements.

Vestas continues to increase the use of standardised components and modularised concepts simplifying the product, design, sourcing and manufacturing processes, which in turn increases Vestas' ability to meet the changing market needs through increased product flexibility. By doing this, Vestas will increase internal efficiencies and strengthen its ability to deliver more products with fewer resources, ultimately helping to reduce the cost of energy in line with Vestas' strategy, Profitable Growth for Vestas.[3)]

Service solutions

Vestas offers a broad product range of service solutions, tailored to suit desired customer risk profiles and covering everything from simple on-call duty (AOM 1000) to a guaranteed minimum exploitation of the wind (AOM 5000).[4)]

Vestas' unrivalled data processing capacity allows it to apply unparalleled knowledge of the wind to tailor-made solutions to meet customer and project needs. With knowledge and insight from the world's largest installed base of wind turbines, Vestas offers optimised wind turbine performance throughout the entire wind turbine life cycle.

3) Read more: Strategy – Profitable Growth for Vestas. Vestas annual report 2014, page 010.
4) Read more: Sales and market development – service. Vestas annual report 2014, page 023.

VESTAS **FACTS**

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/ 2.0 MW	X	X	
V90-1.8 MW/ 2.0 MW		X	
3 MW platform			
V126-3.3 MW	X		
V117-3.3 MW		X	
V112-3.3 MW		X	X
V105-3.3 MW			X

Note: The X indicates the design IEC class for the specific wind turbine variant.

The game-changing V164

In April 2014, MHI Vestas Offshore Wind, the offshore joint venture between Vestas and Mitsubishi Heavy Industries Ltd. (MHI), came into formal existence. Vestas transferred the game-changing V164-8.0 MW turbine and its dedicated offshore business to MHI Vestas Offshore Wind.

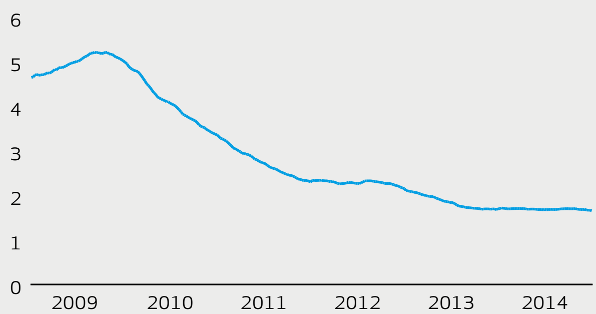
The V164-8.0 MW prototype turbine has set the record for power production by a wind turbine in a 24-hour period from 6-7 October 2014 when the wind turbine produced 192,000 kWh during steady wind conditions at the test site in Østerild, northern Denmark. The power produced by the wind turbine in one day was enough to supply the daily electricity needs of approx 13,500 Danish households.

V90 record

In October 2014, a record was set when two V90-3.0 MW turbines on the Tararua Wind Farm in New Zealand had produced 100,000,000 kWh. They are the first Vestas wind turbines to hit 100,000,000 kWh in their lifetime. The milestone was achieved in approx seven and a half years.

Lost production factor

Per cent



In 2014, the lost production factor – the share of the wind not harvested by Vestas' turbines – was 1.7 per cent across more than 19,500 wind turbines with performance guarantee.

Manufacturing and sourcing

> " In 2014, we ramped up production by more than 30 per cent to meet a growing customer demand, introduced new products, reduced cost, and tightly managed inventories. In short, we started to harvest the fruits of good decisions made over the past years."

Jean-Marc Lechêne
Executive Vice President & COO

Manufacturing footprint

With the new manufacturing set-up implemented in 2012 and 2013, Vestas has created a leaner and more asset-light manufacturing organisation focused on exploiting its core competencies.

Vestas' manufacturing footprint has successfully completed a fundamental shift away from being fully vertically integrated to becoming an organisation that extensively collaborates with a highly professional supplier network, ensuring the procurement – whether in-house or via the supplier network – of the full range of quality products and services, it requires.

Also, Vestas has continued its comprehensive global supplier selection process in 2014, resulting in a stronger supplier portfolio to better meet customer requirements. Vestas delivers innovative and world-class products and therefore also expects innovation from its suppliers. Vestas has made a shift in its product mix, introducing a significant share of new products and strengthening the ability to bring new technologies to market.

Vestas' global manufacturing footprint supports a robust platform strategy. The aim is to collaborate closely with global suppliers with a local footprint for key components, allowing Vestas to focus on the total value chain and securing the lowest total cost and maximum flexibility in key markets.[1)]

Flexibility and scalability

In 2014, Vestas once again demonstrated its ability to scale up and down according to customer demand. The increase in number of employees during the year was primarily driven by the ramp-up at the factories to meet the higher activity level.

By improving agility and continuing the focus on lower total costs, Vestas has increased the flexibility of its manufacturing footprint. Local presence is decisive in some countries, and in others, Vestas benefits from its strong, global supply chain.

Building a strong supply chain in the current high-volume North American market and improving competitiveness by establishing a stronger sourcing presence in China and Brazil are both examples of Vestas' efforts to increase flexibility and scalability even further. Covering a wider sourcing field, and therefore ramping up for a wider global reach, Vestas has a well-balanced global and local presence.

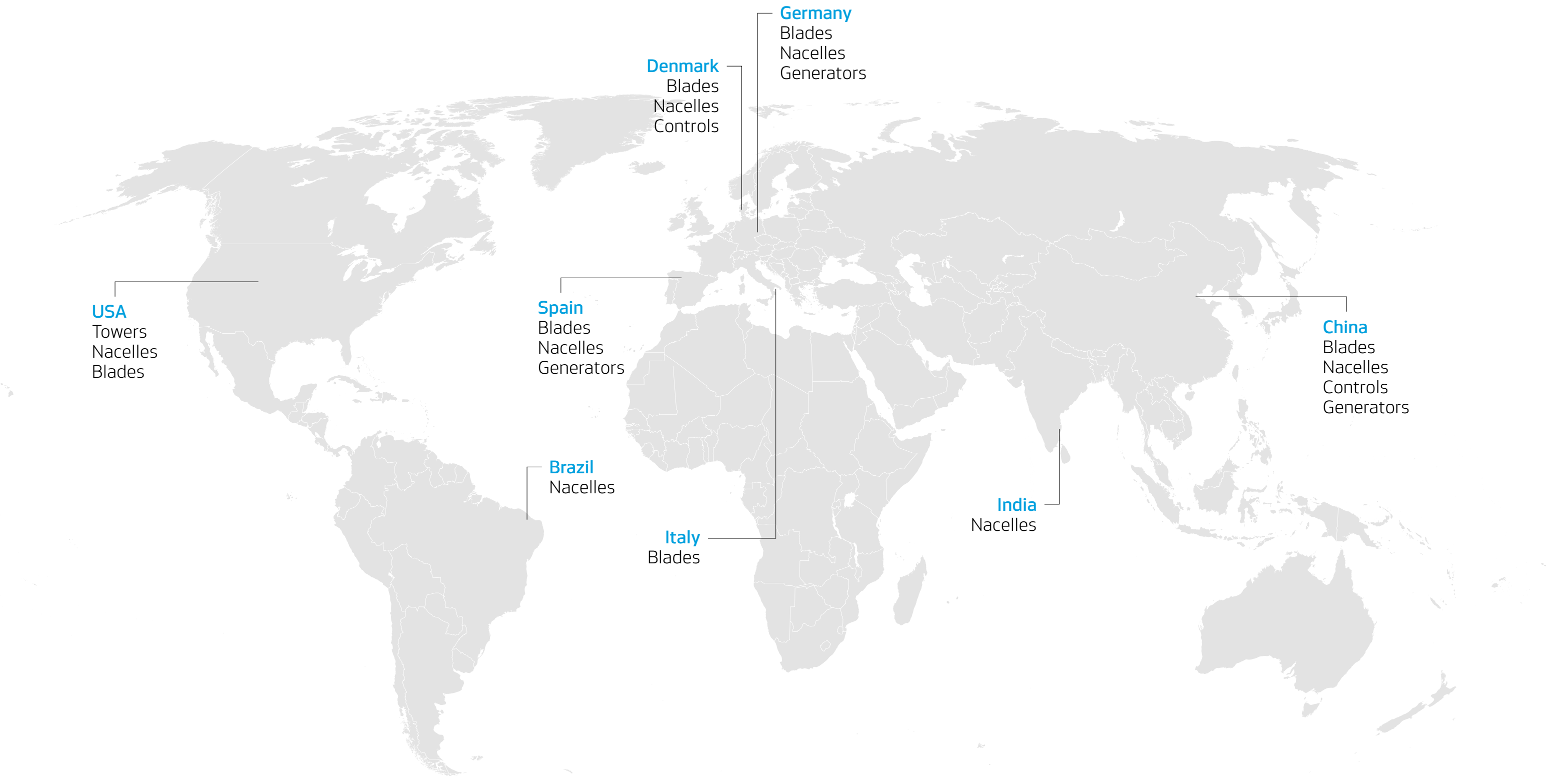
Additionally, despite a larger employee workforce, Vestas succeeded in increasing the productivity per employee. In 2014, shipments were 36 per cent higher than in 2013, while output per employee increased by 22 per cent.

Moreover, Vestas' supplier selection process continues to be focused on safety, quality, cost, and delivery. With the right suppliers, Vestas is able to handle large-scale manufacturing projects through close cooperation and a range of best practice procedures.

The newly set up partnership with TPI Composites on blade manufacturing in China ensures Vestas a "build-to-print" solution and thereby represents a significant development in manufacturing for Vestas in China. By augmenting its own production capacity in this manner, Vestas continues to gain flexibility, reduce investments, and utilise capacity.

1) Read more: Strategy – Profitable Growth for Vestas – Improve operational excellence. Vestas annual report 2014, page 015.

Manufacturing footprint



Divestments and closures in 2014

2014 was a year of stability. Vestas optimised its existing set-up and the overall efficiency was further improved. No divestments or closures were made in 2014.

Moreover, Vestas remained committed to reducing costs and improving manufacturing processes in 2014. This meant continuing to reduce product costs and focusing on fully utilising its core competencies.

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 sets of components at lower prices. By working closely together with Vestas, selected suppliers are able to develop the best suitable components at lowest cost, while Vestas reduces its need for in-house manufacturing.

By further developing proven technologies and using more standardised components from strategic suppliers, Vestas can lower its manufacturing costs and focus its resources on core value-adding initiatives. These include further development and improvement of existing platforms to reduce the cost of energy for Vestas' products. Sourcing and manufacturing can contribute by reducing wind turbine costs and lowering the cost of balance of plant.

As savings also apply to suppliers, Vestas is refining the Accelerated Earnings programme formally implemented in 2013. The focus is on reducing the variable costs in all spending areas associated with external suppliers as well as indirect spend across the company, e.g. travels and factory consumables. 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 programme is still a key enabler for consolidating Vestas' leading position in a competitive market. Going forward, Vestas intends to continuously lower the cost of energy, in part by reducing the costs associated with manufacturing and sourcing.

When it comes to cost optimisation, one example is ensuring demand management by implementing best practice policies to determine who can buy what, when, where, and how. The savings potential when implementing a best practice on demand management can be significant.

As cost-out initiatives must never compromise quality, Vestas continues its Six Sigma programme and continuously monitors all related activities. Cost savings will continue to be a daily focus area for Vestas in order to constantly improve profitability, remain competitive, and offer customers a lower cost of energy.

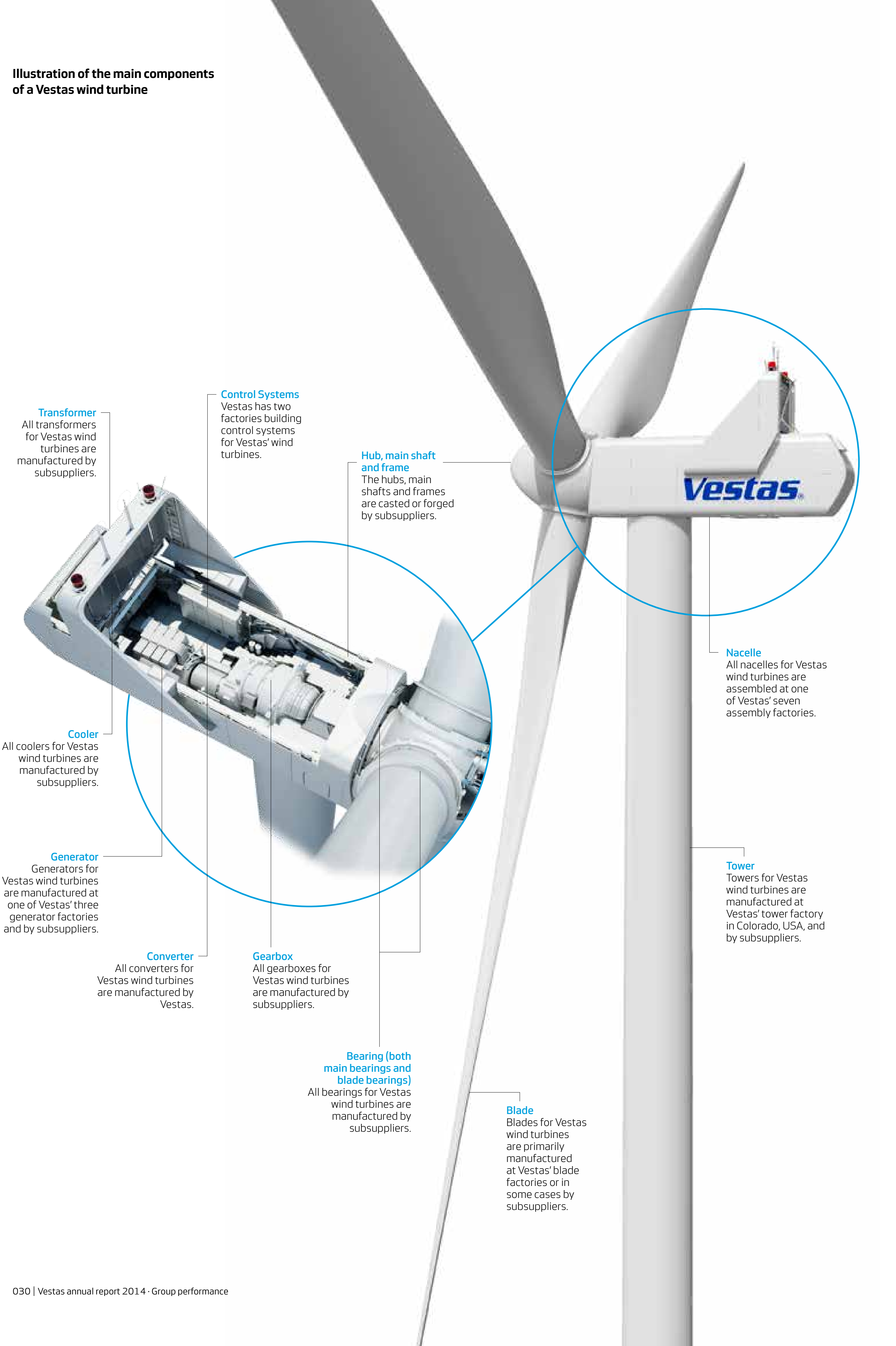
Working capital management

Optimisations on working capital have paid off during the past years. Ending 2013 with a balance of EUR (596)m, the net working capital was further reduced to EUR (957)m in 2014.

Vestas continues its focus on bringing down the order-to-cash time by implementing improvements within contract management and cash collection.

In 2014, Vestas also completed an initiative to further optimise the timing of supplier payments. The work to optimise working capital streams will continue in 2015.

Illustration of the main components of a Vestas wind turbine



Social and environmental performance

Through a dedicated effort from the employees, Vestas has managed to reduce the number of lost time injuries from 2.1 in 2013 to 1.6 in 2014.

Standards, goals and priorities

Vestas' standards and goals within sustainability build on global certificates for the three standards ISO 9001 for quality, ISO 14001 for environment and OHSAS 18001 for health and safety as well as recognised conventions established by international organisations such as the UN, ILO and OECD. The standards and goals are reflected in Vestas' social and environmental priorities:

- The lowest possible incidence of recordable as well as lost time injuries – the ultimate goal being to avoid accidents altogether.
- CO_2 impact from wind power must excel against other energy forms.
- As much of the wind turbine as possible must be recyclable after decommissioning.

Vestas joined the UN Global Compact in 2009. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Combined with additional information about Vestas' sustainability initiatives at www.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

The Vestas Code of Conduct is the guiding document outlining Vestas' global commitment and clearly states what is expected and acceptable behaviour from employees and people acting on behalf of Vestas. It is expected that employees becoming aware of any violation of the Code of Conduct will take actions through either nearest manager or the EthicsLine.

EthicsLine

The purpose of Vestas' EthicsLine is to ensure that no information is suppressed or remains undisclosed, and it provides access for Vestas employees and external business partners to report any incidence of neglect, illegal acts, or acts that are contrary to Vestas' policies and guidelines, as well as to ask questions about ethical dilemmas.

In 2014, Vestas received a total of 46 inquiries through EthicsLine. In 2013, Vestas received 52 cases; 51 compliance cases and one question. For substantiated compliance cases, disciplinary sanctions like warnings and dismissals have been taken.

Reporting categories

Number

	2014
Questions submitted to EthicsLine	3
Compliance cases reported [2]	43
– hereof substantiated	3
– hereof non-substantiated	28
Total	**46**

1) Read more: www.unglobalcompact.org/participant/9947-Vestas-Wind-Systems-A-S.
2) At the end of 2014, 12 cases are under investigation, and hence cannot yet be classified as being of either substantiated or non-substantiated character.

Human rights and labour practices
Vestas recognises its responsibility to respect the Bill of Human Rights. Commitments, including expectations to Vestas' business partners, are outlined in Vestas' Human Right Policy implemented across the organisation.

One of the latest initiatives is the Social and Environmental Due Diligence process. Information collected through this process enables Vestas to assess the likelihood of a project materialising and allowing the company to initiate actions that either prevent or mitigate adverse human rights and labour impacts. The Social and Environmental Due Diligence process is integrated into project plans to ensure integrity within project execution.

In the initial phase of rolling out the Social and Environmental Due Diligence process, the focus has been on turnkey projects in emerging markets. Going forward, Vestas aims to strengthen the due diligence process and tools in order to integrate it in even more activities.

Safety
Through the dedicated efforts of its employees and supervised contractors, Vestas reduced the number of lost time injuries in 2014. At the end of 2014, the incidence rate was 1.6, reaching the target for 2014.

In 2015, a new safety KPI is being introduced in Vestas, focusing on 'total recordable injuries', which in addition to 'lost time injuries' includes 'restricted work injuries' and 'medical treatment injuries'. The measure 'total recordable injuries' represents a broader number of injuries giving a broader perspective of where unsafe behaviour takes place and unsafe material is used. This allows Vestas to evaluate and target injury reduction programs more effectively.

Tragically, two employees at Vestas contractors suffered fatal injuries during 2014. The root causes of the accidents have 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 taken to improve contractors' safety performance include pre-qualifications, standardisation of safety requirements and intensified tracking of safety performance. This is in line with Vestas' strategy to never compromise Vestas' leading position within the areas of safety, quality and technology.

Employees
Throughout 2014, Vestas has experienced an increase in activity levels within both the production and service areas mainly in the USA. As a result, Vestas has increased the total number of employees by 4,126 compared to 2013. The increase is primarily within Vestas' hourly paid workforce.

In April 2014, the joint venture, MHI Vestas Offshore Wind was established, and Vestas and Mitsubishi Heavy Industries Ltd. transferred a total of 380 employees to the new entity.

Vestas will continue to scale the organisation up and down according to the 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 as also stipulated in section 99b of the Danish Financial Statements Act. If the share of either women or men at a management level is below 40 per cent, Executive Management will annually evaluate the need for further actions, although under the consideration that management should always be composed of the best qualified individuals for the job. In 2014, the share of women at management level within the Vestas Group was 18 per cent, compared to 17 per cent in 2013.

When recruiting, Vestas has always and continues to strive at assuring that both genders are represented in the search process. However, Vestas has been through a challenging journey the last couple of years and the focus has been to maintain the distribution of gender among the employees in leadership positions. In 2015, Vestas will look into new initiatives to increase focus on the distribution of gender. In the future, it is expected that the efforts in accordance with the policy will result in more women at management level.

By the end of 2014, Vestas' workforce represented 81 nationalities. Non-Danish nationals held 54 per cent of the positions in the top management layers – an increase of 5 percentage points over the course of the last five years. The development mirrors the continued globalisation of the Vestas Group with Vestas' Executive Management team itself as an example of increased diversity, including members from Denmark, France, Spain and Sweden.

Diversity in the Board of Directors
The Board of Directors continuously works to increase diversity on the Board in particular in connection with assessments of new Board candidates. When proposing new Board candidates, the Board of Directors pursues the goal of having both genders and several nationalities represented as well as a diverse age distribution. However, this goal must not compromise the other recruitment criteria.

In accordance with Danish legislation, the Board of Directors has defined a target outlining that members of the underrepresented gender should constitute two to three board members elected by the general meeting no later than in 2017.

In connection with the Annual General Meeting in 2014, eight new members were elected – two women and six men.

Board members elected at the general meeting
Number

	2014	2013
Women	2	1
Men	6	7
Nationalities	3	3
Mean age of approx	56	57

Global bonus programme
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 in developing, manufacturing, marketing, selling, installing, or servicing wind turbines. As such, all employees are rewarded when Vestas improves its profitability and cash flow generation.

The 2014 bonus programme is based on a set of KPIs, which helps accomplish Vestas' strategic goals. Specifically, the bonus programme is based on reaching certain levels of operating profit (EBIT) before special items and free cash flow for the financial year and is thus aligned with some of the main performance metrics of the company. As the targets for bonus pay-out were achieved in 2014, a global bonus of EUR 82m will be paid out to all employees in 2015, compared to EUR 97m in 2014.

Satisfaction survey
Each year, Vestas conducts an employee satisfaction survey to measure how Vestas employees perceive their daily workplace and subsequently find areas where Vestas can become an even better place to work. Vestas conducted the annual employee satisfaction survey in October 2014, and the response rate was 93 per cent – the same as in 2013. The overall satisfaction and motivation index was 69 in 2014, compared to 66 in 2013, which is considered a satisfactory development.

Environmental footprint
Vestas operates in an industry consuming large volumes of steel and concrete, and with energy-intensive global logistics. A V112-3.3 MW turbine weighs more than 350 tonnes, and its production, transportation, and erection requires among other things foundation, cement mixers, cranes, trains, and ships. 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.

The divestment of its six machining and casting units in 2013 resulted in a significant reduction in Vestas' direct environmental impact for 2014. However, looking at the life cycle assessment of a Vestas wind turbine, the environmental impact remains unchanged after the divestment.[3)]

In 2014, 96 per cent of the MW delivered by Vestas was covered by an ISO 14040/44 life cycle assessment. The life cycle assessment identifies and evaluates the environmental impact throughout the lifetime of a wind power plant. By knowing how Vestas' products and materials contribute to the environmental performance of the wind power plant, it is possible to make fact-based and informed decisions that will minimise overall environmental impact. Because a Vestas wind turbine only emits 5-10 grams of CO_2 per kWh produced, wind power outperforms traditional energy sources when it comes to carbon footprint, energy payback and water consumption.

Carbon footprint
From a life cycle perspective, Vestas currently generates about 5 to 10 per cent of the total CO_2 emissions for a typical wind turbine. Another 5 to 10 per cent is emitted during transport, whilst the remaining volume of CO_2 (80-90 per cent) derives from suppliers' materials and component production.

Vestas has defined a target for 2015 that a Vestas wind turbine, throughout its lifetime – production, installation and dismantling – must be at least 15 per cent more CO_2 efficient than in 2010, which will significantly reduce the carbon footprint from 7 to 6 grams of CO_2 per kWh for the V112-3.0 MW turbine. The latest results released in 2014, which have been externally reviewed, confirm that the wind turbine's environmental performance has improved significantly; the carbon footprint of the V112-3.3 MW turbine having been reduced by 12 per cent to around 6.1 grams of CO_2 per kWh.

The main sources of the improvements are environmentally-led initiatives (e.g. introduction of SF_6 gas take-back scheme for worn-out switchgears) and product upgrade initiatives, which include increased energy production (in moving from a 3.0 MW to a 3.3 MW generator) and product optimisation, giving reduced material requirements.

In order to further reduce its carbon footprint, Vestas will continue to improve wind turbine performance and lower energy consumption in factories and within the supply chain.

Renewable energy
Vestas has defined a goal stating that all electricity consumption in Vestas must come from renewable energy sources, subject to availability. Vestas achieved this goal in 2014, partly by purchasing renewable electricity where available, and partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants.

As a result, Vestas also lives up to the WindMade™ criteria by having all its electricity coming from WindMade™ compliant energy. Furthermore, 56 per cent of all energy consumption came from renewable energy sources in 2014. By using electricity from renewable sources, Vestas spared the environment 112,000 tonnes of CO_2 emissions in 2014.

Return on energy
A V112-3.3 MW turbine is energy neutral after approx six and a half months of operation. This means, that after six and a half months, the wind turbine has generated as much energy as the suppliers and Vestas together spend on manufacturing, transporting, installing and dismantling the wind turbine in its 20-year lifetime.

The V112-3.3 MW turbine has significantly improved its return on energy by around 23 per cent in comparison to the previous V112-3.0 MW turbine from 2010.

Material use
As from 2014, metals and other raw materials are no longer included in the environmental key figures. Material use will now be reported at a product level. A life cycle assessment is used to provide the detailed knowledge regarding the material composition of the wind power plant from a life cycle perspective. See the illustration on page 034.

Each part within the wind turbine is associated with a material, manufacturing process, and country of origin. This forms a highly detailed and accurate description of the wind turbine. For example, for the V112-3.3 MW turbine, this accounts for around 25,000 parts per wind turbine. Throughout the remainder of the life cycle, all other material consumptions are also analysed, accounting for all Vestas manufacturing processes, sales and overheads as well as installation, site operation and maintenance, and wind power plant decommissioning.

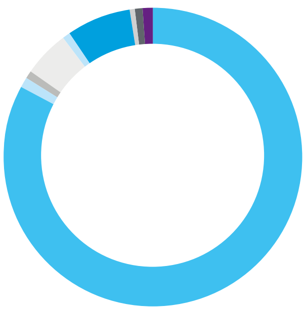
Furthermore, during final disposal, certain parts that can be more easily dismantled and recycled, will receive higher recycling efficiencies than other parts of the wind turbine. In summary, the life cycle assessment provides an extensive knowledge of material use in Vestas wind turbines.

The figure shows a typical material breakdown of a V112-3.3 MW turbine, which is composed of around 85 per cent metals (e.g. steel, iron, copper, and aluminium), 12 per cent polymers and composite materials, and the remainder a mixture of electronics/electrical items, lubricants and fluids, and other materials.

Recyclability
Recycling in Vestas' production and recycling of components in decommissioned wind turbines are other important ways to improve CO_2 efficiency. Today, 83 per cent of a V112-3.0 MW turbine can be recycled – up from 80 per cent in 2010 when the target of 85 per cent by 2015 was set. Vestas has been part of different initiatives to mature solutions for recycling of composite materials – the largest remaining fraction that is not recycled. However, commercialised solutions have not yet been established. Reaching the target by 2015 is therefore not realistic and the target has been prolonged to 2020.

3) Read more: Consolidated social and environmental statement. Vestas annual report 2014, page 106.

Material breakdown of a V112-3.3 MW wind turbine
Per cent



Note: Weight 353 tonnes, 84m hub height and wind class IEC2A..

Risk management

The Group endeavours to meet the highest and latest international standards and recommendations for risk management in order to support its operating business model.

The Vestas Group is exposed to a variety of risks in the daily business. Vestas works actively to ensure that risk-informed decisions contribute to achieving Vestas' strategic and financial targets.

To ensure an integrated risk management, Vestas has adopted a Group Enterprise Risk Management framework. This framework focuses on identification, evaluation, treatment, monitoring and communication of risks, where risk owners are responsible for managing risks within their area of responsibility.

The risks are reported on a quarterly basis and consolidated further into a Group report, which is discussed in the Group Risk Management Committee each quarter. The key risks are then reviewed and considered by the Executive Management and presented to the Board of Directors semi-annually. Key risks include risks related, but not limited to, product development, changes in legislation, intellectual property right, product quality, supply chain, and entering new markets.

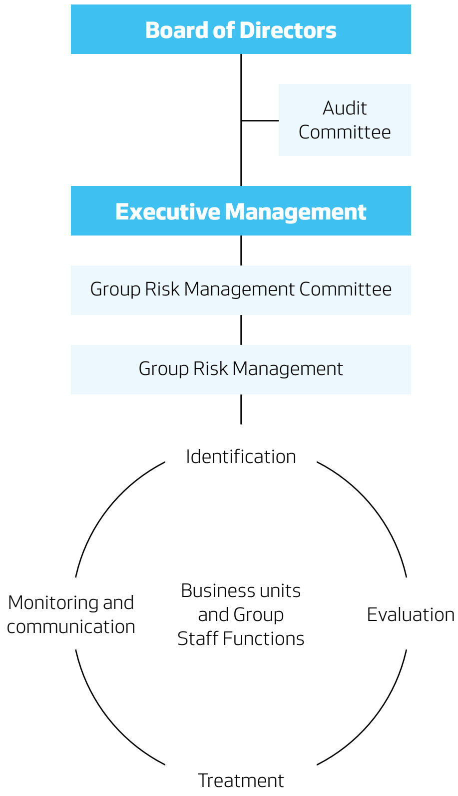
In 2014, Vestas has enhanced its risk management efforts by continuous actions to identify and understand key risks related to its business performance, as well as further strengthening the clear accountability and ownership from the risk owners and improved controls.

The main risks of the Vestas Group are:

- Decreasing regulatory financial support for wind energy.
- Challenges posed by entering new markets.
- Risk related to introduction of new products.

Financial and other risks, including risks related to currency, interest rate, tax, credit, commodity exposures and control activities, are addressed in the notes to the consolidated financial statements. These risks are also reported to the Board and evaluated by the Audit Committee, especially in relation to the treasury policy.

Risk management



Decreasing regulatory financial support for wind energy

Risk trend for 2014: Stable
Risk owner: Anders Runevad, Group President & CEO

Description
Government support for expansion of wind power has been declining in the light of tightened government spending and budgets. Vestas has seen disruptions and lack of clarity in a number of markets.

In the EU, a target for renewable energy's share in the overall energy mix has been set at 27 per cent[1] and new state aid guidelines have been adopted[2]. This shows a continued commitment to renewable energy, however, with a downward pressure on the level of financial support.

In the USA, the Congress passed a one-year extension of the American Production Tax Credit (PTC) through 2014[3] providing a short window to receive and execute orders. It does not, however, provide a stable and predictable business environment for wind energy.

In Asia Pacific, a reduction of the financial support mechanisms in China has been announced, while the buildout target for wind power has been increased.

Potential impact
Decrease in order intake due to uncertainties surrounding the incentive schemes, which may discourage potential customers from investing in wind power plants, if wind power becomes less competitive. Delays in anticipated projects could also be expected as a result of uncertainty.

Mitigations
Vestas' sustained investment in product development has led to continued reductions in the cost of energy for wind power, making wind power more competitive. Vestas continues to focus on reducing the cost of energy to make wind power an even more attractive investment. Furthermore, Vestas works closely with governments to share best practice on policies and regulations for wind energy and to best utilise the advantages of wind power, which – besides the decreasing costs – include energy independence, environmental improvements and knowledge transfer.

Vestas' global presence also reduces the volatility around decreasing regulatory support for wind energy on a national level as there is limited dependence on a single market.

Challenges posed by entering new markets

Risk trend for 2014: Stable
Risk owner: Juan Araluce, Executive Vice President & CSO

Description
The share of revenue generated outside mature markets is expected to increase further over the coming years.

To achieve widespread acceptance in each country that Vestas enters, products and services must be tailored specifically to the country in question. Furthermore, it must be taken into account that the time required to achieve widespread acceptance for those products and services may be longer than anticipated. New markets expose Vestas to a number of risks that are higher than what Vestas would otherwise encounter, if operating solely in mature markets.

These risks include:

- Political or economic instability or unrest.
- Differences 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 investments 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.
- Differences in contractual provisions in different markets with which Vestas may have difficulty monitoring and complying.

Potential impact
Vestas' ability to expand its operations in any country may be impacted by these and other factors that can increase costs and complexity. One or more of the above-mentioned factors could have a negative effect on Vestas' business, results of operations, and financial strength.

Mitigations
New markets pose different business risks than mature markets. As engagement in new markets increases, it is essential for the future of Vestas that a comprehensive risk assessment is completed to understand the business environment as well as determine the mitigation measures that would allow Vestas to operate in a given market. In 2014, Vestas has hence established an Emerging Markets Risk Mitigation Group which is mandated to oversee and mitigate risks related to new markets, where Vestas operates or wishes to do so.

Introduction of new products

Risk trend for 2014: Stable
Risk owner: Anders Vedel, Executive Vice President & CTO

Description
The launch of several new products for serial production in 2014 may have an impact on Vestas and its supply chain. A successful ramp-up and delivery of new products is important as sales commitments have been made on these new wind turbines.

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.

Mitigations
The majority of orders to be executed over the next years are using the 2 MW platform, with which Vestas has a proven track record.

Vestas' full-scope testing strategy proves its technology through the testing of complete nacelles, blades 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.

1) Source: European Commission: Energy and climate goals for 2030. October 2014.
2) Source: European Commission: State aid: Commission adopts new rules on public support for environmental protection and energy. April 2014.
3) Source: The American Congress: H.R.5771– 113th US Congress (2013-2014). December 2014.

Shareholders and governance

A V112-3.0 MW turbine can generate more than 11,750 MWh of energy per year – enough electricity to supply 2,900 European households.

The Vestas share

Vestas Wind Systems A/S' share capital amounts to DKK 224,074,513, and its shares are listed on Nasdaq Copenhagen. Vestas has one share class and a total of 224,074,513 shares, which are 100 per cent free float.

In 2014, the turnover of the company's share on Nasdaq Copenhagen totalled EUR 19.7bn. The share price ended the year at DKK 226.50 as compared to DKK 160.20 at year-end 2013 – an increase of 41 per cent.

Capital increase

In February 2014, Vestas announced that the company would use the authority in article 3(1b) of the company's articles of association to issue 20,370,410 new shares.

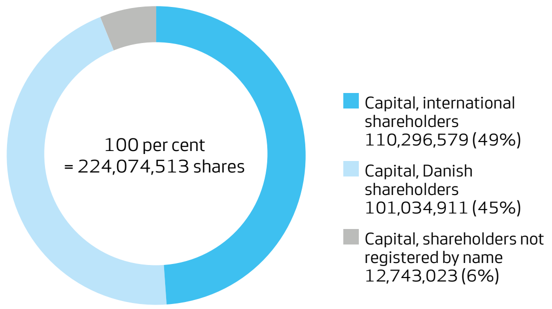
The share capital increase was fully subscribed at a price of DKK 162.00 per share in a private placement to institutional and professional investors in Denmark and internationally. The company received net proceeds of DKK 3.3bn from the capital increase.

The purpose of the capital increase was to further enhance Vestas' financial stability and to provide a greater financing flexibility, by strengthening its solvency ratio and obtaining more flexible banking arrangements.[1)]

Ownership

At the end of the year, the company had 159,162 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, 154,440 Danish shareholders owned 45 per cent of Vestas. The number of shareholders registered by name decreased by approx 2 per cent during 2014.

Share capital distribution at 31 December 2014
Number of shares · Per cent



In accordance with the Danish 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.

On 19 June 2014, BlackRock, Inc., USA, reported a shareholding of 5.03 per cent, and reported in October 2014, that they had reduced their holding of Vestas shares to 4.94 per cent.

Annual General Meeting 2015

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

1) Read more: Consolidated financial statements – note 23. Vestas annual report 2014, page 082.

VESTAS **FACTS**

The Annual General Meeting of Vestas Wind Systems A/S will be held on 30 March 2015 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

Time schedule

13 February	Deadline for proposals for the agenda
2 March	Convening for the Annual General Meeting
23 March	The record date
26 March	Deadline for registration and submission of proxy
29 March	Deadline for submission of correspondence vote

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

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

Amendment to the articles of association, dissolution, demerger 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 Companies Act.

Dividend policy
In general, the intention of the Board of Directors is, in the future, to recommend a dividend of 25-30 per cent of the net result of the year. However, distribution of dividends will always be decided with due consideration for the Group's plans for growth and liquidity requirements and the Group's priorities for excess cash.[2)]

The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.52 (DKK 3.90) per share be paid for 2014. This is equivalent to a dividend percentage of 29.5 per cent measured against the net profit for the year.

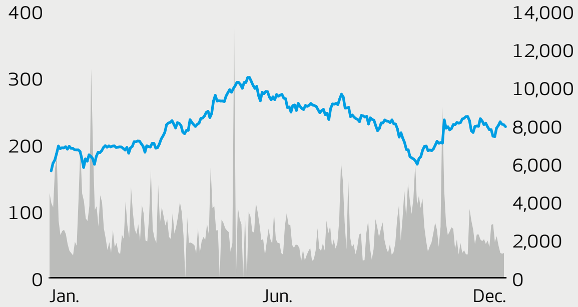
Election of board members
The board members' election terms expire in 2015, as board members elected by the general meeting must retire at the following annual general meeting. However, board members are eligible for re-election. Board members elected by the general meeting may be recommended for election 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 of Directors 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

2) Read more: Strategy – Profitable Growth for Vestas – Financial and capital structure targets and priorities. Vestas annual report, page 015.

Share price development · Trading in Vestas shares
DKK · Number in 1,000



Roadshows
In 2014, Vestas participated in a range of investor and analyst meetings in a series of countries including United Kingdom, Germany, Sweden, France, Denmark, and the USA .

Capital markets day
In 2014, Vestas held a capital markets day in Aarhus, Denmark, which was attended by members of the media, analysts and investors.

The purpose of the event was to increase awareness and understanding of Vestas and Vestas' strategy – Profitable Growth for Vestas.

Analyst coverage
Vestas is currently covered by 22 sell-side analysts that regularly produce research reports on Vestas. A list of analysts covering Vestas can be found at www.vestas.com/investor/share.

Financial calendar 2015

30 March	Annual general meeting
6 May	Interim financial report, first quarter
19 August	Interim financial report, second quarter
5 November	Interim financial report, third quarter

criteria. Candidates proposed by the Board of Directors must not have reached the age of 70.

Board member Jørn Ankær Thomsen has informed that he will not stand for re-election. The remaining board members elected by the general meeting have all informed the Board of Directors that they will stand for re-election. The Board of Directors proposes that Mr Torben Ballegaard Sørensen is elected as new member of the Board of Directors. Mr Sørensen holds an MBA from Aarhus School of Business and is an adjunct professor in the Faculty of Organisation and Management at Aarhus University, Denmark.

Remuneration of the Board of Directors for 2015

The Board of Directors expects to propose that the level of the basic remuneration for 2015 is increased by 10 per cent from EUR 47,966 to EUR 52,763 per board member, and that the basic remuneration for 2015 for committee members is increased by 10 per cent from EUR 23,984 to EUR 26,382 per membership.

Appointment of auditors

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

Remuneration policy – general guidelines for incentive pay

The Board of Directors expects to propose that the Annual General Meeting approves a new remuneration policy and new general guidelines for incentive pay for the Board of Directors and the Executive Management. The draft for the remuneration policy and the draft guidelines for incentive pay will be published at www.vestas.com/investor in connection with the convening for the Annual General Meeting. The proposals can be adopted by a simple majority of votes.

Amendments to the articles of association

The Board of Directors expects to propose the following amendments to the company's articles of association:

Article 4(4) is updated to the effect that it is no longer necessary to announce the general meeting in a national daily newspaper. The proposal can only be adopted by a majority of not less than two-thirds of all votes cast and of the share capital represented at the Annual General Meeting.

As the Executive Management consists of five members, the Board of Directors proposes that the Executive Management's authority to bind the company mentioned in article 10(1) of the articles of association be amended to the effect that in the future, the company can be bound by "the joint signatures of two members of the Executive Management" instead of "the joint signatures of the Group President & CEO and another member of the Executive Management". The proposal can only be adopted by a majority of not less than two-thirds of all votes cast and of the share capital represented at the Annual General Meeting.

The Board of Directors will also propose a renewal of the authorisation for the Board of Directors to acquire treasury shares corresponding to approx 10 per cent of the share capital in the period until the next Annual General Meeting. After such acquisition, Vestas' combined portfolio of treasury shares must not exceed 10 per cent of the share capital. The proposal can be adopted by a simple majority of votes.

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 22,407,451 (22,407,451 shares), ref. article 3 of the articles of association. The authority is valid until 1 March 2019.

At the Annual General Meeting in 2014, 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 shall give a statement on how they address the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance.

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

Danish recommendation regarding corporate governance

Number

	2014	2013
Complies with the recommendation	43	41
Partly complies with the recommendation	3	5 [3)]
Does not comply with the recommendation	1	1 [4)]
Number of recommendations	**47**	**47**

3) Vestas partly complied with recommendation 3.1.4., 3.4.1., 3.4.2., 4.2.3., and 5.3.1.
4) Vestas did not comply with recommendation 3.4.8.

Vestas' statutory report, which is part of the annual report, is only available at www.vestas.com/investor/corporate_governance#!statutory-reports.

Communication with shareholders

Vestas 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.

To keep the interest in the Vestas share at a high level, Vestas regularly provides information to the company's stakeholders by means of:

- broad distribution of the company's financial reports and company announcements;
- live webcasts/audio 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 Investor Relations

Vestas aims to continuously improve the communication with its shareholders 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.

Danish recommendation regarding corporate governance

Recommendation	Vestas' comments
Recommendation 3.1.4. The committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.	Vestas partly complies with the recommendation. Vestas' articles of association do not stipulate a retirement age for board members. According to the rules of procedure for the Board of Directors, the Board of Directors will not nominate candidates who have reached the age of 70. The company does not wish to limit shareholders' possibility of nominating candidates – which, moreover, is not considered good corporate governance by international shareholders – and the articles of association therefore do not stipulate a retirement age for members of the Board of Directors.
Recommendation 3.4.1. The committee recommends that the company publish the following on the company's website: · the terms of reference of the board committees, · the most important activities of the committees during the year, and the number of meetings held by each committee, and · the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.	Vestas partly complies with the recommendation. The following information about the company's board committees is available at www.vestas.com/investor (Corporate governance): · charter; · composition; · function; · responsibilities; · work methods; and · number of meetings. The purpose of Vestas' board committees is to prepare decisions and recommendations for consideration and approval by the entire Board of Directors. The committees are not authorised to make independent decisions, but report to and make recommendations to the entire Board of Directors. Against this background and keeping in mind that publication of the committees' activities in certain instances may be detrimental to the Group, the Board of Directors has decided not to publish the committees' most important activities. An overview of the committees' general tasks is available in the statutory report.
Recommendation 4.2.1. The committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	Vestas does not comply with the recommendation. When the remuneration policy was presented for adoption at the Annual General Meeting in 2013, the Chairman included an explanation in his report. At the Annual General Meeting in 2014, there were no changes to the policy and it was therefore not explained. If changes are implemented in the policy or the company's compliance, the Chairman will comment on such at the relevant annual general meeting. The annual report 2014 provides a remuneration report for the Board of Directors and the Executive Management, explaining the link between the remuneration for 2014 and the remuneration policy and the general guidelines for incentive pay.
Recommendation 4.2.3. The committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	Vestas partly complies with the recommendation. The remuneration paid to members of the Board of Directors and members of the board committees is disclosed in the annual report 2014. The annual report 2014 does not disclose the remuneration paid to each member of the Executive Management. The total remuneration paid to the Executive Management is disclosed. The annual report 2014 provides a remuneration report for the Board of Directors and the Executive Management, explaining the link between the remuneration for 2014 and the remuneration policy, and the general guidelines for incentive pay. The Board of Directors believes that the information on remuneration disclosed in the annual report 2014 constitutes a reasonable balance between the need for openness about remuneration to the Board of Directors and the Executive Management, and the need to secure confidentiality with regard to the remuneration paid to the individual members.

Remuneration report 2014 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.

Remuneration policy and incentive pay
The remuneration policy for members of the Board of Directors and Executive Management of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long-term goals for safeguarding the company's interests.

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.

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 2014, the Board of Directors held nine (2013: 12) board meetings, six (2013: six) Audit Committee meetings, four (2013: four) Nomination & Compensation Committee meetings, and four (2013: 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).[2)]

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 2014, the shareholders approved a 10 per cent increase of the level of remuneration for the Board of Directors for the financial year 2014.

- Basic remuneration of EUR 47,966
- Basic committee remuneration of EUR 23,984

For 2014, a total of EUR 1.1m was paid in remuneration to board and committee members compared to EUR 1.0m in 2013, ref. note 6 to the consolidated financial statements.

Board of Directors' remuneration for the financial year[1)]

	2014		2013	
	Number of members	EUR	Number of members	EUR
Remuneration	12	719,490	12	654,090
Audit Committee remuneration	4	119,920	4	109,020
Nomination & Compensation Committee remuneration	4	119,920	4	109,020
Technology & Manufacturing Committee remuneration	5	143,904	5	130,824
Total remuneration for the financial year		**1,103,234**		**1,002,954**

1) Exclusive of social security taxes and similar taxes.
2) Employee elected members of the Board of Directors participate in incentive programmes, bonus pay, etc. on equal terms with other Vestas employees, ref. note 31 to the consolidated financial statements. Vestas annual report 2014, page 089.

Remuneration report 2014 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 partly through incentive-based pay.

Remuneration policy and incentive pay
The remuneration policy for members of the Board of Directors and Executive Management of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long-term goals for safeguarding the company's interests.

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, 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, 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). 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. Pension is considered included in the fixed salary.

Remuneration approved by the Board of Directors
In 2014, a total of EUR 4.1m was paid in salaries to the Executive Management.

Based on the results achieved in 2014, the combined Executive Management will receive a bonus of EUR 2.6m in 2015. In 2014, EUR 1.2m was expensed as share-based payment, ref. note 6 to the consolidated financial statements.[1)]

Executive Management's remuneration[2)]

	2014	2013
Fixed salary (EUR)	4,147,072	3,696,301
Bonus (EUR)	2,612,655	2,066,498
Performance shares for the financial year[3)] (number)	151,413	139,571
Performance shares for the financial year[3)] (EUR), at a fair value	3,945,322	892,515
Total granted options for the period 2008-2012[4)] (number)	110,010	119,687

1) The targets for performance shares are similar to the ones for bonus pay-out.
2) In 2014, the Executive Management has not exercised any granted performance shares or options.
3) The performance shares will be granted to the Executive Management in 2017 and 2019.
4) 9,677 options have expired in 2014.

Members of the Board of Directors

	Born	Independent[1)]	Date of election	Expiry of election period	Share trading in 2014	Number of shares 2014[2)]
Mr Bert Nordberg	23/03/1956	Yes	March 2012 and re-elected for subsequent terms, most recently in 2014	2015	+4,000	14,000
Mr Lars Josefsson	31/05/1953	Yes	March 2012 and re-elected for subsequent terms, most recently in 2014	2015	0	2,000
Mr Carsten Bjerg	12/11/1959	Yes	March 2011 and re-elected for subsequent terms, most recently in 2014	2015	+2,188	4,019
Ms Eija Pitkänen	23/04/1961	Yes	March 2012 and re-elected for subsequent terms, most recently in 2014	2015	+650	1,150
Mr Henrik Andersen	31/12/1967	Yes	March 2013 and re-elected in 2014	2015	+3,250	4,500
Mr Henry Sténson	10/06/1955	Yes	March 2013 and re-elected in 2014	2015	+1,700	10,700
Mr Jørn Ankær Thomsen	17/05/1945	No[3)]	April 2004 and re-elected for subsequent terms, most recently in 2014	2015	0	2,500
Mr Kim Bredo Rahbek	06/07/1959	-	July 2014	2016	0	0
Mr Kim Hvid Thomsen	08/08/1963	-	May 1996 and re-elected for subsequent terms, most recently in 2012	2016	+425	5,810
Ms Lykke Friis	27/10/1969	Yes	March 2014	2015	+1,040	1,040
Mr Michael Abildgaard Lisbjerg	17/09/1974	-	April 2008 and re-elected for subsequent terms, most recently in 2012	2016	0	834
Ms Sussie Dvinge Agerbo	05/10/1970	-	November 2005 and re-elected for subsequent terms, most recently in 2012	2016	+300	3,300

Members of the Executive Management

	Born	Position	Date of appointment	Fiduciary positions / positions of trust	Share trading in 2014	Number of shares 2014[2)]
Mr Anders Runevad	16/03/1960	Group President & CEO	September 2013	Deputy chairman of the board of MHI Vestas Offshore Wind A/S (DK). Member of the General Council of the Confederation of Danish Industries (DK) and the Industrial Policy Committee of the Confederation of Danish Industries (DK).	+5,000	5,000
Mr Anders Vedel	06/03/1957	Executive Vice President & CTO	February 2012	Member of the boards of Fonden Lindoe Offshore Renewables Center - LORC (DK), Hvide Sande Harbour (DK) and MHI Vestas Offshore Wind A/S (DK).	+3,800	4,941
Mr Jean-Marc Lechêne	29/10/1958	Executive Vice President & COO	July 2012	-	+2,000	2,000
Mr Juan Araluce	17/01/1963	Executive Vice President & CSO	February 2012	Member of the board of MHI Vestas Offshore Wind A/S (DK).	+12,602	12,602
Ms Marika Fredriksson	04/11/1963	Executive Vice President & CFO	May 2013	Member of the boards of Ferronordic Machines AB (SE) and AF AB (SE).	+5,500	5,500

1) The Committee on Corporate Governance's definition of independency, see www.vestas.com/en/investor/corporate_governance.
2) The mentioned number of shares includes both own and related parties' total shareholding. At 31 December 2014, the shares of the Board of Directors and the Executive Management represented a combined market value of approx EUR 2.4m.
3) 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), Sigma Connectivity AB (SE), and Svenska Cellulosa Aktiebolaget SCA (SE).

Positions of trust

Member of: HP EMEA Board of 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 Boards of: Driconeq AB (SE), Ouman Oy (FI), and TimeZynk AB (SE). Member of the Board of: Metso Oyj (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 Committee[2]

Fiduciary positions

Deputy chairman of the boards of: Højgaard Holding A/S (DK) and Rockwool International A/S (DK). Member of the board of: MT Højgaard A/S (DK).

Positions of trust

Chairman of: The Market Development Fund (DK).

Special competencies

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

Eija Pitkänen
Sustainability and Compliance Officer
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 Committee[3]
Member of the Nomination & Compensation Committee

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
Brunswick Group[4]

Member of the Board of Directors
Member of the Technology & Manufacturing Committee
Member of the Audit Committee[2]

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) Fulfils 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.
4) In January 2015, Mr. Sténson has taken up the position as Executive Vice President of Corporate Communication & Sustainability Affairs for the Volvo Group.

Jørn Ankær Thomsen
Attorney at Law
Gorrissen Federspiel

Member of the Board of Directors
Member of the Nomination & Compensation Committee
Member of the Audit Committee[5)]

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), Ejendomsselskabet FMJ A/S (DK), F.M.J. A/S (DK), Fibertex Nonwovens A/S (DK), Fibertex Personal Care A/S (DK), GAM Holding A/S (DK), GAM Wood A/S (DK), Givesco A/S (DK), Investeringsforeningen Danske Invest (DK), Investeringsforeningen Danske Invest Select (DK), Investeringsforeningen Profil Invest (DK), Kapitalforeningen Danske Invest Institutional (DK), Kildebjerg Ry A/S (DK), Løgten Midt A/S (DK), Niels Bohrs Vej A/S (DK), Schouw & Co. Finans A/S (DK), Søndergaard Give A/S (DK) and Th. C. Carlsen, Løgten A/S (DK). Member of the boards of: Biomar Group A/S (DK), Carletti A/S (DK), Dan Cake A/S (DK), Danske Invest Management A/S (DK), Ejendomsselskabet Blomstervej 16 A/S (DK), Galten Midtpunkt A/S (DK), Givesco Bakery A/S (DK), and Hydra-Grene 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 Bredo Rahbek
Chief Specialist, Technology & Service Solutions
Vestas Wind Systems A/S

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

Special competencies
In-depth knowledge of R&D of wind turbines, especially in the value chain areas of transportation, installation and maintenance, and experience in managing R&D activities in an international set-up.

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.

Lykke Friis
Prorector for Education
University of Copenhagen

Member of the Board of Directors

Fiduciary positions
Member of the boards of: European Council of Foreign Relations (UK), Rockwool Foundation, European Institute of Innovation and Technology (EIT) (EU), and VELUX A/S (DK).

Positions of trust
Chairman of: the Danish Foreign Policy Society (DK). Member of: The board of directors of International Crisis Group (ICG) (USA), Nykredits Repræsentantskab (DK), and The Danish-German Chamber of -Commerce (DK).

Special competencies
In-depth knowledge of international energy policy and European Union regulation. Furthermore, experience from public affairs and managing research and development.

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

Member of the Board of Directors (elected by Group 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.

5) 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.

Outlook 2015

Vestas will continue to build its strong global reach in the wind turbine and service segments in 2015 and beyond.

Revenue is expected to be minimum EUR 6.5bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 7 per cent with the service earnings remaining stable.

Total investments are expected to amount to approx EUR 300m, and the free cash flow is expected to be minimum EUR 400m in 2015.

Outlook 2015

Revenue (bnEUR)	min. 6.5
EBIT margin (%) before special items	min. 7
Total investments (mEUR)	approx 300
Free cash flow (mEUR)	min. 400

Consolidated financial statements

Consolidated income statement 1 January – 31 December

mEUR	Note	2014	2013
Revenue	3, 4	6,910	6,084
Cost of sales	5, 6	(5,732)	(5,188)
Gross profit		**1,178**	**896**
Research and development costs	5, 6, 7	(213)	(246)
Distribution expenses	5, 6	(158)	(195)
Administrative expenses	5, 6	(248)	(244)
Operating profit (EBIT) before special items		**559**	**211**
Special items	5, 8	48	(109)
Operating profit (EBIT)		**607**	**102**
Income/(loss) from investments accounted for using the equity method	15	(31)	0
Financial income	9	50	20
Financial expenses	10	(103)	(158)
Profit/(loss) before tax		**523**	**(36)**
Income tax	11	(131)	(46)
Profit/(loss) for the year		**392**	**(82)**
Earnings per share (EPS)	12		
Earnings per share (EUR)		1.79	(0.41)
Earnings per share (EUR), diluted		1.77	(0.41)

Consolidated statement of comprehensive income 1 January - 31 December

mEUR	2014	2013
Profit/(loss) for the year	**392**	**(82)**
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss:		
Exchange rate adjustments relating to foreign entities	83	(53)
Fair value adjustments of derivative financial instruments	(28)	50
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	(1)	0
Share of other comprehensive income of joint venture	7	0
Tax on items that may be subsequently reclassified to profit and loss	8	(12)
Other comprehensive income after tax	69	(15)
Total comprehensive income	**461**	**(97)**

Consolidated balance sheet 31 December – Assets

mEUR	Note	2014	2013
Goodwill		215	215
Completed development projects		274	331
Software		32	42
Development projects in progress		137	153
Total intangible assets	13	**658**	**741**
Land and buildings		695	803
Plant and machinery		211	219
Other fixtures and fittings, tools and equipment		168	151
Property, plant and equipment in progress		58	48
Total property, plant and equipment	14	**1,132**	**1,221**
Investments accounted for using the equity method	15	188	1
Other investments		14	0
Other receivables	20	36	34
Deferred tax	16	170	155
Total other non-current assets		**408**	**190**
Total non-current assets		**2,198**	**2,152**
Inventories	17	1,509	1,425
Trade receivables	18	598	626
Construction contracts in progress	19	104	47
Other receivables	20	402	307
Tax receivables	22	65	57
Cash at bank and in hand	29	2,018	694
Total current assets		**4,696**	**3,156**
Current and non-current assets held for sale	21	103	332
Total assets		**6,997**	**5,640**

Consolidated balance sheet 31 December – Equity and liabilities

mEUR	Note	2014	2013
Share capital	23	30	27
Other reserves		498	(10)
Retained earnings		1,851	1,507
Total equity		**2,379**	**1,524**
Deferred tax	16	17	21
Provisions	24	231	200
Financial debts	25	3	604
Other liabilities	26	10	2
Total non-current liabilities		**261**	**827**
Financial debts	25	604	4
Prepayments from customers		2,156	1,568
Construction contracts in progress	19	12	12
Trade payables		945	832
Provisions	24	142	165
Other liabilities	26	457	426
Tax payables	22	41	39
Total current liabilities		**4,357**	**3,046**
Liabilities directly associated with current and non-current assets held for sale	21	0	243
Total liabilities		**4,618**	**4,116**
Total equity and liabilities		**6,997**	**5,640**

Consolidated statement of changes in equity 1 January – 31 December

mEUR	Share capital	Other reserves: Premium	Other reserves: Translation reserve	Other reserves: Cash flow hedging reserve	Other reserves: Other reserves	Other reserves: Total other reserves	Retained earnings	Total
Equity at 1 January 2014	**27**	**-**	**(46)**	**36**	**-**	**(10)**	**1,507**	**1,524**
Profit for the year	-	-	-	-	-	-	392	392
Other comprehensive income for the year	-	-	83	(21)	7	69	-	69
Total comprehensive income for the year	-	-	83	(21)	7	69	392	461
Transactions with owners:								
Capital increase	3	439	-	-	-	439	-	442
Costs of capital increase	-	-	-	-	-	-	(10)	(10)
Acquisitions of treasury shares	-	-	-	-	-	-	(43)	(43)
Share-based payment	-	-	-	-	-	-	5	5
Total transactions with owners	3	439	-	-	-	439	(48)	394
Equity at 31 December 2014	**30**	**439**	**37**	**15**	**7**	**498**	**1,851**	**2,379**

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

The proposed dividend of EUR 116m for 2014 is included in retained earnings. No dividend is declared on treasury shares.

Refer to the parent company's statement of changes in equity on page 115 for information about which reserves are available for distribution. For proposed distribution of profit, refer to page 113 of the parent company's financial statements, and note 23 to the consolidated financial statements.

Consolidated cash flow statement 1 January – 31 December

mEUR	Note	2014	2013
Profit/(loss) for the year		392	(82)
Adjustments for other non-cash transactions	27	676	677
Interest received, etc.		8	5
Interest paid, etc.		(62)	(124)
Income tax paid		(148)	(57)
Cash flow from operating activities before change in trade working capital		866	419
Change in net working capital	28	260	829
Cash flow from operating activities		**1,126**	**1,248**
Purchase of intangible assets		(115)	(189)
Purchase of property, plant and equipment		(163)	(73)
Purchase of other non-current assets		(16)	-
Disposal of property, plant and equipment		8	20
Disposal of other non-current assets		1	3
Cash flow from investing activities		**(285)**	**(239)**
Free cash flow		**841**	**1,009**
Capital increase, net of transaction costs		432	0
Acquisition of treasury shares		(43)	(7)
Repayment of financial debts		0	(1,143)
Cash flow from financing activities		**389**	**(1,150)**
Change in cash at bank and in hand less current portion of bank debt		**1,230**	**(141)**
Cash at bank and in hand less current portion of bank debt at 1 January		690	847
Exchange rate adjustments on cash at bank and in hand		94	(16)
Cash at bank and in hand less current portion of bank debt at 31 December		**2,014**	**690**
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		1,819	623
Cash at bank and in hand with disposal restrictions	29	199	71
Total cash at bank and in hand		2,018	694
Current portion of bank debt	25	(4)	(4)
		2,014	**690**

The establishment of the joint venture between Vestas and Mitsubishi Heavy Industries Ltd. has been carried out non-cash, ref. note 15.

Notes to the consolidated financial statements

1 Group accounting policies

The annual report of Vestas Wind Systems A/S comprises the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries and separate financial statements of the parent company, Vestas Wind Systems A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional Danish disclosure requirements for listed companies, cf. the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Basis of preparation
The consolidated financial statements have 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 remain unchanged for the consolidated financial statements compared to 2013.

The consolidated financial statements are presented in million euro.

This note describes the general accounting policies. Other accounting policies are described in the separate notes to the consolidated financial statements.

Impact of new accounting standards
The Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2014 financial year, including:

- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions
- IFRIC 21, Levies

None of these new or amended accounting standards and interpretations resulted in any changes to the accounting policies for the Group or had significant impact on recognition or measurement in the consolidated financial statements in 2014, but they have led to further specifications in the notes. Management does not anticipate any significant impact on future periods from the adoption of these new or amended accounting standards and interpretations.

New accounting standards not yet adopted
The IASB has issued a number of new or amended accounting standards and interpretations with effective date after 31 December 2014. The Group expects to implement the following new or amended accounting standards and interpretations when they become mandatory:

- Annual Improvements 2010-2012 Cycle (effective date 1 July 2014)
- Annual Improvements 2011-2013 Cycle (effective date 1 July 2014)
- Annual Improvements 2012-2014 Cycle (effective date 1 January 2016)
- Amendments to IAS 1, Disclosure Initiatives (effective date 1 January 2016)
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date 1 January 2016)
- IFRS 15, Revenue from Contracts with Customers (effective date 1 January 2017)
- IFRS 9, Financial Instruments (2014) (effective date 1 January 2018)

The following new or amended accounting standards and interpretations are expected to have most significant impact on recognition, measurement and disclosures for the Group:

IFRS 15, Revenue from Contracts with Customers
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 by 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 transaction. Moreover, the standard includes guidance in a number of areas which have previously been open for interpretation, e.g. warranties, right of return, variable considerations, up-front fees, etc. EU adoption is expected in the second quarter of 2015. The Group is assessing the impact of IFRS 15..

Annual Improvements 2012-2014 Cycle
IAS 34, Interim Financial Reporting: Clarification that cross references must be made from the interim financial reporting to other elements in the interim reporting, e.g. Management's review, if disclosures required by IAS 34 are included. The Group complies already with this requirement. EU adoption is expected in the third quarter of 2015.

IFRS 9, Financial Instruments (2014)
A new impairment model is introduced based on expected losses. The Group expects to apply the simplified model as the Group in all material respects only has trade receivables without any material credit elements. Credit losses are recognised at the time of sale and classified as a cost and not as a reduction of revenue. Moreover, a new hedge accounting model is introduced which is expected to be more closely aligned with the way that the Group undertakes risk management activities when hedging financial and non-financial risk exposures. EU adoption is expected in the second half of 2015.

The impact from the new or amended accounting standards and interpretations is subject to detailed analyses. The preliminary assessment shows that none of these are expected to have significant impact on recognition and measurement, but they may lead to further specifications in the notes.

Materiality in the financial reporting
For the preparation of the consolidated financial statements, the Group discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.

A judgement is made of whether more detailed specifications are necessary in the presentation of the Group's assets, liabilities, financial position, and results. All judgements are made with due consideration of legislation and the consolidated financial statements as a whole presenting a true and fair view.

Consolidated financial statements and business combinations
The consolidated financial statements comprise Vestas Wind Systems A/S (the parent company) and the subsidiaries over which Vestas Wind Systems A/S exercises control. Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

An overview of Group legal entities is provided on pages 101–103.

The consolidated financial statements 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 entities.

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

Newly acquired or newly founded subsidiaries are recognised from the date of obtaining control. 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 entity 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 entity acquired comprises a positive difference, if any, between the total fair value of the entity 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 entity acquired (full goodwill).

2) Goodwill relating to the entity 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 entities 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 financial statements 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 entities

On recognition in the consolidated financial statements of foreign entities 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 entities 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 entities that are treated as part of the total net investment in the entity in question are recognised in other comprehensive income in the consolidated financial statements.

On recognition in the consolidated financial statements of investments accounted for using the equity method 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 investments accounted for using the equity method 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 accounted for using the equity method

The proportionate share of the results of investments accounted for using the equity method 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 straight line basis in the income statement over the lease term.

Equity

Translation reserve

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

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

Cash flow hedging reserve

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

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 entities are recognised from the date of acquisition. Cash flows relating to entities 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 income 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.

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 (EBIT) before special items after tax (effective tax rate) as a percentage of average assets (excluding investments accounted for using the equity method and assets held for sale) 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 Copenhagen divided by earnings per share for the year.

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

OTHER DEFINITIONS

FTE: The employee counting practice will be changed from 1 January 2015. With the new employee counting practice the Group will no longer include external hourly paid employees working for Vestas. Only employees on Vestas payroll will be counted and reported as Vestas employees. The change is made to give a direct correlation to staff cost. The Group will still keep track of contractors managed by Vestas to have a measure of the combined workforce and overall safety performance.

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 consolidated financial statements of the 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 financial statements.

Critical judgements and 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 Group have been described on pages 35-36 of the Management report, and in the individual notes to the consolidated financial statements.

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 consolidated financial statements are described in more detail in the related notes.

Group accounting policies	Critical accounting judgements and estimates	Note	Page
Segment information		3	058
Revenue	Use of percentage-of-completion method	4	061
Research and development costs		7	063
Special items	Classification	8	064
Financial income and expenses		9/10	064
Income tax		11/22	065/082
Intangible assets	Valuation of goodwill and development projects	13	067
Property, plant and equipment	Impairment test	14	071
Investments accounted for using the equity method	Valuation of milestone payments	15	073
Deferred tax	Valuation of deferred tax assets	16	076
Inventories		17	078
Trade receivables		18	079
Construction contracts in progress		19	080
Current and non-current assets held for sale	Estimate / Classification	21	081
Provisions	Estimate	24	084
Financial debts		25	086
Share based payment		31	089
Government grants		33	092
Financial instruments and financial risks		37	094

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 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 the Group 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 financial statements.

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.

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

3 Segment information (continued)

2014 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	3,577	1,792	470	0	-	5,839
Service	-	-	-	-	964	964
Other	30	0	0	77	0	107
Total external revenue	**3,607**	**1,792**	**470**	**77**	**964**	**6,910**
Internal revenue[1]	603	151	17	4,107	0	4,878
Total segment revenue	**4,210**	**1,943**	**487**	**4,184**	**964**	**11,788**
Reportable segments' operating results (EBIT)[2][3]	**(16)**	**(55)**	**(8)**	**475**	**175**	**571**
OTHER SEGMENT ITEMS						
Material non-cash items, ref. note 15						
Income from investments accounted for using the equity method, ref. note 15						
Investments accounted for using the equity method, ref. note 15						
External revenue specified by country:						
Germany						1,462
USA						1,437

External revenue in Denmark	115
External revenue outside Denmark	6,795

	USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)				1,249
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)	386	145	352	883

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 175m is after allocation of Group costs of EUR 63m based on revenue split. EBIT before allocation of Group costs amounts to EUR 238m.
3) EBIT from sales units is based on internal prices.

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 2014 and 2013 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)

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[3]	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) 3)]	**0**	**(28)**	**22**	**105**	**147**	**246**
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 147m is after allocation of Group costs of EUR 66m based on revenue split. EBIT before allocation of Group costs amounts to EUR 213m.
3) EBIT from sales units is based on internal prices.

mEUR	2014	2013
RECONCILIATION		
Reportable segments' EBIT	571	246
Unallocated net income/(expenses)[1]	36	(144)
Consolidated operating profit (EBIT)	**607**	**102**
Reportable segments' revenue	11,788	10,225
Unallocated revenue	539	616
Elimination of internal revenue	(5,417)	(4,757)
Consolidated revenue	**6,910**	**6,084**

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.

4 Revenue

Group accounting policies
Revenue comprises sale of wind turbines and wind power plants, after-sales service and sale of spare parts.

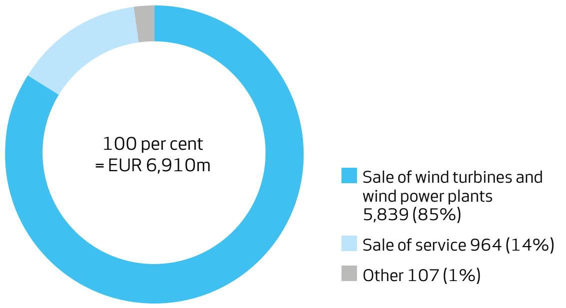
Sale of individual wind turbines and small wind power plants based on standard solutions (supply-only and supply-and-installation projects) as well as spare parts sales are recognised in the income statement provided that risk has been transferred to the buyer prior to the year-end, and provided that 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.

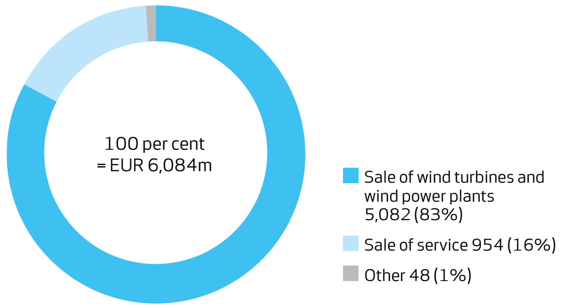
Critical accounting estimates
Use of percentage-of-completion method
Management performs critical accounting estimates in connection with income recognition. Provided that the wind power plants are customised to a high degree, revenue from projects in progress is recognised under the percentage-of-completion 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.

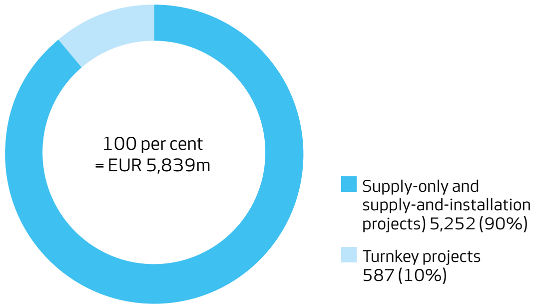
Revenue (2014)
mEUR and percentage



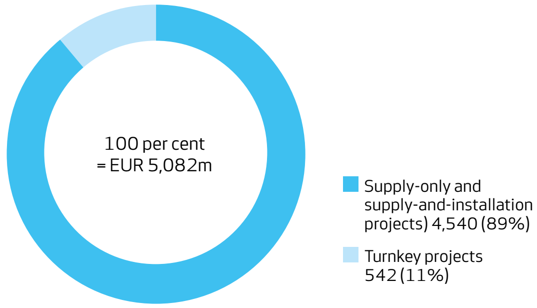
Revenue (2013)
mEUR and percentage



Revenue segmentation, contract type (2014)
mEUR and percentage



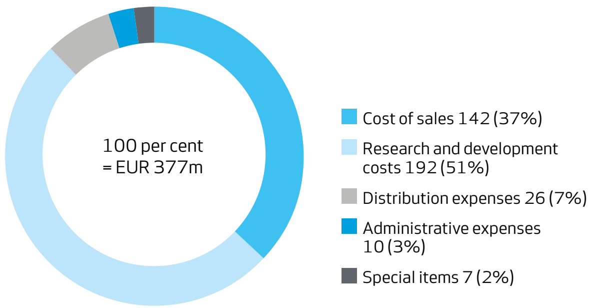
Revenue segmentation, contract type (2013)
mEUR and percentage



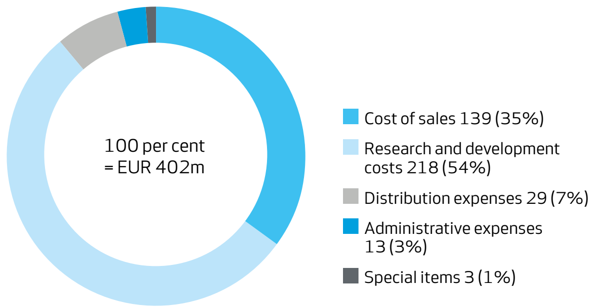
5 Amortisation, depreciation and impairment losses

mEUR	2014	2013
Amortisation, depreciation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets, ref. note 13	180	216
Depreciation, property, plant and equipment, ref. note 14	186	179
Impairment losses, property, plant and equipment, ref. note 14	24	32
Reversal of impairment losses, property, plant and equipment, ref. note 8	(13)	(25)
	377	402

Amortisation, depreciation and impairment losses specification (2014)
mEUR and per cent



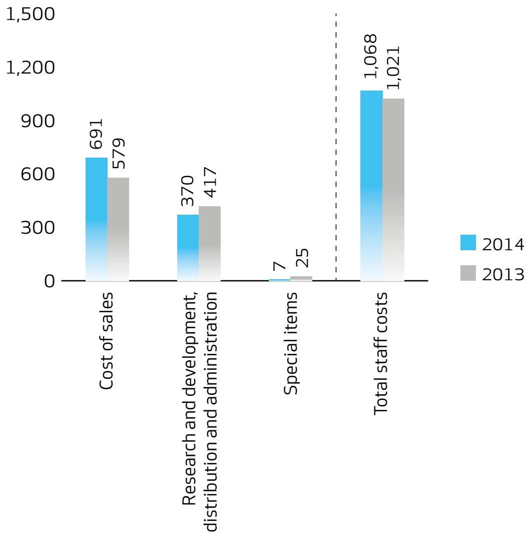
Amortisation, depreciation and impairment losses specification (2013)
mEUR and per cent



6 Staff costs

mEUR	2014	2013
Staff costs are specified as follows:		
Wages and salaries, etc.	898	870
Share-based payment, ref. note 31	5	6
Pension schemes, defined benefit schemes	43	41
Other social security expenses	122	104
	1,068	**1,021**

Staff costs expensed in the profit and loss statement
mEUR



6 Staff costs (continued)

Key management personnel is defined as Executive management. Key management personnel disclosures are provided below.

mEUR	2014	2013
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	**1**
Executive Management		
Wages	7	12
Share-based payment, ref. note 31	1	1
Social security expenses	0	0
	8	**13**

Included in wages to Executive Management is severance payment to former executives amounted to EUR 0m (2013: EUR 6m).

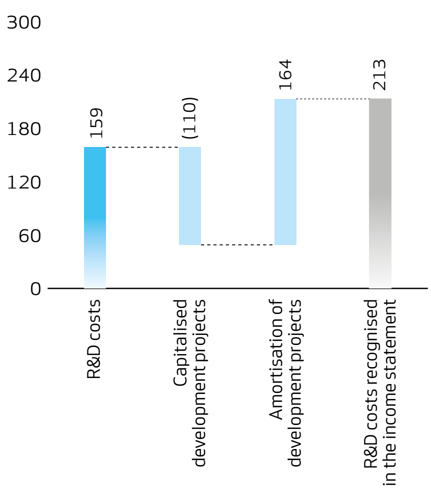
Board of Directors and Executive Management are not covered by any pension schemes.

	2014	2013
Average number of employees	17,905	17,051
Number of employees 31 December	19,669	15,497

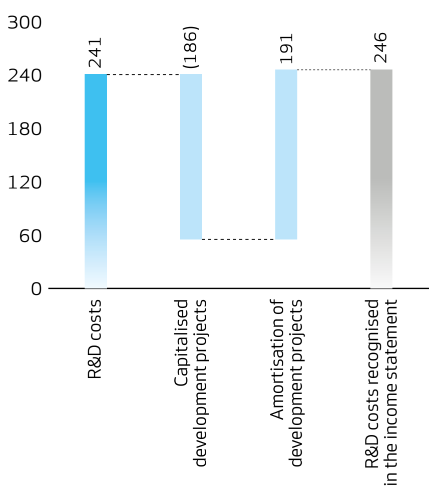
7 Research and development costs

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 (2014)
mEUR



R&D costs (2013)
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.

Critical accounting estimates
The use of special items entails management judgement in the separation from other items in the income statement. In connection with the use of special items it is crucial that they are significant items not directly attributable to the ordinary operating activities of the Group.

mEUR	2014	2013
Impairment loss on property, plant and equipment, ref. note 14	(20)	(33)
Reversal of impairment loss on US factories, ref. note 14	13	25
Impairment loss on assets held for sale	0	(29)
Loss on disposal of assets held for sale	0	(32)
Gain from transfer of net assets to joint venture, ref. note 15	59	0
Staff costs	(7)	(25)
Consultants/external assistance	(1)	(5)
Other restructuring income/(cost)	4	(10)
	48	**(109)**

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.

mEUR	2014	2013
Deposits and receivables:		
– Interest income	6	4
– Other financial income	2	1
Hedge ineffectiveness (cash flow hedge)	0	15
Other hedging instruments	42	0
	50	**20**

10 Financial expenses

mEUR	2014	2013
Exchange rate adjustments	4	16
Financial debts, which are measured at amortised cost:		
– Interest expenses	35	85
– Other financial expenses	27	39
Hedge ineffectiveness (cash flow hedge)	37	0
Other hedging instruments	0	18
	103	**158**

In 2014, borrowing costs amounting to EUR 0m (2013: EUR 1m) were capitalised as part of property, plant and equipment and development projects at a rate of 3.4 per cent in 2013.

11 Income tax

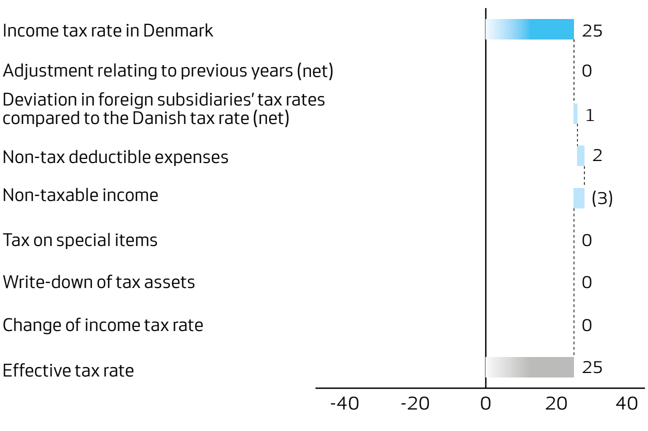
Group accounting policies
Tax for the year consists of current tax and deferred tax for the year including adjustments to previous years and changes in provision for uncertain tax positions. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Following developments in ongoing tax disputes primarily related to transfer pricing cases, uncertain tax positions are presented individually as part of deferred tax assets, tax receivables and tax payables.

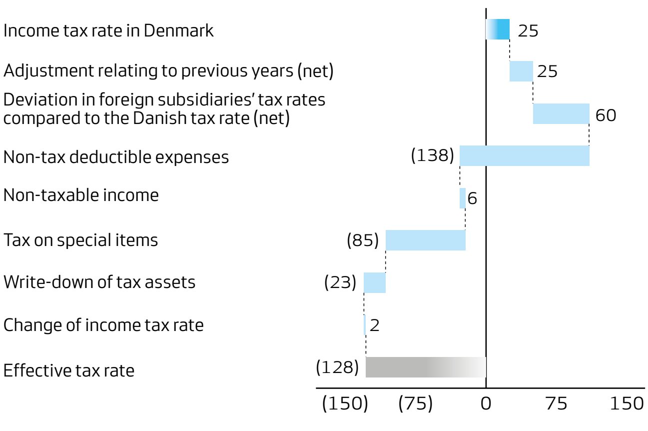
Critical accounting estimates
The Group continuously wants to be a compliant corporate tax citizen in collaboration with our operations and stakeholders and to support shareholder interest and our reputation. The Group is subject to income taxes around the world. Significant judgement is required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provision for uncertain tax positions. The Group recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income in assessing whether deferred income tax assets should be recognised. In the course of conducting business globally, transfer pricing disputes with tax authorities may occur, and management judgement is applied to assess the possible outcome of such disputes. The Group believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities. To ensure compliance, national and international tax laws as well as the OECD Guidelines are acknowledged and followed.

mEUR	2014	2013
Current tax on profit for the year	56	72
Deferred tax on profit for the year	75	(16)
Tax on profit for the year	131	56
Change in income tax rate	1	(1)
Adjustments relating to previous years (net)	(1)	(9)
Income tax in the consolidated income statement	**131**	**46**
Tax on other comprehensive income for the year	(8)	12
Tax on entries in comprehensive income	**(8)**	**12**
Total income tax for the year	**123**	**58**

Computation of effective tax rate (2014)
Percentage



Computation of effective tax rate (2013)
Percentage



12 Earnings per share (EPS)

	2014	2013
Profit for the year (mEUR)	**392**	**(82)**
Weighted average number of ordinary shares	221,674,711	203,704,103
Weighted average number of treasury shares	(2,758,133)	(1,629,786)
Weighted average number of ordinary shares outstanding	218,916,578	202,074,317
Dilutive effect of outstanding options	2,162,686	0
Average number of shares outstanding including dilutive effect of options	**221,079,264**	**202,074,317**
Earnings per share (EPS)	1.79	(0.41)
Earnings per share (EPS-D), diluted	1.77	(0.41)

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

13 Intangible assets

Group accounting policies

Goodwill

Goodwill is initially recognised in the balance sheet as described under consolidated financial statements and business combinations, ref. note 1. 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. Internal sales prices between production units and sales units have been adjusted to reflect the basis on which goodwill has been allocated to the operating segments.

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, either in cost of sales, research and development costs, distribution expenses or 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 as research and development costs.

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. 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. A qualifying asset is an asset that necessarily takes a substantial period 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 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 a one-year budget period and a subsequent two-year forecasting period with projections for year four and onwards (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 three 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 three-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 2014 was EUR 215m (2013: EUR 215m).

Development projects

In the annual impairment test of development projects the asset's value in use is calculated based on estimated discounted future cash flows expected to be derived from the assets.

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 2014 was EUR 411m (2013: EUR 484m). The significant intangible assets are the 2 MW platform and a 3 MW platform with a book value of EUR 75m and EUR 270m, respectively.

13 Intangible assets (continued)

2014 mEUR	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	317	984	171	153	1,625
Exchange rate adjustments	0	2	1	1	4
Additions	0	0	5	110	115
Disposals	0	(6)	0	(15)	(21)
Transfers	0	112	0	(112)	0
Cost at 31 December	**317**	**1,092**	**177**	**137**	**1,723**
Amortisation and impairment losses at 1 January	102	653	129	0	884
Exchange rate adjustments	0	2	0	0	2
Amortisation for the year	0	164	16	0	180
Reversal of amortisation of disposals in the year	0	(1)	0	0	(1)
Amortisation and impairment losses at 31 December	**102**	**818**	**145**	**0**	**1,065**
Carrying amount at 31 December	**215**	**274**	**32**	**137**	**658**
Internally generated assets included above	0	235	32	137	404
Amortisation period		3–5 years	5 years		

Included in software are IT projects in progress amounting to EUR 4m (2013: EUR 2m) at 31 December 2014.

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
Reversal of amortisation of disposals in the year	(2)	0	0	0	(2)
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		

13 Intangible assets (continued)

Impairment of goodwill
The main part of the carrying amount of goodwill in the 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 the 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 three years are based on the Group's 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 underpinning the impairment test of goodwill. 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 four onwards are based on general market expectations and risks. More specifically, the following main information is used in determining revenue, hence EBIT and capital expenditure:

Projects
- Order backlog as at 31 December 2014
- 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

Recoverable amount
The terminal value beyond the projections is determined taking into account general growth expectations for the segments in question. The growth rate is in line with the wind power industry expectations of a relatively flat average medium term market growth rate within the range 3-5 per cent. Long-term growth rate has been estimated at 2 per cent.

At 31 December 2014, the net working capital as a percentage of revenue amounted to (14) per cent. In the period 2010–2014 the net working capital as a percentage of revenue moved from 10 to (14) per cent, ref. the Group financial highlights for the development in net working capital over this period.

There is no impairment loss recognised in 2014 (2013: EUR 0m).

The table below specifies the key parameters used in the impairment model:

	2014			2013		
	Discount rate before tax (%)	Growth rate in terminal period (%)	Net book value (mEUR)	Discount rate before tax (%)	Growth rate in terminal period (%)	Net book value (mEUR)
Europe and Africa	11.3	2	556	11.3	2	785

Impairment of development projects
The main part of the carrying amount in development projects is allocated to the two major platforms underpinning the forecasted business, respectively a 2 MW platform and a 3 MW platform.

No impairment loss on development projects in progress and finished development projects have been recognised in 2014 or in 2013.

Forecast
Business cases are based on a three-year financial forecast approved by Executive management with a subsequent two year projection period. The risks relating to the key parameters have been assessed and recognised in the business cases, and the financial forecasts are based on management's expectations of the current market conditions and future growth expectations. More specifically, the following main information is used in the platform business cases:

- Expectations about future Transfer of Risk (ToR) volumes based on current firm orders and expected future orders
- Estimated future service contracts, among other things based on expected new wind power installations and renewal rates
- Estimated future investments
- Estimated future margins
- Stable net working capital

13 Intangible assets (continued)

Impairment of development projects

Recoverable amount

The value after the three-year forecast period is determined taking into account general growth expectations for the platforms in question. The growth rate in the projection period is set to zero.

The table below specifies the key parameters used in the impairment model:

	2014		
	Discount rate before tax (%)	Growth rate in projection period (%)	Net investment (mEUR)
Global MW Platform business case	11.3	0	345

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 of time to get ready for its intended use or sale.

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 either cost of sales, research and development costs, distribution expenses or 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 accounting estimates
The depreciation periods are determined based on estimates of the expected useful lives and future residual value of the assets. The estimates are based on historical experience. A reassessment is made once a year to ascertain that the depreciation basis reflects the expected life and future residual values of the assets.

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 for estimating the future free net cash flows as for impairment of goodwill, ref. note 13.

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

Impairment of assets
Based on uncertainties e.g. in relation to the extension of the Production Tax Credit scheme (PTC) on the American market an impairment review of the American factories (Towers, Assembly and Blades), which are defined as separate cash generating units (CGUs), has been performed. Based on the applied assumptions a recoverable amount higher than the carrying amount of the Assembly factory CGU was calculated. Consequently an impairment loss from prior years of EUR 13m has been reversed in 2014 relating to the Assembly factory. The primary driver for the reversal is the extension of the PTC scheme concluded in December 2014. No impairment need or reversal of prior year's impairment losses was identified for the other US factories.

Forecast
The impairment review is based on one year budget, two year forecast and a terminal period. Budgets and forecasts are based on management's expectations about the current market conditions and future growth. The following main information and assumptions are used in determining revenue, hence EBIT and capital expenditure:

- Order backlog as at 31 December 2014
- Expectation on future orders received, among other things based on expected PTC impact
- Estimated future margins
- Terminal value is based on a non-PTC scenario
- Terminal growth rate of 2 per cent
- Stable net working capital

The net impairment loss of EUR 11m recognised in 2014 (2013: EUR 8m) results primarily from the reversal of write-down of factories, EUR 13m and write-down of asset held for sale, EUR 20m, ref. note 21.

14 Property, plant and equipment (continued)

2014 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	1,193	569	739	48	2,549
Exchange rate adjustments	70	26	36	1	133
Additions	3	29	63	68	163
Disposals	(10)	(31)	(42)	0	(83)
Transfers	5	29	25	(59)	0
Transfers to assets held for sale	(145)	0	0	0	(145)
Cost at 31 December	**1,116**	**622**	**821**	**58**	**2,617**
Depreciation and impairment losses at 1 January	390	350	588	0	1,328
Exchange rate adjustments	21	20	34	0	75
Depreciation for the year	41	68	77	0	186
Impairment losses for the year[1)]	20	4	0	0	24
Reversal of depreciation of disposals in the year	(7)	(21)	(45)	0	(73)
Reversal of impairment losses[2)]	(2)	(10)	(1)	0	(13)
Transfers to assets held for sale	(42)	0	0	0	(42)
Depreciation and impairment losses at 31 December	**421**	**411**	**653**	**0**	**1,485**
Carrying amount at 31 December	**695**	**211**	**168**	**58**	**1,132**
Depreciation period	15–40 years	3–10 years	3–5 years		

1) Impairment losses in Land and buildings is recognised as special item in the income statement.
2) Reversal of impairment losses is recognised as special item in the income statement.

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	15–40 years	3–10 years	3–5 years		

15 Investments accounted for using the equity method

Group accounting policies
Joint ventures are accounted for using the equity method. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

mEUR	2014	2013
Cost at 1 January	3	3
Additions[1)]	197	0
Adjustment to additions	5	-
Cost at 31 December	**205**	**3**
Value adjustments at 1 January	(2)	(2)
Re-measurement of gain consideration (special items)	9	-
Share of profit/(loss)	(31)	0
Share of other comprehensive income	7	-
Value adjustments at 31 December	**(17)**	**(2)**
Carrying amount at 31 December[2)]	**188**	**1**

1) Included in additions is preliminary net gain of EUR 50m recognised as special item in the income statement.
2) Included in the carrying amount at 31 December 2014 is EUR 1m related to investments in associates (2013: EUR 1m). Due to immateriality no further disclosures are provided.

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of entity	Place of business	% of ownership	Nature of relationship	Measurement method
MHI Vestas Offshore Wind A/S	Denmark	50	Refer below	Equity

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 A/S), 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 A/S 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 A/S 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 A/S shall be classified as a joint venture.

In connection with the establishment of the joint venture between Vestas and MHI, net assets of EUR 139m were transferred from Vestas to the joint venture, MHI Vestas Offshore Wind A/S, 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 in the second quarter of 2014.

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

At the reporting date MHI Vestas Offshore Wind A/S is yet to qualify for milestone payments of EUR 50m. It has been assessed that it is highly likely that these milestone payments will be received.

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

15 Investments accounted for using the equity method (continued)

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 a profit of EUR 4m.

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

Critical accounting estimates
As a critical accounting estimate, 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 59m has been recognised as special items in the income statement. The measurement of the net gain to date is subject to MHI's final approval of the closing balance sheet at 1 April 2014 of Vestas Offshore A/S. Final approval is pending minor outstanding matters to be agreed between the parties to the agreement.

Commitments and contingent liabilities in respect of joint venture
There are no significant commitments or contingent liabilities relating to the Group's interest in the joint venture.

Summarised financial information for joint ventures
Set out below are the summarised financial information for MHI Vestas Offshore Wind which is accounted for using the equity method.

Summarised balance sheet

mEUR	2014	2013
CURRENT		
Cash and cash equivalents	131	-
Other current assets (excluding cash and cash equivalents)	356	-
Total current assets	487	-
Other current liabilities (including trade and other payables and provisions)	(448)	-
Total current liabilities	(448)	-
NON-CURRENT		
Assets	323	-
Financial liabilities	(2)	-
Total non-current liabilities	(2)	-
Net assets	**360**	**-**

15 Investments accounted for using the equity method (continued)

Summarised statement of comprehensive income

mEUR	2014	2013
Revenue	142	-
Depreciation and amortisation	(2)	-
Interest income	0	-
Interest expense	(0)	-
Pre-tax profit from continuing operations	5	
Income tax expense	2	-
Post-tax profit from continuing operations	7	-
Other comprehensive income	15	-
Total comprehensive income	**22**	**-**

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

Reconciliation of summarised financial information
Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

mEUR	2014	2013
Opening net assets 1 April	137	-
Capital increase	201	-
Profit/(loss) for the period	7	-
Other comprehensive income	15	-
Closing net assets	**360**	**-**
Interest in joint venture (50 per cent of closing net assets)	180	-
Elimination of internal profit on sale of wind turbines	(35)	-
Capital increase and other adjustments	42	-
Carrying value	**187**	**-**

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 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 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. Key parameters are expected revenue- and EBIT development considering expected allocation of future taxable income based on the transfer pricing policy in place. 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 2014 resulted in the reversal of write-down of deferred tax assets by EUR 183m (2013: EUR 8m write-down) primarily due to the fact that the tax losses are expected to be utilised in the foreseeable future.

At 31 December 2014, the value of recognised deferred tax assets amounted to EUR 170m (2013: EUR 155m), of which EUR 140m (2013: EUR 26m) relates to tax loss carry-forwards. Of the total tax loss carry-forwards, EUR 12m (2013: EUR 0m) is expected to be realised within 12 months, and EUR 128m (2013: EUR 26m) is expected to be realised later than 12 months after the balance sheet date. The value of tax dispute provisions and non-recognised tax assets totals EUR 421m (2013: EUR 430m), of which EUR 238m (2013: EUR 430m) relating to write-downs are not expected to be utilised in the foreseeable future.

16 Deferred tax (continued)

mEUR	2014	2013
Deferred tax at 1 January (net)	134	129
Exchange rate adjustments	(1)	(4)
Deferred tax on profit for the year	(75)	16
Adjustment relating to previous years	34	9
Disposals of subsidiaries	0	(2)
Tax disputes prepayment	52	0
Changes in income tax rate	(1)	1
Transferred to assets held for sale	2	(3)
Tax on entries in comprehensive income	8	(12)
Deferred tax at 31 December (net)	**153**	**134**
Tax value of tax loss carry-forwards (net)	186	212
Intangible assets	(56)	(44)
Property, plant and equipment	133	126
Current assets	172	160
Provisions	172	139
Tax credit	0	9
Tax dispute	(183)	0
Write-down of tax assets	(238)	(430)
Other	(18)	(14)
	168	**158**
Deferred tax assets (net) transferred to assets held for sale	2	(3)
Deferred tax assets	**170**	**155**
Property, plant and equipment	15	17
Current assets	2	3
Other	0	1
Provision for deferred tax	**17**	**21**
Deferred tax assets at 31 December (net)	**153**	**134**

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 2014 (2013: 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.

Out of total tax losses EUR 35m (2013: EUR 17m) are subject to expiry limits of which EUR 6m (2013: EUR 15m) is recognised in jurisdictions with subsequent losses. Following the Group transfer pricing policy these losses are expected to be utilised within the foreseeable future.

Of the total deferred tax relating to tax loss carry-forwards written down, EUR 0m (2013: EUR 173m) relates to Denmark. The recognised loss carry-forward relating to Denmark amounts to EUR 131m (2013: EUR 0m).

17 Inventories

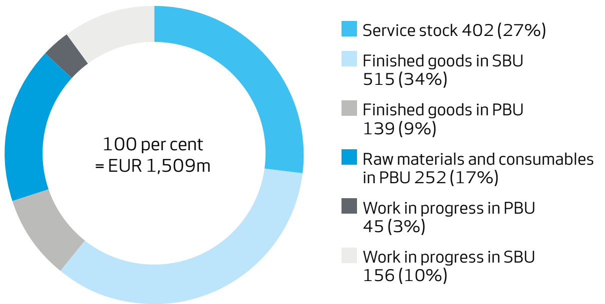
Group accounting policies
Inventories are measured at the lower of cost, using the weighted average method, and net realisable value (NRV).

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

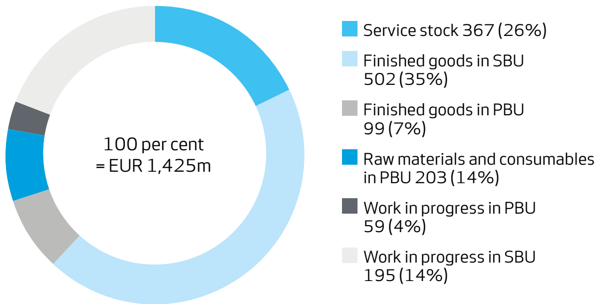
The cost of work in progress comprises the cost of raw materials, consumables, direct labour, and indirect production costs. Indirect production costs comprise materials and labour costs as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing 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 (2014)
mEUR and percentage



Inventories (2013)
mEUR and percentage



The total value of inventory in the consolidated financial statements is EUR 1,509m (2013: EUR 1,425m), of which EUR 0m (2013: EUR 70m) is classified as non-current assets held for sale as at 31 December.

mEUR	2014	2013
Inventories used for the year, which are included in cost of sales	5,216	4,647
Write-downs of inventories in the year	57	39
Reversal of write-downs in the year[1]	40	24

1) The reversal of write-downs in the year are due to goods previously written down being used or sold at or above original cost.

18 Trade receivables

Group accounting policies
Trade receivables are measured at amortised cost. Provisions are made for bad debts.

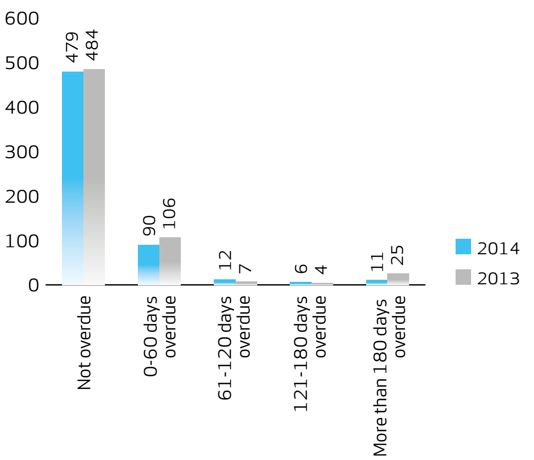
mEUR	2014	2013
Trade receivables	598	633
Trade receivables transferred to assets held for sale	0	(7)
	598	**626**
Fair value of security received for trade receivables balances outstanding as at 31 December	173	94
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	(10)	(11)
Write-downs in the year	(8)	(2)
Write-downs utilised	3	0
Reversal of write downs	5	3
Write-downs at 31 December	**(10)**	**(10)**

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

The total write-downs of trade receivables of EUR 10m (2013: EUR 10m) 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. 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.

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	2014	2013
Sales value of construction contracts in progress	676	687
Progress billings	(584)	(652)
	92	**35**
Specified as follows:		
Construction contracts in progress (assets)	104	47
Construction contracts in progress (liabilities)	(12)	(12)
	92	**35**

There were no retentions related to construction contracts in progress at the end of 2014 and 2013.

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

20 Other receivables

Group accounting policies
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	2014	2013
Prepayments	16	14
Supplier claims	11	6
VAT	220	133
Other receivables[1]	191	191
	438	**344**
Other receivables transferred to assets held for sale	0	(3)
	438	**341**
Specified as follows:		
0–1 years	402	307
> 1 year	36	34
	438	**341**

1) The largest item under Other receivables is financial instruments of EUR 64m (2013: EUR 81m).

21 Current and non-current assets held for sale

Group accounting policies
Non-current assets (or disposal groups) 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 of properties held for sale. As there is no liquid market for the sale of this type of properties these valuations are subject to measurement uncertainty. The assets are expected to be sold within one year from the reporting date.

mEUR	2014	2013
Non-current assets classified as held for sale:		
Development projects in progress	0	247
Property, plant and equipment	103	2
Other non-current assets	0	3
	103	**252**
Current assets classified as held for sale:		
Inventory	0	70
Other current assets	0	10
	0	**80**
Total assets	**103**	**332**
Current liabilities classified as held for sale :		
Prepayments from customers	0	208
Trade and other payables	0	17
Other current liabilities	0	18
Total liabilities	**0**	**243**

Joint venture
In 2013, Vestas Wind Systems A/S and Mitsubishi Heavy Industries Ltd. (MHI) agreed to form a joint venture, Mitsubishi Vestas Offshore Wind A/S, subject to approval by the relevant competition authorities in 2014, dedicated to offshore wind energy.

1 April 2014, as part of this agreement, Vestas' wholly owned subsidiary, Vestas Offshore A/S, and its subsidiaries as well as development costs incurred on the V164-8.0 MW turbine, was transferred to the joint venture. Ref. note 15.

Properties
As part of the site simplification project, Vestas expects to sell a number of its office facilities, which are classified as assets held for sale at EUR 103m. The measurement basis is fair value less cost to sell. Impairment loss recognised in the first half of 2014 amounted to EUR 20m which has been kept unchanged at 31 December 2014.

22 Income 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	2014	2013
Income tax at 1 January	18	30
Exchange rate adjustments	2	3
Income tax for the year	(56)	(72)
Adjustments relating to previous years	(33)	0
Income tax paid in the year	148	57
Tax disputes prepayment	(55)	0
Income tax at 31 December	**24**	**18**
Tax receivables (assets)	65	57
Tax payables (liabilities)	(41)	(39)
	24	**18**

23 Share capital

Group accounting policies
Treasury shares
Treasury shares are deducted from the share capital at their nominal value of DKK 1.00 per share. Differences between this amount and the amount paid to acquire or received for disposing of treasury shares are deducted 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 proposed dividend for the year is included in retained earnings.

For the financial year 2014, Vestas Wind Systems A/S proposes to distribute a dividend of EUR 0.52 (DKK 3.90) per share corresponding to EUR 116m. No dividends have been paid in 2014 relating to the financial year 2013.

	2014	2013
The share capital comprises 224,074,513 shares of DKK 1.00	224,074,513	203,704,103
Number of shares at 1 January	203,704,103	203,704,103
Capital increase	20,370,410	-
Number of shares at 31 December	**224,074,513**	**203,704,103**
Shares outstanding	220,764,663	201,748,290
Treasury shares	3,309,850	1,955,813
Number of shares at 31 December	**224,074,513**	**203,704,103**

The share capital was increased by 20,370,410 shares of DKK 1.00 in 2014. Except for this increase, the share capital has not changed in the period 2010–2014.

All shares rank equally.

23 Share capital (continued)

	2014	2013	2014	2013	2014	2013
	Number of shares	Number of shares	Nominal value (DKK)	Nominal value (DKK)	% of share capital	% of share capital
Treasury shares at 1 January	1,955,813	1,455,813	1,955,813	1,455,813	0.9	0.7
Purchases	1,400,000	500,000	1,400,000	500,000	0.6	0.2
Disposals	(45,963)	-	(45,963)	-	0.0	-
Treasury shares at 31 December	**3,309,850**	**1,955,813**	**3,309,850**	**1,955,813**	**1.5**	**0.9**

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 30 March 2015.

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

	2014	2013
Nominal value, purchases (tDKK)	1,400	500
Nominal value, disposals (tDKK)	(46)	-
Average share price, purchases (DKK)	230.67	108.08
Average share price, disposals (DKK)	102.71	-
Purchase amount (mEUR)	43	7
Disposal amount (mEUR)	(1)	-

Treasury shares are acquired to cover grants/issues of shares under the Group's incentive programmes.

The share capital has been fully paid.

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.

The Group accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

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 0–5 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.

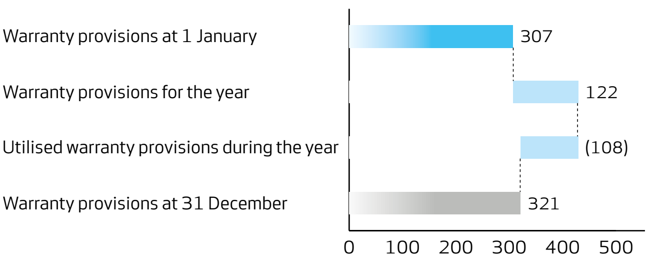
Total warranty provisions of EUR 122m have been made in 2014 (2013: EUR 117m), corresponding to 1.8 per cent (2013: 1.9 per cent) of the Group's revenue.

Management assesses the likely outcome of pending and future negotiations with subsuppliers for compensation. Compensation from subsuppliers may be recognised only when it is likely that we will receive compensation from the sub-suppliers.

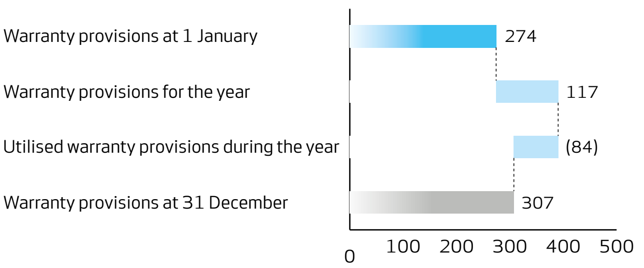
The carrying amount of warranty provisions at 31 December 2014 was EUR 321m (2013: EUR 307m).

For further information on warranty provisions and related product risks, ref. page 35-36.

Warranty provisions (2014)
mEUR



Warranty provisions (2013)
mEUR



mEUR	2014	2013
The warranty provisions are expected to be consumed as follows:		
0–1 year	122	137
>1 year	199	170
	321	**307**

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	58	60
Exchange rate adjustments	(3)	(1)
Other provisions for the year	21	21
Utilised other provisions during the year	(24)	(22)
Other provisions at 31 December	**52**	**58**

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 three to five years.

Other provisions are expected to be payable as follows:		
0–1 year	20	28
> 1 year	32	30
	52	**58**

Provisions are expected to be payable as follows:		
0–1 year	142	165
> 1 year	231	200
	373	**365**

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	**2014**	**2013**
Financial debts are recognised in the balance sheet as follows:		
CURRENT LIABILITIES		
Bank debt	4	4
Corporate bonds	600	0
	604	**4**
NON-CURRENT LIABILITIES		
Mortgage debt	3	4
Debt to credit institutions	0	1
Corporate bonds	0	599
	3	**604**
Specified as follows:		
1–5 years	2	602
> 5 years	1	2
Financial debts	**607**	**608**
Fair value	611	620
Nominal value	607	609

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 (level 1).

26 Other liabilities

Group accounting policies
Other liabilities are measured at amortised cost.

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.

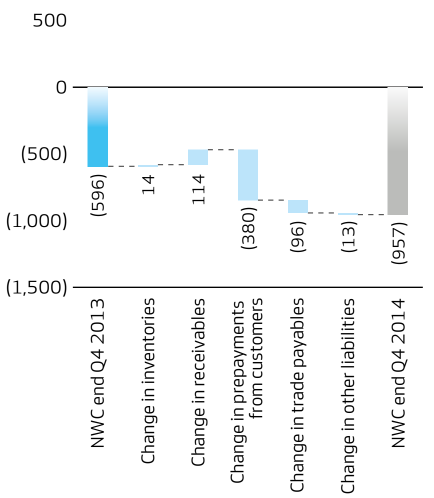
mEUR	2014	2013
Staff costs	175	204
Taxes and duties	176	134
Other payables	116	108
	467	**446**
Other liabilities transferred to current liabilities held for sale	0	(18)
	467	**428**
Specified as follows:		
0–1 year	457	426
> 1 year	10	2
	467	**428**
Special items, included in other liabilities, developed as follows:		
Balance 1 January	35	60
Items for the year	5	43
Utilised items	(18)	(64)
Items reversed	(8)	(4)
Balance 31 December	**14**	**35**

27 Adjustments for non-cash transactions

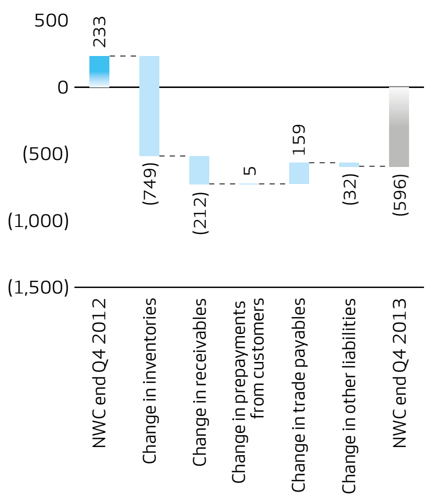
mEUR	2014	2013
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment	377	402
Share of loss in investments accounted for using the equity method	31	0
Warranty provisions in the year (net)	14	33
Other provisions in the year	(6)	(2)
Exchange rate adjustment	(4)	54
Deferred rent	8	0
Financial income	(50)	(20)
Financial expenses	103	158
Income tax for the year	131	46
Cost of share-based payments	5	6
Non-cash transactions related to joint venture transaction	67	-
	676	**677**

28 Change in net working capital

NWC change over the last 12 months (2014)
mEUR



NWC change over the last 12 months (2013)
mEUR



Included in the 2014 change in net working capital are non-cash adjustments and exchange rates adjustments with a total amount of EUR 101m.

29 Cash at bank and in hand

Cash at bank and in hand with disposal restrictions, EUR 199m (2013: EUR 71m), are included in day-to-day cash management and fulfills the criteria as cash and cash equivalents as defined in IAS 7, Statement of Cash Flows. The balance mainly comprises cash deposits relating to issuance of guarantees and prepayments from customers in relation to projects and where the restrictions are lifted as contractual obligations are met.

30 Fees to auditors appointed by the Annual General Meeting

mEUR	2014	2013
Audit:		
PricewaterhouseCoopers	3	3
Total audit	**3**	**3**
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	0	0
Tax assistance	2	1
Other services	1	5
Total non-audit services	**3**	**6**
Total	**6**	**9**

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the preferable choice due to business knowledge, confidentiality and costs considerations. Vestas has a 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.

31 Management's incentive programmes

Group accounting policies
The value of the services received in exchange for the granting of options and issuance of shares is measured at the fair value of the options/shares.

Equity settled share options granted and restricted shares issued 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 granted and 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. Since 2012 there has not been awarded new share option programmes.

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 all the programmes 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.

31 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 (expansion of 2007 programme) and 2010 can be exercised in 2015 and options allotted in 2011 and 2012 can be exercised in 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 2014	**352,613**	**2,582,250**	**2,934,863**	**201**	**26-207**	**38,742**	**24,982**
Exercised	-	(45,963)	(45,963)	103	26-102	(320)	-
Expired	(42,242)	(102,943)	(145,185)	381	152	(3,704)	-
Cancelled	0	(94,842)	(94,842)	222	26-158	(1,318)	-
Outstanding at 31 December 2014	**310,371**	**2,338,502**	**2,648,873**	**192**	**26-207**	**33,400**	**23,707**
Outstanding at 1 January 2013	**352,613**	**2,645,283**	**2,997,896**	**200**	**26-207**	**39,434**	**2,000**
Granted 2012 programme	0	22,516	22,516	61	26	78	-
Lapsed	0	(85,549)	(85,549)	141	26-158	(770)	-
Outstanding at 31 December 2013	**352,613**	**2,582,250**	**2,934,863**	**201**	**26-207**	**38,742**	**24,982**
Number of exercisable options at 31 December 2014	102,591	787,683	890,274	333.11[1]			
Number of exercisable options at 31 December 2013	64,188	288,126	352,314	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 2014 was two years (2013: three years).

The exercise price for the exercisable options at 31 December 2014 are DKK 380.50 for 186,424 share options and DKK 320.60 for 703,850 share options. Average share price for the exercised share options was DKK 236.22.

During 2014, 15,661 shares were exercised at an exercise price of 184.06 DKK and 30,302 shares were exercised at an exercise price of 60.66 DKK.

Included in the 310,371 options outstanding for Executive Management are 200,361 options relating to former executives.

Kim Bredo Rahbek, a member of the Board of Directors, had 3,217 options outstanding as at 31 December (2013: 3,217) and Knud Bjarne Hansen, a former member of the Board of Directors, had 37,650 options outstanding as at 31 December (2013: 44,992).

31 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 Group as of 31 December are eligible for participation in the restricted performance share programme.
- The number of restricted performance shares available for distribution depends on Vestas' performance on EBIT margin and free cash flow. In addition, specific KPIs have been defined for each of the business areas.
- Depending on the performance, the total number of shares to be granted will 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.

In March 2014, the Board of Directors launched new restricted performance shares. The total number of shares to be granted amounts to 411,622 shares (out of which 151,413 shares to the Executive Management). With the total fair value calculated on the basis of the market share price at measurement date, the value of the grant amounts to EUR 11m (value at close of Nasdaq Copenhagen on 24 March 2014).

The 2013 launch (performance year 2013) will vest in 2016 and 2018 and the 2014 launch (performance year 2014) will vest in 2017 and 2019.

	Awards held at 1 January 2014	Adjusted[1)]	Awards issued in 2014	Cancelled	Awards held at 31 December 2014	Fair value at grant tEUR
Executive Management	199,275	40,312	151,413	0	391,000	-
Other executives	398,493	35,115	260,209	(22,773)	671,044	-
Outstanding at 31 December	**597,768**	**75,427**	**411,622**	**(22,773)**	**1,062,044**	**32,309**

1) Adjustments due to final calculation of entitlement based on performance in prior year.

Kim Bredo Rahbek, a member of the Board of Directors, had 1,736 restricted shares outstanding as at 31 December (2013: 984) and Knud Bjarne Hansen, a former member of the Board of Directors, had 7,675 restricted shares outstanding as at 31 December.

Included in the 391,000 restricted shares outstanding for Executive Management are 77,083 restricted shares relating to former executives.

Ref. note 6 for the total expense recognised in the income statement for share options and restricted performance shares granted to Executive Management and other executives.

32 Related party transactions

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

The related parties of the 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 and Executive Management
Transactions with the Executive Management only consist of normal management remuneration and the transactions mentioned below, see note 6 to the consolidated financial statements.

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

Purchase of normal legal services for EUR 2.6m (2013: EUR 3.5m) from the law firm Gorrissen Federspiel, where Jørn Ankær Thomsen is Attorney at law. The outstanding balance payable to Gorrissen Federspiel at 31 December 2014 amounted to EUR 0.2m (2013: EUR 0.1m).

Purchase of normal consultancy services for EUR 0.1m (2013: EUR 0.0m) from the communications firm Brunswick Group, where Henry Sténson is partner. The outstanding balance payable to Brunswick Group at 31 December 2014 amounted to EUR 0.0m (2013: EUR 0.0m).

Anders Vedel has full and partly ownerships of wind turbines (purchased in 2013 for EUR 3.7m) where a company in the Group performs service work. These transactions amounted to EUR 0.1m in 2014 (2013: EUR 0.1m). The outstanding amount of purchases from related parties at 31 December 2014 amounted to EUR 0.0m (2013: EUR 0.0m).

There have been no other transactions with members of the Board of Directors and the Executive Management 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 2014.

Transactions with joint venture
Related parties also include joint venture over whom Vestas Wind Systems A/S has joint control.

mEUR	2014	2013
Revenue for the period 1 April 2014 to 31 December 2014	324	-
Receivable at 31 December	1	-

Transactions with associates
Related parties also include associates over whom Vestas Wind Systems A/S has significant influence. No material transactions with associates have occurred.

33 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 in previous years, of which EUR 1m (2013: EUR 0m) has been offset against incurred expenses and EUR 0m (2013: EUR 7m) against non-current assets.

34 Mortgages and security

The credit facilities of the Group are provided on unsecured basis.

Subsidiaries representing 50 per cent (2013: 85 per cent) of revenue, EBITDA and assets of the Group are obligors/guarantors and guarantee for the payments under the facility.

Land and buildings are pledged as security to mortgage banks.

mEUR	2014	2013
MORTGAGES		
Total mortgage loans	3	4
Mortgage deeds:		
Nominal value of mortgage deeds	6	241
Carrying amount of pledged assets	11	311
Other mortgage deeds	-	5
GUARANTEES		
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Bank guarantees	410	447

35 Contractual obligations

mEUR	2014	2013
The minimum lease obligations relating to operating leases fall due:		
0–1 year	41	52
1–5 years	63	89
> 5 years	114	107

Operating leases primarily comprise irrevocable operating leases regarding land, buildings and vehicles. The main obligations relate to buildings in the USA and Germany and run for up to 18 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.

Operating leases comprise irrevocable operating leases regarding land, buildings and cars. The main obligations relate to land. The company has also entered into a service agreement with an IT service provider. There is a cancellation fee the next 4 years which is declining over the years. In addition, the company has a contractual commitment to pay on average EUR 4m annually until 2022 for the use of certain technology rights owned by a third party.

Costs recognised in the income statement relating to operating leases amount to EUR 30m in 2014 (2013: EUR 31m).

The Group has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2015 and thereafter at a value of EUR 25m (2013: EUR 0m).

36 Contingent liabilities and contingent assets

Contingent liabilities
The Group 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 Group.

As many other multinational businesses, the Group recognises the increased focus on the transfer pricing and the consequent allocation of profits to the relevant countries. Even though the Group's subsidiaries pay income tax in the countries in which they operate, the Group is still part of a number of tax audits on different locations. Some of these disputes concern significant amounts and uncertainties. The Group 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.

Contingent assets
The Group 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 Group.

The consideration for the sale of the Group's machining and castings units in 2013 included an earn-out set at a maximum of EUR 25m. The Group 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 2014.

37 Financial instruments and financial risks

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 a sales agreement is treated as a stand-alone embedded 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.

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 other 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 item as the hedged item.

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 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.

It is the Group's policy not to engage in any active speculation in financial risks and 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.

Liquidity risks
Liquidity risk is the risk that the Group 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.

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. The Group controls its liquidity risk through a combination of cash pool systems and credit facilities on the basis of continuous cash flow forecasts.

The Group's main bank facility consist of a EUR 1,000m revolving credit facility with a tenor of five years expiring in 2019 and with a lender group of international banks. The revolving credit facility is subject to a change of control clause resulting in re-negotiation of the credit facility in the event of change of control.

In addition to the revolving credit facility, Vestas has a corporate Eurobond of EUR 600m. The total project-related guarantee facilities amounts to EUR 1,392m, which primarily is intended for supporting the Group's commitments in sales projects.

The revolving credit facility is subject to covenants and financial ratios are observed on a quarterly basis. The covenants were observed in 2014. 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 2015. Material deviations from the outlook may inherently change this picture.

Considering the Group's strong liquidity position (positive net debt position of EUR 494m) and revolving credit facility the Group's liquidity risk is assessed as low.

The value of cash assets with disposal restrictions was EUR 199m at 31 December 2014 (2013: EUR 71m).

37 Financial instruments and financial risks (continued)

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

2014 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	3	3	0	2	1	3
Bank debt and debt to credit institutions	4	4	4	0	0	4
Trade payables	945	945	945	0	0	945
Other liabilities	422	422	412	10	0	422
Corporate bonds	600	604	626	0	0	626
	1,974	**1,978**	**1,987**	**12**	**1**	**2,000**
DERIVATIVE FINANCIAL INSTRUMENTS						
Currency hedging agreements:						
Cash flow hedges	41	41	41	0	0	41
Fair value hedges	4	4	4	0	0	4
	45	**45**	**45**	**0**	**0**	**45**
Total financial liabilities	**2,019**	**2,023**	**2,032**	**12**	**1**	**2,045**
MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)						
Trade receivables	598	598	598	0	0	598
Construction contracts	104	104	104	0	0	104
Other receivables	374	374	338	36	0	374
Cash at bank and in hand	2,018	2,018	2,018	0	0	2,018
	3,094	**3,094**	**3,058**	**36**	**0**	**3,094**
DERIVATIVE FINANCIAL INSTRUMENTS						
Currency hedging agreements:						
Cash flow hedges	57	57	57	0	0	57
Fair value hedges	7	7	7	0	0	7
	64	**64**	**64**	**0**	**0**	**64**
Total financial assets	**3,158**	**3,158**	**3,122**	**36**	**0**	**3,158**

37 Financial instruments and financial risks (continued)

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	402	402	400	2	0	402
Corporate bonds	599	609	0	634	0	634
	1,842	**1,852**	**1,233**	**638**	**3**	**1,874**
DERIVATIVE FINANCIAL INSTRUMENTS						
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	**1,868**	**1,878**	**1,259**	**638**	**3**	**1,900**
MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)						
Trade receivables	626	626	626	0	0	626
Construction contracts	47	47	47	0	0	47
Other receivables	264	264	230	34	0	264
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						
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**

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

For a description of cash flows relating to operating leases, ref. note 35.

37 Financial instruments and financial risks (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.

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.

The fair value of the Group's 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 milestone considerations in connection with the joint venture transaction is measured as level 3 as the fair value is based on estimates on whether certain criteria will be achieved after the closing of the transaction. The estimates and assumptions are based on experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain. Non-financial assets and liabilities have been transferred at fair value which has been assessed to equal book value. Movement in fair values recognised in profit and loss are disclosed in note 15.

Non-current assets held for sale are measured as level 3 as the fair value less cost to sell is based on market indicators on fair values of properties held for sale. Movement in fair values recognised in profit and loss are disclosed in note 21.

In 2014 the Group formally entered into a commitment contract in the US to purchase Renewable Energy Certificates (RECs) in 2023 and 10 years beyond based on production of MW in this period at a fixed price. It has been assessed that the contract qualifies as a financial instrument. The fair value measurement is based on level 3 input. The maximum nominal commitment under the contract is estimated at EUR 41m. Currently RECs are trading at a higher price than the Group's agreed purchase price. Given the uncertainties underpinning the future market for selling RECs, Management has determined that the best evidence of fair value is the transaction price. Consequently, fair value of the contract has been measured at EUR 0. Had the estimated market price been EUR 28 (USD 33) in average, the contract would have had a positive value of EUR 75m (USD 91m) as of 31 December 2014. Had the estimated market price been EUR 0 (USD 0), the contract would have had a negative value of EUR 32m (USD 39m) as of 31 December 2014.

There has been no transfer out of level 3 in 2014.

Credit risks
The Group 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 counterpart does not meet the Group's credit standards, payment security is obtained whenever possible. The payment securities acceptable to the Group 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).

The Group 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 the Group 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 meet its obligations at maturity. The Group 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, the Group limits the notional exposure that the Group may have with a single bank. This applies especially to cash accounts.

In 2014, 79 per cent (2013: 76 per cent) of the trade receivables had not exceeded the deadline for payment at 31 December 2014. The credit risk relating to the outstanding trade receivables balance as at 31 December was mitigated by the EUR 173m (2013: EUR 94m) received as security, ref. note 18. Historically, Vestas has not incurred significant losses on customers.

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.

37 Financial instruments and financial risks (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 the Group involve exchange rate risks linked to the purchase and sale of goods and services outside the eurozone. The Group pursues a policy of reducing the exchange rate risks by balancing the different currencies to the largest extent possible 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 the Group 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 generally 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, considered probable by management, in the currencies specified below against the EUR, would have the following isolated effects as at 31 December.

mEUR		2014	2013
USD:	Equity	39	47
	Profit for the year	68	(83)
ZAR:	Equity	(231)	(35)
	Profit for the year	0	0
SEK:	Equity	(25)	(37)
	Profit for the year	(6)	8
MXN:	Equity	(28)	(20)
	Profit for the year	1	(30)
PLN:	Equity	(42)	(26)
	Profit for the year	0	11

Only currencies with a material effect on other 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 2014 and 2013 values are solely due to differences in the nominal amounts in the individual currencies.

37 Financial instruments and financial risks (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:

	2014				2013			
mEUR	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	394	3	397	26	477	1	478	10
SEK	(249)	6	(243)	22	(373)	2	(371)	11
PLN	(421)	2	(419)	60	(265)	2	(263)	2
ZAR	(2,310)	10	(2,300)	26	(304)	(42)	(346)	26
MXN	(282)	0	(282)	14	(197)	(4)	(201)	5
Other	(1,207)	(6)	(1,213)	37	(1,109)	(21)	(1,130)	27
	(4,075)	**15**	**(4,060)**		**(1,771)**	**(62)**	**(1,833)**	

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, Swedish kroner, Polish zloty, South African rand as well as Mexican pesos (USD, SEK, PLN, ZAR and MXN, respectively) with equivalents in Danish kroner (DKK) and Euro (EUR).

The ineffective part of the cash flow hedges of EUR (37)m (2013: EUR 15m) is recognised in profit and loss.

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 derivatives is possible under the agreement in the event of a default, of which there was none for the Group in 2014.

Hedging contracts with fair values of EUR 0m (2013: EUR 7m) and EUR 0m (2013: 11m) recognised in other assets/liabilities are subject to set-off agreements.

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.

	2014				2013			
mEUR	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	201	(3)	198	4	138	(1)	137	1
AUD	(14)	0	(14)	1	(4)	0	(4)	2
CAD	(16)	0	(16)	1	(94)	(1)	(95)	1
GBP	(15)	0	(15)	1	(167)	(1)	(168)	1
JPY	(48)	0	(48)	1	6	0	6	1
Other	(37)	6	(31)	1	124	0	124	2
	71	**3**	**74**		**3**	**(3)**	**0**	

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 27m (2013: EUR (33)m).

The 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 Danish kroner (DKK) and Euro (EUR).

All fair value changes are recognised in the income statement.

37 Financial instruments and financial risks (continued)

Commodity price risks
The Group 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, the Group continuously strives to reduce commodity risk in the design and manufacture of the wind 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 (2013: EUR 0m), which has been recognised in other comprehensive income.

Interest rate risks
The Group's interest rate risk consists of interest rate fluctuations, which may influence the Group's cash position, debt and lease obligations.

Due to the fact that the corporate bonds will mature in the first quarter of 2015, the Group is not significantly exposed to interest rate risks. Development in cash position, debt and lease obligations will be monitored on an ongoing basis to address any interest rate risks.

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 between 2014 and 2013 values are solely due to differences in the interest bearing assets and liabilities.

	Time of review/maturity					
2014 **mEUR**	< 1 year	1–5 years	> 5 years	Total	Fixed-interest part	Effective interest rate (%)
FINANCIAL LIABILITIES						
Mortgage debt	0	2	1	3	3	4.6
Bank debt and debt to credit institutions	4	0	0	4	0	2.5
Corporate bonds	600	0	0	600	600	4.8
	604	**2**	**1**	**607**	**603**	
FINANCIAL ASSETS						
Cash at bank and in hand	2,018	0	0	2,018		
	2,018	**0**	**0**	**2,018**		

	Time of review/maturity					
2013 **mEUR**	< 1 year	1–5 years	> 5 years	Total	Fixed-interest part	Effective interest rate (%)
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						
Cash at bank and in hand	694	0	0	694		
	694	**0**	**0**	**694**		

The effective interest rates were calculated at the balance sheet date.

Information on financial and capital structure targets and priorities, ref. page 15.

38 Subsequent events

Events after the balance sheet date

Upgrade of free cash flow

Based on preliminary reporting, on 6 January 2015, Vestas upgraded the expectations for the 2014 free cash flow to approx EUR 850m compared to the previous expectation of EUR 400-700m, ref. company announcement No. 1/2015.

Orders

In 2015, Vestas has announced two orders for the USA and Brazil, respectively, with a total capacity of 404 MW.

Furthermore, Vestas has received a service order for 429 MW in the USA.

A complete overview of announced orders is available at Vestas' website. Vestas only announces firm and unconditional wind turbine orders and service agreements. In relation to company announcements, the order value must exceed DKK 500m.

39 Legal entities[1)]

Name	Place of registered office	Share capital		Votes and ownership
Parent company				
Vestas Wind Systems A/S	Aarhus, Denmark	tDKK	224,075	-
Production units				
Vestas Manufacturing A/S	Aarhus, Denmark	tDKK	100,000	100%
Vestas Blades Deutschland GmbH	Lauchhammer, Germany	tEUR	26	100%
Vestas Blades Italia S.r.l.	Taranto, Italy	tEUR	21,364	100%
Vestas Wind Technology (China) Co. Ltd.	Tianjin, China	tUSD	133,640	100%
Vestas Blades America Inc.	Windsor (CO), USA	tUSD	12,000	100%
Vestas Blades Spain S.L.U.	Daimiel, Spain	tEUR	25,500	100%
Vestas Control Systems Spain S.L.U.	Olvega, Spain	tEUR	384	100%
Vestas Nacelles Italia S.r.l.	Taranto, Italy	tEUR	8,423	100%
Vestas Nacelles Deutschland GmbH	Lübeck, Germany	tEUR	25	100%
Vestas Nacelles Estonia, OÜ	Tallinn, Estonia	tEUR	100	100%
Vestas Nacelles America Inc.	Brighton (CO), USA	tUSD	20,000	100%
Vestas Towers America Inc.	Pueblo (CO), USA	tUSD	70,000	100%

1) Companies of immaterial significance have been left out of the overview.

39 Legal entities (continued)

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 - Wind 50, LLC	Portland (OR), USA	USD	1	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD	108,856	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. under liquidation	Beijing, China	tUSD	1,000	100%
Vestas - Danish Wind Technology A/S under liquidation	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%
Vestas RUS LLC	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	80%
Vestas Ukraine LLC	Kiev, Ukraine	tEUR	150	100%
Vestas Central Europe d.o.o. 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 Tecnología 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 Paolo, 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%

39 Legal entities (continued)

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	Aarhus, Denmark	tDKK	100,000	100%
Vestas - Celtic Wind Technology Ltd.	Edinburgh, UK	tGBP	8,200	100%
Vestas Northern Europe AB	Malmö, Sweden	tSEK	1,000	100%
Vestas Poland Sp.z.o.o.	Szczecin, Poland	tPLN	435	100%
Vestas Ireland Ltd.	Dublin, Ireland	tEUR	1,000	100%
Vestas Norway AS	Oslo, Norway	tNOK	1,100	100%
Vestas Finland Oy	Helsinki, Finland	tEUR	3	100%
MHI Vestas Offshore Wind A/S	Aarhus, Denmark	tEUR	13,490	50%
Other subsidiaries and associates				
Vestas Spare Parts Belgium SA	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 (Beijing) Co., Ltd.	Beijing, China	tEUR	737	100%
Vestas Shared Service (Spain), S.L.U.	Madrid, Spain	tEUR	3	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 2014.

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 2014 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 2014.

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.

In our opinion, the Group has prepared the social and environmental statements in accordance with the accounting policies applied.

We recommend that the annual report be approved at the Annual General Meeting.

Aarhus, 11 February 2015

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

The independent auditor's report

To the Shareholders of Vestas Wind Systems A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements
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 2014, pages 47-104 and pages 111-121, 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.

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 2014 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2014 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 2014 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2014 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, 11 February 2015

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised
Public Accountant

Claus Lindholm Jacobsen
State Authorised
Public Accountant

Consolidated social and environmental statement

The Lemnhult wind power plant consists of 32 V112-3.0 MW turbines, producing enough electricity to support the residential consumption of 70,000 households in Sweden.

Basis for preparation of the statement

General reporting standards

Combined with additional information about Vestas' sustainability initiatives at www.vestas.com, this annual report constitutes Vestas' Communication on Progress (COP) under the UN Global Compact. Vestas' reporting contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The below description of accounting policies and development of social and environmental performance refer to the social and environmental key figures and indicators presented on page 009 of the annual report.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start and for acquired companies from the time when coming under Vestas' control. Companies are excluded from the reporting from the time when they leave Vestas' 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 key 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 and boundary applied in the report.

From 2014, metals and other raw materials are no longer included in the environmental key figures. The previously reported figures only included metals and other raw materials handled by Vestas and not all materials used to manufacture a wind turbine. Indicators for environmental impact are therefore considered more accurate when relating resource consumption and emissions to MW produced and shipped.

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 does not include 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 for hourly-paid employees and absence records for salaried employees, respectively.

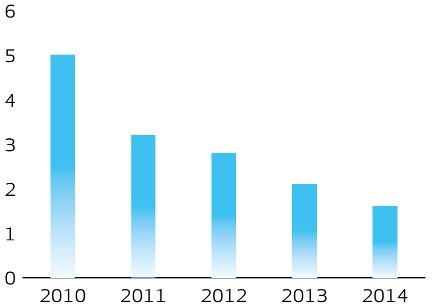
Development

The incidence of lost time injuries was 1.6 per one million working hours, reaching the target for 2014.

Absence due to illness decreased by 0.2 percentage points for hourly-paid and increased by 0.1 percentage points for 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 (Mercer's International Position Evaluation).

Development

During 2014, the overall number of employees increased from 15,497 to 19,669, mainly driven by the ramp-up at the factories.

Vestas employees at 31 December 2014

Number

	Europe and Africa	Americas	Asia Pacific	Total
Manufacturing & Global Sourcing	4,971	3,279	1,842	10,092
Sales	3,757	1,585	872	6,214
Technology & Service Solutions	996	25	244	1,265
Others	1,319	243	536	2,098
Total	**11,043**	**5,132**	**3,494**	**19,669**

The share of women in leadership positions increased by 1 percentage point compared to 2013. Non-Danish nationals hold 54 per cent of the positions in the top management layers, which is a increase of 1 percentage point compared to 2013.

Environmental performance

Energy consumption, water consumption, waste generation and CO_2 emission are reported on the basis of significance. All production facilities are included as well as larger offices, warehouses and other facilities ensuring a comprehensive and sufficient statement of these environmental aspects.

Utilisation of resources

Accounting policies

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.

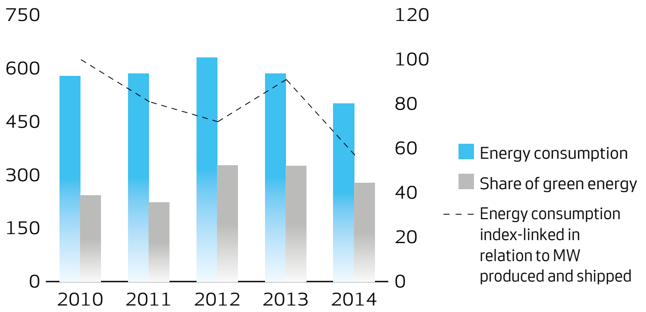
Development

In 2014, Vestas' total energy consumption decreased by 15 per cent. When index-linked to MW produced and shipped Vestas' energy consumption decreased 37 per cent compared to 2013.

Vestas' share of renewable energy remained at 56 per cent and renewable electricity remained at 100 per cent in 2014.

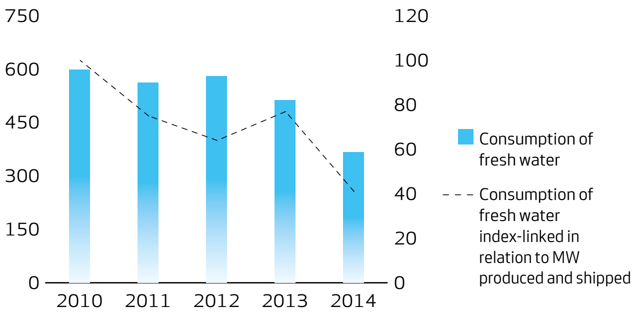
Energy consumption and share of green energy

1,000 MWh · Index



In 2014, water consumption decreased by 29 per cent. When index-linked to MW produced and shipped, water consumption decreased 47 per cent compared to 2013.

Consumption of fresh water
1,000 m^3 · Index

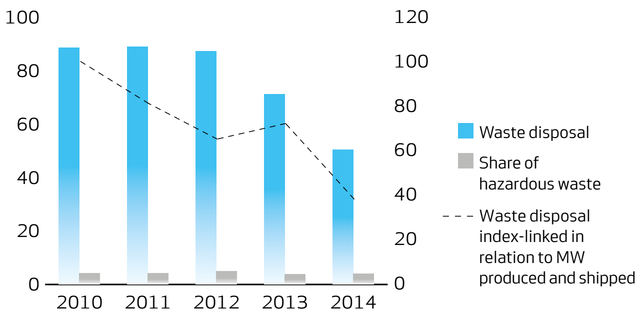


In October 2013, Vestas' machining and casting units were divested. The units accounted for 20-25 per cent of Vestas' total energy consumption in 2012 and 2013 and the divestment is the main reason for the reduction in energy and water consumption in 2014. The decrease has to some extent been outweighed by the increased activity level in 2014 compared to 2013.

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 2014, the volume of waste was reduced by 28 per cent compared to 2013. When index-linked to MW produced and shipped in 2014, Vestas decreased its volume of waste by 48 per cent compared to 2013.

Waste disposal and share of hazardous waste
1,000 tonnes · Index



In 2014, 53 per cent of the total volume of waste was recycled, against 59 per cent the year before.

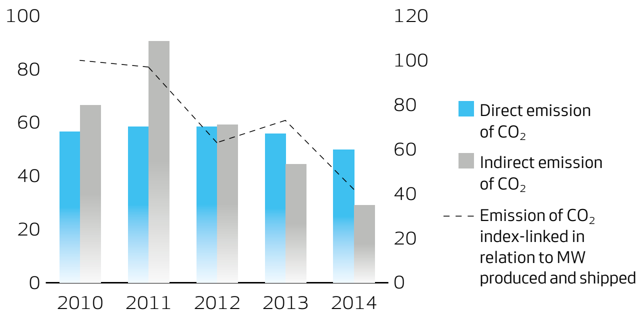
The divestment of Vestas' machining and casting units is the main reason for the reduction in waste and waste for recycling. The decrease has to some extent been outweighed by the increased activity level in 2014 compared to 2013.

Emissions of CO_2
Accounting policies
Direct emission of CO_2 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 CO_2 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 CO_2 emissions from electricity consumption based on non-renewable sources is balanced out by CO_2 emission savings in the production and sale to the grid from Vestas owned wind turbines.

Development
Vestas decreased its direct CO_2 emissions by 11 per cent in 2014, and the indirect CO_2 emissions by 34 per cent. When index-linked to MW produced and shipped in 2014, Vestas decreased its CO_2 emissions by 42 per cent compared to 2013.

The divestment of Vestas' machining and casting units is the main reason for the reduction in emission of CO_2. The decrease has to some extent been outweighed by the increased activity level in 2014 compared to 2013.

Direct and indirect emission of CO_2
1,000 tonnes · Index



Local community
Accounting policies
Environmental accidents are accidental releases of substance and chemicals which are considered by Vestas 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 2014. The breaches of internal control conditions were due to Volatile Organic Compound (VOC) emissions exceeding permit levels at the blade factories in Denmark and Spain and waste water emission exceeding permit level at the generator factory in China.

Products
Accounting policies
CO_2 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 of average CO_2 emission for electricity in the world, at present 536 grams of CO_2 per kWh.

Development
The CO_2 savings over the life time on the MW produced and shipped in 2014 increased by 38 per cent compared to 2013, due to a higher amount of produced and shipped MW in 2014.

The independent auditor's report concerning social and environmental highlights for 2014

To the stakeholders of Vestas Wind Systems A/S
We have assessed the consolidated social and environmental key figures and indicators in the annual report of Vestas Wind Systems A/S (Vestas) for the financial year 2014, stated on page 009 in the annual report for 2014.

Criteria for the preparation of reporting on social and environmental highlights
Page 107 of the annual report for 2014 includes Management's responsibility for selecting the social and environmental key figures and indicators relevant for integration in the annual report page 009. The social and environmental key figures and indicators have been included in the annual report for 2014 according to the accounting policies for social and environmental highlights for the Group applied and described on page 107-109.

Management's responsibility
Management is responsible for preparing the consolidated social and environmental key figures and indicators, including for establishing data collection and registration and internal control systems, with a view to ensure reliable reporting, selecting acceptable social and environmental accounting policies and choosing data to be collected for intended users of the report.

Assurance provider's responsibility
Our responsibility is, based on our work, to express a conclusion 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 annual report 2014.
4. On site review of documentation at reporting entities in Australia, Denmark, Italy, Spain and Sweden and assessment of selected documentation at Group level.

We believe that the evidence we have obtained is sufficient and appropriate to provide the basis for our conclusion.

Conclusion
Based on the work performed, nothing has come to our attention which causes us to conclude that the consolidated social and environmental key figures and indicators presented in the annual report of Vestas for 2014 (on page 009) are not free of material misstatements and has not been stated in accordance with the social and environmental accounting policies here for.

Copenhagen, 11 February 2015

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug State Authorised Public Accountant	Claus Lindholm Jacobsen State Authorised Public Accountant

Financial statements for Vestas Wind Systems A/S

Accounting policies for Vestas Wind Systems A/S

The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to entities of reporting class D, as well as the requirements laid down by Nasdaq 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 financial statements are presented in euro (EUR).

For adopted accounting policies see the notes to the consolidated financial statements . The denomination of the items in the parent company's financial statements 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 accounted for using the equity method

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 accounted for using the equity method". The item "Income/(loss) from investments accounted for using the equity method" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments accounted for using the equity method" in the balance sheet includes the proportionate ownership share of the net asset value of the entities 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, if impaired. Any legal or constructive obligation of the parent company to cover the negative balance of the subsidiaries 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 accounted for using the equity method" 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 entities acquired for strategic purposes with a long-term earnings profile.

Cash flow statement

Vestas Wind Systems A/S applies on exemption under DK GAAP whereby the parent company is not required to prepare a separate cash flow statement. See the consolidated cash flow statement on page 53.

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	2014	2013
Revenue	1	732	255
Cost of sales	2	(499)	(563)
Gross profit/(loss)		**233**	**(308)**
Administrative expenses	2	(301)	(300)
Operating profit/(loss) (EBIT)		**(68)**	**(608)**
Income/(loss) from investments accounted for using equity method	3	483	389
Financial income and expenses (net)	4	(54)	(23)
Profit/(loss) before tax		**361**	**(242)**
Income taxes	5	13	145
Profit/(loss) for the year		**374**	**(97)**
Proposed distribution of profit/(loss):			
Reserve for net revaluation under the equity method		455	389
Retained earnings		(197)	(486)
Dividends		116	0
Profit/(loss) for the year		**374**	**(97)**

Balance sheet 31 December for Vestas Wind Systems A/S

mEUR	Note	2014	2013
Intangible assets	6	451	573
Property, plant and equipment	7	268	327
Investments accounted for using equity method	8	2,529	1,923
Total fixed assets		**3,248**	**2,823**
Inventories	9	125	118
Receivables from subsidiaries		1,634	478
Other receivables		25	21
Prepayments and accrued income	10	4	5
Deferred tax	11	87	3
Total receivables		**1,750**	**507**
Cash at bank and in hand		1,701	508
Total current assets		**3,576**	**1,133**
Total assets		**6,824**	**3,956**
Share capital		30	27
Reserve for net revaluation under the equity method		593	119
Retained earnings		1,611	1,264
Total equity		**2,234**	**1,410**
Warranty provisions	12	316	302
Other provisions	13	0	0
Total provisions		**316**	**302**
Mortgage debt	14	3	4
Debt to credit institutions	14	0	599
Total long-term debt		**3**	**603**
Short-term share of mortgage debt and debt to credit institutions	14	600	0
Trade payables		66	70
Payables to subsidiaries		3,498	1,450
Debt to joint venture		12	0
Other liabilities		95	121
Total short-term debt		**4,271**	**1,641**
Total debt		**4,274**	**2,244**
Total equity and liabilities		**6,824**	**3,956**

Mortgages and security	15
Contractual obligations	16
Contingent liabilities	17
Related party transactions	18
Currency and interest rate risks and the use of derivative financial instruments	19
Subsequent events	20
Ownership	21

Statement of changes in equity 1 January – 31 December for Vestas Wind Systems A/S

2014 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	**27**	**119**	**1,264**	**1,410**
Exchange rate adjustments relating to foreign entities	0	82	0	82
Fair value adjustments of derivative financial instruments	0	(21)	(21)	(42)
Fair value adjustments of derivative financial instruments, joint venture	0	7	0	7
Share-based payments	0	0	5	5
Tax on changes in equity	0	7	2	9
Capital increase	3	0	439	442
Dispolsal	0	(56)	56	0
Costs of capital increase	0	0	(10)	(10)
Profit for the year	0	455	(197)	258
Proposed dividend	0	0	116	116
Acquisition of treasury shares	0	0	(43)	(43)
Equity at 31 December	**30**	**593**	**1,611**	**2,234**

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 relating to foreign entities	0	(53)	0	(53)
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	389	(486)	(97)
Acquisition of treasury shares	0	0	(7)	(7)
Equity at 31 December	**27**	**119**	**1,264**	**1,410**

Notes to the financial statements for Vestas Wind Systems A/S

1 Revenue

Revenue in the parent company consists of sale of spare parts to and royalty income from other Group companies.

2 Staff costs

mEUR	2014	2013
Staff costs are specified as follows:		
Wages and salaries, etc.	201	218
Pension schemes	12	14
Other social security costs	1	1
	214	**233**

For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company ref. note 6 to the consolidated financial statements. 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, ref. note 31 to the consolidated financial statements.

	2014	2013
Average number of employees	1,883	2,247

3 Income/(loss) from investments accounted for using the equity method

The amounts recognised in the income statement are as follows:

mEUR	2014	2013
Subsidiaries	514	389
Associates and joint ventures	(31)	0
Carrying amount at 31 December	**483**	**389**

Income/(loss) from subsidiaries

mEUR	2014	2013
Share of profit in subsidiaries before tax	663	594
Gain on disposal	59	0
Share of tax of subsidiaries	(194)	(191)
Amortisation of goodwill	(14)	(14)
	514	**389**

Income/(loss) from associates and joint ventures

Ref. note 15 to the consolidated financial statements.

4 Financial income and expenses

mEUR	2014	2013
Financial income from subsidiaries	46	56
Financial expenses to subsidiaries	(5)	(8)
Exchange rate adjustments	(47)	22
Other financial expenses	(48)	(93)
	(54)	**(23)**

5 Income taxes

mEUR	2014	2013
Current tax on profit for the year	12	(146)
Deferred tax on profit for the year	0	(3)
Adjustments relating to previous years (net)	(25)	4
Total income tax for the year	**(13)**	**(145)**
Tax on entries in equity relating to deferred tax	(2)	3
Tax on entries in equity	**(2)**	**3**
Total income taxes for the year	**(15)**	**(142)**

6 Intangible assets

2014 mEUR	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January	984	19	160	190	1,353
Exchange rate adjustments	2	0	1	0	3
Additions	0	0	5	110	115
Disposals	(6)	0	0	(51)	(57)
Transfers	112	0	0	(112)	0
Cost at 31 December	**1,092**	**19**	**166**	**137**	**1,414**
Amortisation at 1 January	653	8	121	0	782
Exchange rate adjustments	2	0	(1)	0	1
Amortisation for the year	164	1	16	0	181
Reversal of depreciation of disposals in the year	(1)	0	0	0	(1)
Amortisation at 31 December	**818**	**9**	**136**	**0**	**963**
Carrying amount at 31 December	**274**	**10**	**30**	**137**	**451**
Amortisation period	3–5 years	5–20 years	5 years		

Included in software are IT projects in progress amounting to EUR 4m at 31 December 2014 (2013: EUR 2m). Amortisation is recognised in profit and loss as cost of sales with EUR 181m (2013: EUR 217m) and as administration expenses with EUR 0m (2013: EUR 0m).

7 Property, plant and equipment

2014 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	398	66	91	12	567
Additions	0	1	4	6	11
Disposals	0	(11)	(1)	0	(12)
Transfers	1	13	0	(14)	0
Cost at 31 December	**399**	**69**	**94**	**4**	**566**
Depreciation at 1 January	150	23	67	0	240
Depreciation for the year	16	12	11	0	39
Write down for the year	20	0	0	0	20
Reversal of amortisation on disposals in the year	0	0	(1)	0	(1)
Depreciation at 31 December	**186**	**35**	**77**	**0**	**298**
Carrying amount at 31 December	**213**	**34**	**17**	**4**	**268**
Depreciation period	15–40 years	3–10 years	3–5 years		

Ref. note 21 to the consolidated financial statements for a description of the impairment loss recognised on buildings.
Depreciation is recognised in profit and loss as cost of sales with EUR 32m (2013: EUR 33m) and as administration expenses with EUR 7m (2013: EUR 7m).

8 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

mEUR	2014	2013
Subsidiaries	2,342	1,923
Associates and Joint ventures	187	0
Carrying amount at 31 December	**2,529**	**1,923**

Investments in subsidiaries

mEUR	2014	2013
Cost at 1 January	1,804	1,765
Exchange rate adjustments	4	0
Additions	45	40
Disposals	(104)	(1)
Cost at 31 December	**1,749**	**1,804**
Value adjustments at 1 January	119	(245)
Exchange rate adjustments	82	(53)
Disposal	(56)	0
Profit shares for the year after tax	469	403
Changes in equity	(7)	28
Dividend	0	0
Amortisation of goodwill	(14)	(14)
Value adjustments at 31 December	**593**	**119**
Carrying amount at 31 December	**2,342**	**1,923**
Remaining positive difference included in the above carrying amount at 31 December	79	93

Ref. note 39 to the consolidated financial statements for an overview of the legal entities within the Group.

8 Investments accounted for using the equity method (continued)

Investments in associates and joint ventures

Ref. note 15 to the consolidated financial statements.

9 Inventories

mEUR	2014	2013
Raw materials and consumables	124	112
Work in progress	1	6
	125	**118**

Raw materials and consumables relates to the spare parts activity.

10 Prepayments and accrued income

Prepayments and accrued income comprise prepaid software licencse, insurance and rent.

11 Deferred tax

mEUR	2014	2013
Deferred tax at 1 January	3	4
Deferred tax on profit for the year	0	3
Prepaid tax	56	0
Tax on entries in equity	3	(3)
Adjustment relating to previous years	25	(1)
Deferred tax at 31 December (net)	**87**	**3**

12 Warranty provisions

mEUR	2014	2013
Warranty provisions at 1 January	302	271
Warranty provisions for the year	122	114
Used warranty provisions for the year	(108)	(83)
Warranty provisions at 31 December	**316**	**302**
The warranty provisions are expected to be consumed as follows:		
0–1 year	120	135
> 1 year	196	167
	316	**302**

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. Ref. note 24 to the consolidated financial statements 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.

13 Other provisions

mEUR	2014	2013
Other provisions at 1 January	0	1
Adjustment relating to previous years provisions	0	(1)
Other provisions at 31 December	**0**	**0**
Other provisions are expected to be payable as follows:		
0–1 year	0	0
> 1 year	0	0
	0	**0**

14 Financial debts

mEUR	2014	2013
Mortgage debt	3	4
Corporate bonds	600	599
	603	**603**
Financial debts break down as follows:		
< 1 year	600	0
1–5 years	1	601
> 5 years	2	2
	603	**603**

15 Mortgages and security

The credit facilities of the Group are provided on onsecured basis.

Subsidiaries representing 50 per cent (2013: 85 per cent) of revenue, EBITDA and assets of the Group are obligors/guarantors and guarantee for the payments under the facility.

Land and buildings are pledged as security to mortgage banks.

mEUR	2014	2013
Total mortgage loans	3	4
Mortgage deeds:		
Nominal value of mortgage deeds	6	199
Carrying amount of pledged assets	11	278
Provided work and payment guarantees	410	447

16 Contractual obligations

mEUR	2014	2013
The lease obligations relating to operating leases fall due:		
0–1 year	5	4
1–5 years	8	4
> 5 years	3	-

Operating leases comprise irrevocable operating leases regarding land, buildings and cars. The main obligations relate to land. The company has also entered into a service agreement with an IT service provider. There is a cancellation fee the next 4 years which is declining over the years. In addition, the company has a contractual commitment to pay on average EUR 4m annually until 2022 for the use of certain technology rights owned by a third party.

The company has entered into binding contracts concerning purchase of porperty, plant and equipment to be delivered in 2015 and thereafter at a value of EUR 3m (2013: EUR 0m).

17 Contingent liabilities

mEUR	2014	2013
Guarantees for bank debt of subsidiaries	41	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 ref. note 36 to the consolidated financial statements. For disclosure of contingent assets ref. note 36 to the consolidated financial statements.

18 Related party transactions

All transactions with related parties has been carried out at arm's length principle. Ref. note 32 to the consolidated financial statement for the definition of related parties and concerning other transactions with related parties.

19 Currency and interest rate risks and the use of derivative financial instruments

For the use of derivative financial instruments and risks and capital management ref. note 37 to the consolidated financial statements.

20 Subsequent events

For subsequent events ref. note 38 to the consolidated financial statements.

21 Ownership

The company has registered the following shareholders to hold more than five per cent of the voting share capital and nominal value of the share capital:

- Marathon Asset Management LLP, UK

Vestas Wind Systems A/S
Hedeager 44 . 8200 Aarhus N . Denmark
Tel: +45 9730 0000 . Fax: +45 9730 0001
Vestas@Vestas.com
Vestas.com

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.