

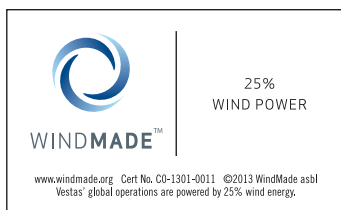
Annual report 2012

Prologue

Vestas' four most important stakeholders are its customers, shareholders, employees and the surrounding society. To be able to generate value for all stakeholders in the long run, Vestas must maintain close stakeholder relations and consistently become a more efficient supplier of wind power solutions.

This annual report incorporates Vestas' financial reporting and the measures it has taken to reduce consumption of Earth's scarce resources and the company's environmental footprint. Proper working conditions and generally accepted business ethics are two among a number of priority areas which in combination should demonstrate correct Vestas behaviour. Generally, the annual report aims to provide an insight into the values that Vestas generates for its stakeholders.

Combined with additional information about Vestas' sustainability initiatives at vestas.com, this annual report constitutes Vestas' "Communication on Progress" (COP) 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. Vestas' reporting process meets the international guidelines from the Global Reporting Initiative, GRI G3.0.



Annual report 2012

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Working to restore confidence in Vestas



“On the Board of Directors, we are confident that the new management has charted the right course for Vestas and is capable of fully completing the changes, the effects of which have already begun to materialise.”

Bert Nordberg
Chairman of the Board of Directors

In the wake of the two profit warnings announced at the end of 2011 and in January 2012, Vestas' share price was sent plummeting and confidence in the Group hit rock bottom. This marked a historic low for Vestas – but it was also a turning point. Ever since, Vestas has been planning and implementing a wide range of initiatives aimed at improving profitability and cash flows. Going into 2013, we have come a long way in our comprehensive efforts to transform our company and our operating business model. The aim is to prevent a similar situation from occurring again and restore confidence in Vestas.

This is a long, steady haul, and Vestas is still some distance away from the finishing line. However, we're definitely moving in the right direction. When I took over as chairman of the Board of Directors in the spring of 2012, confidence was low and criticism harsh. Today, I hear more and more customers and shareholders acknowledging that we are delivering on our promises. I recognise the fact that there is still a long way to go, but I'm pleased to note that confidence is steadily edging upwards.

This is no coincidence. Vestas faced huge changes in 2012. We invested a lot of effort in stabilising Vestas' financial position, preparing the organisation for a new reality where the market will provide greater challenges than ever before. That was the situation in 2012, and that's how it will be in 2013.

Focused management team with clear responsibilities

Since change starts with management, we started 2012 by implementing a new five-person management team in place of the former 16-member Vestas Government. The new management team combines skills such as management experience from global corporations with in-depth knowledge of our customers' needs and years of insight into Vestas' core values of technology, development, production, sales and service.

Based on a more focused management team with clearly defined responsibilities and close relations with the Board of Directors, Vestas stands better prepared than ever before to navigate swiftly and safely in an increasingly dynamic market. On the Board of Directors, we are confident that the new management has charted the right course for Vestas and is capable of fully completing the changes, the effects of which have already begun to materialise.

Revised banking facilities

The renegotiation of Vestas' bank agreements was another essential task we successfully dealt with in 2012. With the new agreements in place, Vestas has secured the necessary financial room to manoeuvre at a time when the entire industry is struggling to overcome economic and political uncertainty.

Paramount to Vestas' financial position are also the massive cost-out measures implemented during 2012. We have already sharply reduced our break-even level, ensuring a profitable Vestas. Coupled with a reduced need for investment, this also enhances Vestas' cash-generating potential. Ultimately, Vestas is judged by its profitability and cash flows, and our ability to generate a profit is crucial for market confidence. Consequently, we will continue our efforts to enhance Vestas' profitability and cash flows with undiminished dedication in 2013.

Write-downs

As a consequence of Vestas' declining earnings and a more conservative view of the future market, write-downs of more than EUR 500m were recognised. This is partly due to the fact that we have decided to put some factories up for sale as part of our changed business model.

PTC extension lends support in the USA

The extension of the Production Tax Credit scheme in the USA lends crucial support to Vestas in what has been the company's largest market over the past three years. One of the factors behind the decision to extend the scheme was the fact that Vestas has contributed to establishing the wind power industry and creating jobs in the USA. Combined with extensive lobbying this helped ensure continuing political support for the US wind turbine industry.

Growth in new markets

In 2013, it will be imperative for Vestas to retain its strong momentum. Having made the entire organisation leaner, more manoeuvrable and dynamic, we need to capitalise and respond quickly to opportunities that arise in the market. Focus is often on the USA since this has traditionally been the largest market. However, demand for energy is growing in many other regions, and in 2012, Vestas landed large orders in countries such as Mexico, South Africa, Peru and Chile. On the other

hand, we should not aim for higher revenue at any cost. Vestas will only embark on projects that are profitable to our customers and our business.

We are well prepared, having satisfactorily managed a 2012, which proved exactly as difficult as we had anticipated. 2012 brought massive challenges to the entire wind turbine industry. While implementing a new organisation and comprehensive cost-out initiatives concurrently with a record-high level of activity, Vestas nevertheless retained its position as the industry's leading wind turbine manufacturer. This powerful achievement underlines how Vestas is performing in competition with some of the world's largest industrial conglomerates.

We have much to be proud of

Although we sometimes forget it, our market-leading position is something we can justifiably be proud of. In spite of the criticism and mistrust directed at Vestas because we have undoubtedly made mistakes in a volatile market, Vestas retains, year after year, its unique position as the world's largest wind turbine manufacturer.

Vestas has earned great respect worldwide and is considered an ambassador for the entire industry. It is generally acknowledged that Vestas, more than anyone else, has pioneered the global proliferation of wind power, that our technology is often used as a benchmark and that Vestas remains the undisputed market leader, having installed in excess of 55 GW.

Vestas is only capable of retaining this position because of its dedicated efforts to improve and optimise every corner of its organisation. That's what we did in 2012, and that's what we will continue to do in 2013. Consequently, Vestas is truly in a position to consistently improve its earnings and cash flows and thereby restore confidence in its business.

Vestas strengthened its position in a difficult 2012



“Vestas generally succeeded in implementing a number of initiatives in 2012 which makes us well prepared for a challenging 2013.”

Ditlev Engel
Group President & CEO

Towards the end of 2011, we were preparing Vestas for 2012 and 2013. Assessing already then that we were facing two extremely difficult years, we resolved to handle the two years as one period. We have now overcome the first year, which as expected, proved to be challenging. On the other hand, we succeeded in implementing so many of the initiatives tabled in the autumn of 2011 that, going into 2013, we are facing a more favourable situation than we saw a year ago. We are not there yet, but we truly believe that the glass is half full rather than half empty.

2012 – a year full of contrast

2012 was characterised by challenges as well as encouragements. On the one hand, we carried out necessary changes and implemented a new organisation in a busy year that saw production at an all-time high. On the other hand, our financial performance was adversely affected by excessive costs associated with the V112 turbine and the GridStreamer™ technology, an issue we carried over from 2011. This resulted in losses in the first part of the year, but Vestas recovered strongly in the fourth quarter where the EBIT before special items more than tripled over the fourth quarter of 2011. This also goes for our cash flow as the free cash flow we generated in the fourth quarter was the highest we have recorded for five years.

The fourth quarter is important because that was when the initiatives we implemented in 2012 started to materialise. I have previously compared our situation to that of changing the course of a supertanker. When we turn the helm, it takes a long time for a large group such as Vestas to change direction. But it has now started to happen, and the improvement is discernible in our figures.

Clearing out old dogmas

Over the past year, we have come a long way in creating a new Vestas. Together, we stuck with the planned restructuring of the Group, the positive effects of which are now starting to materialise. The Vestas of today is a lighter and more flexible organisation which with the new operating business model is easily scalable to specific needs.

Along the way, we unsentimentally cleared out old dogmas and strategies. Among other initiatives, we simplified our product range, which

we consolidated into four wind turbine platforms in 2012. Instead of spending resources on research into new technology, our development department will now increasingly focus on continuously developing and improving existing platforms and proven technology. The purpose of this dedicated effort is to ensure maximum reliability and the lowest cost of energy for Vestas' customers.

Efficiency must be further improved

Vestas will also increase the use of outsourcing and standard components, and we have identified a number of ways to improve the utilisation of the production capacity. One example was the divestment of Vestas' tower factory in Denmark. Another – and quite the opposite – was to increase the activities at the US tower factory, which now applies up to 25 per cent of its capacity manufacturing towers for third parties. Both solutions – divestment and capacity sharing – will be applied in the future.

At the same time, we will continue our efforts to meticulously reduce costs. In 2012, we lowered the need for investments, improved production efficiency and reduced our workforce by 4,943 employees. Thus, revenue was up by 24 per cent, while our workforce was reduced by 22 per cent.

The outlook for a quiet 2013 left us no choice, and further cost reductions and efficiency improvements are planned for this year. By the end of 2013, total cost savings will run to more than EUR 400m. With these cost savings, Vestas will be in a better position to earn money and generate positive cash flows. Not only in 2013, but also in the long term.

Strong growth in the service business

A turbulent year, 2012 was also full of results documenting that Vestas is on the right track.

That applies especially to the proven quality of our products. The Lost Production Factor, the share of the wind not harvested by Vestas' turbines, is now below 2 per cent. Meanwhile, in 2012, the consumption of warranty provisions in relation to revenue was the lowest ever.

Service was the fastest growing – and most profitable – part of Vestas' business in 2012. By the end of the year, our service business had grown by 26 per cent, and in 2013 we project service revenue of approx EUR 1bn. As a result, Vestas will truly become a two-legged operation, selling wind turbines and servicing of wind power plants. We have a solid foundation for further growth. In 2012, Vestas reached a milestone of 55 GW of installed capacity. The fact that our closest competitor has still to reach 40 GW underlines Vestas' unique position in the service market.

With the regrettable exception that we experienced two tragic deaths among our subcontractors, we reached a record in terms of safety among Vestas' employees in 2012. The number of industrial injuries fell to 2.8 per one million working hours in 2012. In comparison, the corresponding figure was 15.6 in 2008. In other words, 2012 was not only the busiest, but also the safest year ever for Vestas. However, we are all deeply affected by the fatal accidents, which will only encourage us further to attain the 2015 target of no more than 0.5 industrial injuries per one million working hours.

The foundation is in place

Vestas generally succeeded in implementing a number of initiatives in 2012 which makes us well prepared for a challenging 2013. We have the foundation in place for Vestas to retain its position as the world's leading wind turbine manufacturer and achieve its long-term vision of bringing wind power on a par with oil and gas.

It is becoming increasingly necessary that we accomplish our vision. In 2012, the average global temperature rose for the 36th year running.

In other words, the world needs wind power more than ever before. We have come a long way in making Vestas better prepared than ever to provide it.

Highlights for the Group

mEUR	2012	2011	2010	2009 ¹⁾	2008 ¹⁾
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	7,216	5,836	6,920	5,079	5,904
Gross profit	796	725	1,175	836	1,125
Profit before financial income and expenses, depreciation and amortisation (EBITDA) before special items	473	305	747	469	749
Operating profit/(loss) (EBIT) before special items	4	(38)	468	251	614
Profit before financial income and expenses, depreciation and amortisation (EBITDA) after special items	299	305	684	469	749
Operating profit/(loss) (EBIT) after special items	(697)	(60)	310	251	614
Profit/(loss) of financial items	(14)	(93)	(72)	(48)	46
Profit/(loss) before tax	(713)	(153)	238	204	660
Profit/(loss) for the year	(963)	(166)	156	125	470
BALANCE SHEET					
Balance sheet total	6,972	7,689	7,066	7,959	6,327
Equity	1,622	2,576	2,754	2,542	1,587
Provisions	353	329	370	534	393
Average interest-bearing position (net)	(1,189)	(990)	(593)	(55)	395
Net working capital	233	(71)	672	317	(73)
Investments in property, plant and equipment	167	406	458	606	509
CASH FLOW STATEMENT					
Cash flow from operating activities	(73)	840	56	(34)	277
Cash flow from investing activities	(286)	(761)	(789)	(808)	(680)
Free cash flow	(359)	79	(733)	(842)	(403)
Cash flow from financing activities	832	(13)	568	1,075	(91)
Change in cash at bank and in hand less current portion of bank debt	473	66	(165)	233	(494)
RATIOS²⁾					
FINANCIAL RATIOS					
Gross margin (%)	11.0	12.4	17.0	16.5	19.1
EBITDA margin (%) before special items	6.6	5.2	10.8	9.2	12.7
EBIT margin (%) before special items	0.1	(0.7)	6.8	4.9	10.4
EBITDA margin (%) after special items	4.1	5.2	9.9	9.2	12.7
EBIT margin (%) after special items	(9.7)	(1.0)	4.5	4.9	10.4
Return on invested capital (ROIC) (%) before special items	0.2	(1.3)	10.8	9.5	43.4
Solvency ratio (%)	23.3	33.5	39.0	31.9	25.1
Net interest-bearing debt/EBITDA before special items	1.9	1.8	0.8	(0.3)	(0.1)
Return on equity (%)	(45.9)	(6.2)	5.9	6.1	33.9
Gearing (%)	108.0	35.7	33.2	13.8	7.8
SHARE RATIOS					
Earnings per share (EUR)	(4.8)	(0.8)	0.8	0.6	2.5
Book value per share (EUR)	8.0	12.6	13.5	12.5	8.6
Price / book value (EUR)	0.5	0.7	1.7	3.4	4.7
P / E-value (EUR)	(0.9)	(10.3)	30.8	71.0	16.3
Cash flow from operating activities per share (EUR)	(0.4)	4.1	0.3	(0.2)	1.5
Dividend per share (EUR)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Share price 31 December (EUR)	4.3	8.3	23.6	42.6	40.7
Average number of shares	203,704,103	203,704,103	203,704,103	197,723,281	185,204,103
Number of shares at the end of the year	203,704,103	203,704,103	203,704,103	203,704,103	185,204,103

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

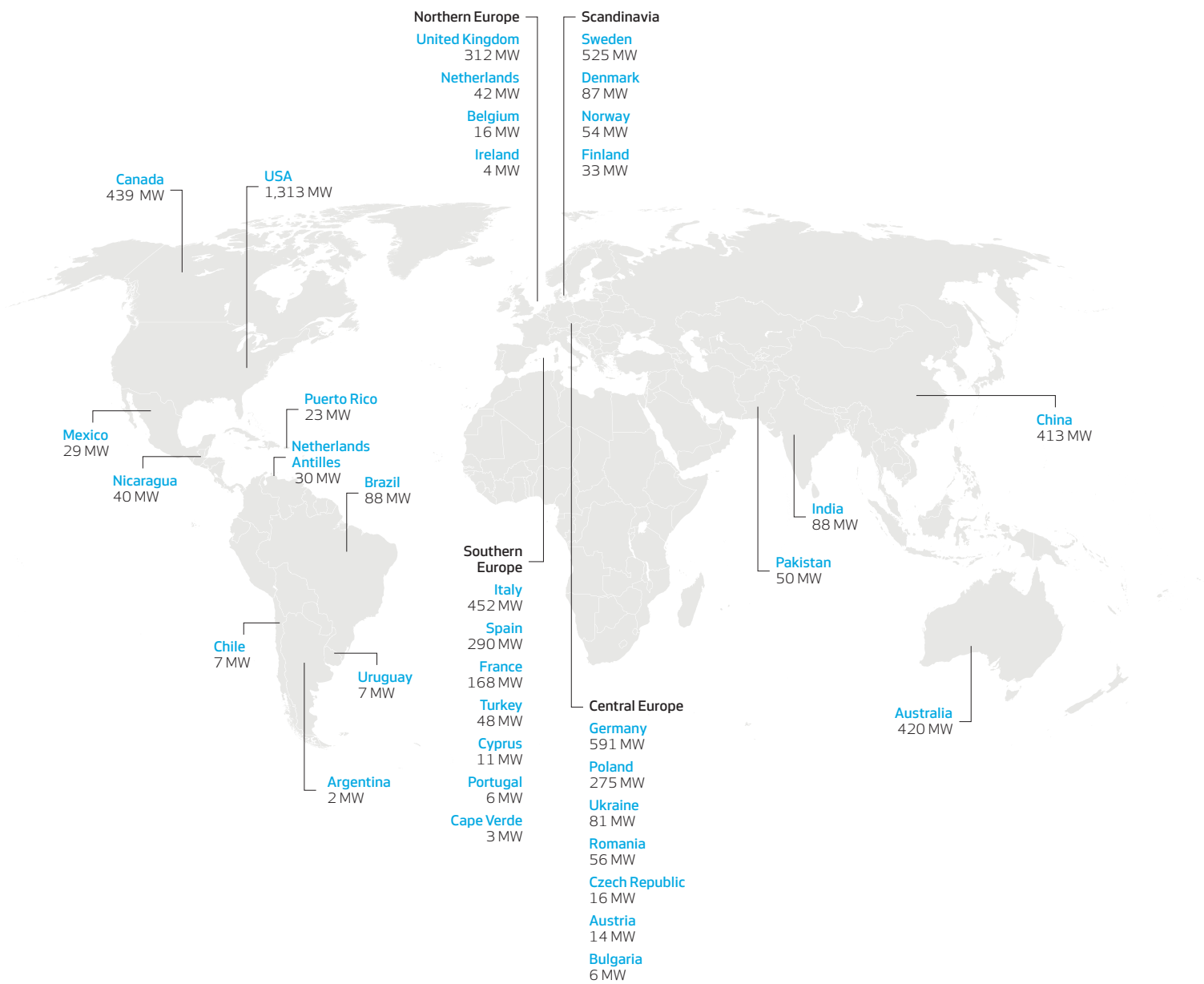
2) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2010), ref. note 1 to the consolidated accounts.

	2012	2011	2010	2009	2008
SOCIAL AND ENVIRONMENTAL KEY FIGURES¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Industrial injuries (number)	110	132	201	306	534
– of which fatal industrial injuries (number)	0	1	0	0	0
PRODUCTS					
MW produced and shipped	6,171	5,054	4,057	6,131	6,160
Number of turbines produced and shipped	2,765	2,571	2,025	3,320	3,250
UTILISATION OF RESOURCES					
Consumption of metals (1,000 tonnes)	192	212	171	203	187
Consumption of other raw materials, etc. (1,000 tonnes)	121	105	107	127	129
Consumption of energy (GWh)	630	586	578	537	458
– of which renewable energy (GWh)	327	223	242	264	173
– of which renewable electricity (GWh)	310	208	209	238	167
Consumption of fresh water (1,000 m ³)	581	562	598	521	475
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	87	89	89	97	97
- of which collected for recycling (1,000 tonnes)	44	48	35	34	30
EMISSIONS					
Direct emission of CO ₂ (1,000 tonnes)	59	58	57	51	42
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	10	16
Breaches of internal inspection conditions (number)	1	3	3	3	5
EMPLOYEES					
Average number of employees	21,033	22,926	22,216	20,832	17,924
Number of employees at the end of the year	17,778	22,721	23,252	20,730	20,829
SOCIAL AND ENVIRONMENTAL INDICATORS¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of industrial injuries per one million working hours	2.8	3.2	5.0	8.1	15.6
Absence due to illness among hourly-paid employees (%)	2.4	2.3	2.6	2.8	3.3
Absence due to illness among salaried employees (%)	1.1	1.3	1.3	1.3	1.1
PRODUCTS					
CO ₂ savings over the life time on the MW produced and shipped (million tonnes of CO ₂)	163	133	108	163	164
UTILISATION OF RESOURCES					
Renewable energy (%)	52	38	42	49	38
Renewable electricity for own activities (%)	89	68	74	85	68
EMPLOYEES					
Women at management level (%)	17	18	19	19	17
Non-Danes at management level (%)	56	53	49	46	42
MANAGEMENT SYSTEM					
OHSAS 18001 – occupational health & safety (%)	100 ²⁾	97	98	97	98
ISO 14001 – environment (%)	100 ²⁾	96	98	97	100
ISO 9001 – quality (%)	100 ²⁾	94	98	98	98

1) Accounting policies for social and environmental highlights for the Group, see page 36.

2) As Vestas is fully covered by an umbrella certificate for its worldwide activities, the accounting policy for the certified management system has been changed. Vestas aims for all new sites/locations of a certain size to be visited by the external certification body within six months.

2012 deliveries worldwide



Accumulated deliveries worldwide

Delivered (TOR)¹⁾ MW

Turbine type	
Others	22,907
V80-1.8 MW	1,829
V80-2.0 MW	6,538
V90-1.8 MW	2,545
V90-2.0 MW	9,716
V90-3.0 MW	8,190
V100-1.8 MW	1,911
V100-2.0 MW	32
V100-2.6 MW	133
V112-3.0 MW	1,569
Total	55,370

Delivered (TOR)¹⁾ offshore MW

United Kingdom	784
Netherlands	247
Denmark	197
Belgium	165
Sweden	13
Portugal	2
Japan	1
Total	1,409

Delivered (TOR)¹⁾ onshore and offshore

MW

Europe and Africa	
Germany	8,386
Spain	4,039
Italy	3,116
Denmark	2,781
United Kingdom	2,093
Sweden	1,951
Netherlands	1,590
France	1,560
Greece	1,044
Poland	770
Portugal	670
Turkey	604
Ireland	590
Romania	544
Austria	447
Belgium	311
Bulgaria	309
Hungary	105
Cyprus	93
Czech Republic	84
Ukraine	84
Egypt	79
Norway	70
Finland	60
Morocco	50
Croatia	48
Others	94
Total	31,572
Americas	
USA	10,982
Canada	2,315
Brazil	292
Mexico	132
Chile	124
Argentina	89
Costa Rica	51
Nicaragua	40
Jamaica	39
Uruguay	39
Others	117
Total	14,220
Asia Pacific	
China	3,878
India	2,799
Australia	1,681
Japan	510
New Zealand	346
South Korea	166
Taiwan	86
Pakistan	50
Others	62
Total	9,578
Total world	55,370

1) Delivered (transfer of risk – TOR) Vestas wind turbines as at 31 December 2012.

Overview

2012 was a challenging year for the wind power industry and for Vestas. During the year, Vestas started the implementation of a new organisational structure and a new operating business model, which includes an evaluation of its manufacturing footprint. In the autumn of 2012, Vestas renegotiated its credit facilities as the half-year test of the financial covenants was deferred.

While executing a record high level of shipments, Vestas also had to prepare for a significantly lower activity level in 2013. Consequently, investments were reduced by 62 per cent or EUR 475m and the number of employees was reduced by 22 per cent or 4,943 employees during 2012. This contributed to fixed cost reductions of more than EUR 250m with full effect as from the end of 2012.

Revenue amounted to EUR 7.2bn, EBIT margin before special items was 0.1 per cent and free cash flow amounted to EUR (359)m. A total of EUR 701m was recognised as special items primarily driven by write-downs.

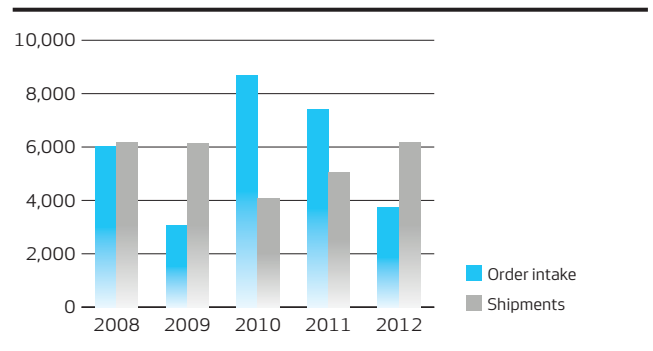
Full year 2012

The intake of firm and unconditional orders of 3,738 MW with a value of EUR 3.8bn, was 49 per cent lower than in 2011 – primarily driven by weaker order intake in the two largest markets, China and the USA. In terms of MW, Europe and Africa accounted for 61 per cent, the Americas accounted for 26 per cent, and Asia Pacific accounted for 13 per cent of the order intake.

At the end of 2012, the backlog of orders stood at 7,156 MW corresponding to EUR 7.1bn. In addition to the wind turbine backlog, Vestas had service agreements with contractual future revenue of EUR 5.3bn by the end of 2012.

Order intake and shipments

MW

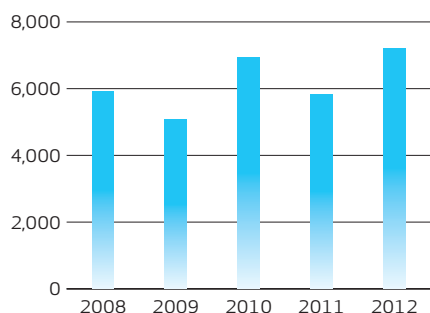


In 2012, Vestas produced and shipped 2,765 wind turbines with an aggregate capacity of 6,171 MW, against 2,571 wind turbines and 5,054 MW in 2011. Final capacity delivered to the customers amounted to 6,039 MW; an increase of 16 per cent.

Vestas generated revenue of EUR 7.2bn in 2012 which is an increase of 24 per cent compared to 2011. Revenue in the service business rose by 26 per cent to EUR 886m. The service business EBIT margin stood at 17 per cent before allocation of Group costs.

Revenue

mEUR



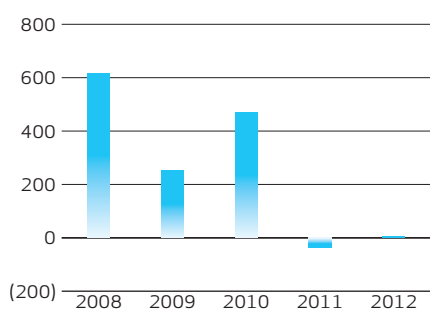
The gross profit amounted to EUR 796m, corresponding to a gross margin of 11.0 per cent. In 2011, the gross profit and gross margin amounted to EUR 725m and 12.4 per cent, respectively. The lower gross margin is explained by higher depreciations and too high product and production costs for the V112-3.0 MW turbine and the GridStreamer™ technology, which however have been reduced during 2012.

EBITDA before special items amounted to EUR 473m; an increase of 55 per cent over 2011.

The operating profit, EBIT, before special items was EUR 4m, corresponding to an EBIT margin before special items of 0.1 per cent. The EBIT margin was negatively impacted by EUR 1.26m higher depreciation and amortisation than in 2011.

EBIT before special items

mEUR



Special items amounted to EUR 701m of which write-downs constituted EUR 551m. The write-downs were recognised as a consequence of Vestas' declining earnings and a more conservative view of the future market.

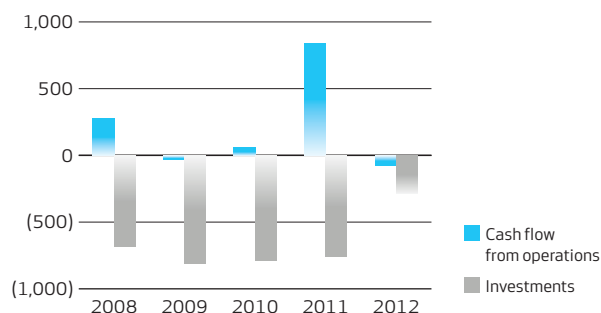
EBIT after special items amounted to EUR (697)m.

During 2012, the net working capital increased by EUR 304m to EUR 233m which corresponds to 3.2 per cent of revenue. A EUR 555m reduction in trade payables was the primary driver behind the increase and was not balanced by the EUR 302m decrease in inventories.

Cash flow from operations amounted to EUR (73)m adversely impacted by the aforementioned increase in net working capital. Net investments decreased by 62 per cent to EUR 286m of which EUR 167m were investments in property, plant and equipment.

Cash flow from operations and investments

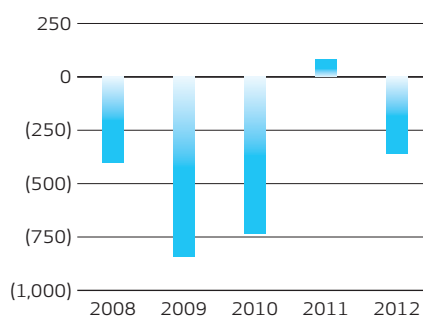
mEUR



The free cash flow declined by EUR 438m to EUR (359)m primarily as a result of the increased net working capital.

Free cash flow

mEUR



Net debt amounted to EUR 900m at the end of 2012. The net debt to EBITDA ratio increased to 1.9 compared to 1.8 at the end of 2011.

Return on invested capital before special items amounted to 0.2 per cent, against (1.3) per cent in 2011. Going forward, return on invested capital must improve through higher earnings and relatively lower invested capital.

Fourth quarter 2012

Vestas' fourth-quarter order intake was 1,123 MW with a total value of EUR 1.2bn. This was slightly below expectations.

Vestas produced and shipped 687 wind turbines with an aggregate capacity of 1,464 MW in the quarter, against 721 wind turbines and 1,478 MW in the fourth quarter of 2011. During the quarter, a total of 2,160 MW was delivered to Vestas' customers, against 1,956 MW in the fourth quarter of 2011.

Fourth-quarter revenue amounted to EUR 2,512m in 2012 – an increase of 23 per cent from the fourth quarter of 2011. Europe and Africa accounted for 58 per cent of revenue, the Americas for 18 per cent and Asia Pacific for 24 per cent of revenue. Service revenue amounted to EUR 223m in the fourth quarter of 2012.

The gross profit was EUR 333m, or 13.3 per cent, against EUR 267m and 13.1 per cent, respectively, in the fourth quarter of 2011.

EBIT before special items more than tripled to EUR 155m from EUR 46m in the fourth quarter of 2011. The EBIT margin before special

items thus increased by 3.9 percentage points to 6.2 per cent in the fourth quarter of 2012.

Special items in the fourth quarter amounted to EUR 485m, primarily driven by write-downs. EBIT after special items amounted to EUR (330)m.

Warranty provisions in the quarter amounted to EUR 14m, equal to 0.6 per cent of revenue. In the fourth quarter of 2012, Vestas consumed warranty provisions totalling EUR 18m. The improved wind turbine performance is also reflected in the Lost Production Factor (LPF), which was reduced to less than 2 per cent in the autumn of 2012. The LPF indicates the share of the wind not harvested by the wind turbines.

The free cash flow amounted to EUR 416m – an improvement of EUR 119m compared to the fourth quarter of 2011. Investments in the quarter amounted to EUR 79m, which was EUR 198m lower than the investments in fourth quarter of 2011.

Social and environmental issues

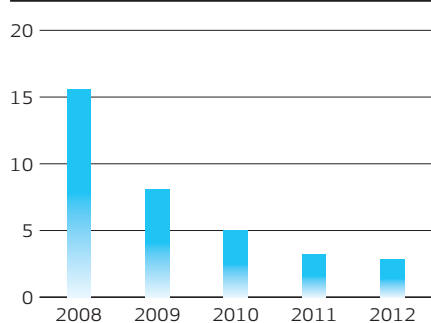
Personal safety is always given top priority at Vestas because its employees are entitled to it and its customers request it. Through increased focus, intensive training and the dedicated efforts of its employees, Vestas has managed to reduce the number of accidents year after year. Continuing its decline, the incidence of industrial injuries was 2.8 per one million working hours in 2012.

Vestas has defined a goal that all electricity must come from renewable energy sources, subject to availability. For 2012, the goal was not reached in full.

Vestas' share of renewable energy increased to 52 per cent in 2012 from 38 per cent in 2011, and renewable electricity increased to 89 per cent in 2012 from 68 per cent in 2011.

Incidence of industrial injuries

Per one million working hours



Outlook 2013

Shipments are expected to decline to 4-5 GW compared to the previous guidance of around 5 GW. The change is due to a weaker order intake than expected.

Revenue is expected to be at least EUR 5.5bn, including service revenue, which is expected to rise to approx EUR 1bn. Vestas expects to achieve an EBIT margin before special items of at least 1 per cent with the EBIT margin for service amounting to approx 17 per cent before allocation of Group costs.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped and installed the turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections and similar matters may thus cause delays that could affect Vestas' financial results for 2013.

The free cash flow is expected to be positive in 2013.

The development of the V164-8.0 MW turbine is continuing according to Vestas' plans, with installation of the first prototype still expected to take place in the second quarter of 2014. As previously announced, Vestas has received inquiries from potential partners on the V164-8.0 MW turbine. Vestas will also continue to upgrade the new 3 MW platform and the 2 MW platform.

There are no plans to invest in new production facilities, and thus investments in property, plant and equipment are expected to be around EUR 150m.

Vestas expects to further reduce the number of employees during 2013 and the year-end number of employees is expected to be no more than 16,000.

Outlook 2013

bnEUR

Shipments (GW)	4-5
Revenue	≥ 5.5
- of which service revenue	approx 1
EBIT margin (%) before special items	≥ 1
EBIT margin, service (%) before allocation of Group costs	approx 17
Free cash flow	> 0

Annual General Meeting 2013

Vestas Wind Systems A/S' Annual General Meeting will be held on 21 March 2013 at 1:00 p.m. CET at the Concert Hall (Musikhuset) in Aarhus, Denmark.

The convening for the Annual General Meeting will be disclosed on 25 February 2013. In order to save costs, Vestas has, however, decided not to distribute the convening notice by ordinary mail.

Distribution of dividends will always be decided with due consideration of the Group's growth plans and liquidity requirements. The Board of Directors recommends to the company's Annual General Meeting that no dividend be paid for 2012.

Vestas' business model

Born out of the oil crisis in the 1970's, it has always been Vestas' goal through development, production and service of wind turbines to ensure energy independence in a sustainable manner.

Since the production of small wind turbines aimed at local farmers began in a modest barn in 1979, Vestas has experienced significant growth. In 2005, Vestas implemented its "in the region for the region" initiative, building up a global production capacity in order to keep up with demand while lowering costs of ever larger wind turbines.

However in recent years, the economic downturn has curbed energy demand and overshadowed the green agenda on a number of large markets. As a result, growth is no longer a given for the wind power industry, nor for Vestas.

Consequently, Vestas is changing. Towards the end of 2011, the company embarked on a new journey when a new operating business model and a new organisation were conceived.

New operating business model

The objective is to optimise cash flow and earnings in the short term, while not sacrificing long-term opportunities such as capitalising on the growing service business or developing the game changing V164-8.0 MW turbine for offshore. The new operating business model is based on three pillars and utilises four principles.

The three pillars represent the company's core competencies:

- **Advanced wind turbine technology:** With more than 30 years' experience within development of high technology wind turbines and large investments in test and development, Vestas constantly develops and optimises a comprehensive and competitive model line-up of wind turbines.

- **Efficient manufacturing of wind turbines:** Vestas continuously improve its high quality levels while adjusting production capacity to the activity level and implementing cost reductions. Safety is a priority with a target of no more than 2.0 incidents of industrial injuries per one million working hours for 2013.

- **Sale and service of wind power plants:** Utilising real-time data from almost 25,000 installed wind turbines, Vestas offers service of its wind turbines on days with no or low wind, thereby optimising the customers' power production. The Lost Production Factor – the amount of available wind not harvested – has been reduced to below 2 per cent. Vestas' growing service business secures two revenue streams: Sale of wind turbines and service of wind turbines.

The four principles must strengthen Vestas' ability to manage business risk in an increasingly dynamic industry with little possibility of predicting future market conditions:

- **Scalable** capacity must ensure that Vestas can adjust its manufacturing capacity when needed. Vestas can quickly adapt to fluctuations in demand, while maintaining a high factory utilisation.
- **Flexible** geographical presence to ensure that Vestas can allocate regional resources when needed. Vestas aims to utilise a higher degree of outsourcing.
- **Agile** response to shifting market demand. Vestas constantly prepares for market fluctuations in order to quickly adapt to sudden slow-down or pick-up of specific markets.
- **Lean** through cost reductions and relatively lower capital requirements. Vestas continuously apply cost-out initiatives and adjustments of its workforce when and where it is necessary.

Vestas' three core competencies and the four principles create an operating business model designed to manage risk by minimising uncertainty, preserve Vestas' competitive wind turbine technology, global footprint and customer proximity while reducing costs and the relative capital requirement.

Focus areas

Applying the principles and building on the pillars has resulted in a clear direction. All areas of the business must focus on improving the currently disappointing return on invested capital. In particular, this means executing on three objectives of importance: cost reductions, reduced investments and improved capacity utilisation.

Cost reductions

Cost savings have high priority for Vestas. During 2012, a cost reduction plan for both fixed and variable costs was intensified in order to improve earnings.

Fixed costs such as salaries and operating expenses were significantly reduced mainly through headcount reductions of 4,943.

Overall, the fixed cost reductions during 2012 amounted to more than EUR 250m. By the end of 2013, Vestas expects the combined fixed cost savings efforts during 2012 and 2013 to exceed EUR 400m.

Likewise, variable costs were reduced during the course of 2012. When Vestas entered 2012, the product and production costs for the V112-turbine and the GridStreamer™-technology were higher than expected. In order to reduce these and other variable costs, more than 100 product cost-out initiatives were implemented. Product cost-out initiatives ranged from reducing the selection of bolts and screws to radically streamlining the production of large components for Vestas' wind turbines.

Reduced investments

Another focus area for Vestas is lowering the need for investments. An example is the new product roadmap launched in 2012. The product roadmap prioritises continuous development of existing, well proven products over the costly development of entirely new platforms.

Instead, R&D efforts will concentrate on the constant improvement of the quality and reliability of Vestas' products in order to further reduce the cost of energy for the customers. As a result, Vestas will also accelerate profitability and reduce the time it takes to bring new products to market.

Likewise, Vestas plans to take further advantage of an industry supply chain that has improved significantly in recent years. By utilising standard components to a higher degree, Vestas will further reduce its need for investments.

Improved capacity utilisation

In general, Vestas will make its business more scalable. Instead of continuing to produce almost all components itself, Vestas intends to become a much lighter company, assembling parts made from trusted business partners and validated suppliers to a much higher degree than is the case today.

An example from 2012 was the divestment of the tower factory in Denmark to a Chinese business partner. Collaboration continues while Vestas reduces fixed costs, frees resources and obtains greater manufacturing flexibility.

Divestments are expected to continue in 2013 as some manufacturing plants are put up for sale.

Yet the shift from growth to consolidation as well as a higher utilisation of outsourcing, must never compromise Vestas' leading position in the areas of quality, technology and safety.

Financial priorities

The focus on cost reductions, reduced investments and increased outsourcing, has not changed Vestas' three main financial priorities:

1. EBIT margin:

Vestas has defined a goal of achieving a high single-digit EBIT margin in the medium term subject to a normalised US market. For 2013, the goal is to achieve an EBIT margin before special items of at least 1 per cent.

2. Free cash flow:

Vestas expects to be able to finance its own growth. In 2013, the target is a positive free cash.

3. Revenue:

Vestas has two revenue streams: Wind turbines and service. Service, which is more profitable, is expected to continue being the fastest growing segment. For 2013, the target is total revenue of at least EUR 5.5bn of which service constitutes approx EUR 1bn.

A new organisation

Concurrently with implementing its new operating business model in 2012, Vestas changed its organisational set-up. Hence, the management areas Technology & Service Solutions, Manufacturing & Global Sourcing and Sales represent the company's core competencies, crucial for achieving Vestas' short-term objectives.

Technology & Service Solutions

Vestas' predominant competence is the development of the industry's most advanced wind turbines for the most versatile conditions.

Based on four product platforms, Vestas offers a wide array of turbines of varying rotor sizes, tower heights, and power output that can be targeted specific site, wind and grid conditions both onshore and offshore all over the world.

Simultaneously with developing wind turbines, Vestas has fostered a number of sophisticated service solutions for different customer needs. Consolidated in the Technology & Service Solutions unit, Vestas' offerings include products and services such as SiteHunt®, SiteDesign®, Electrical PreDesign, PowerPlant Controller and Vestas-Online Business® (SCADA). Technology & Service Solutions also develop solutions supporting further integration of wind power into the grid.

Manufacturing & Global Sourcing

In close collaboration with Technology & Service Solutions, Vestas currently manufactures blades, nacelles, towers, generators, and control systems in-house. As a result of years of cooperation, many suppliers have grown with the business, enabling them to deliver the required quality on time. Consequently, Vestas works on assigning a greater share of wind turbine manufacturing to trusted local and international partners. This will reduce the need for investments and make Vestas a leaner and more agile company.

The end goal for Vestas is to rely on strong business partnerships with relatively fewer suppliers which are in charge of a larger part of the manufacturing. As a result, Vestas will have relatively fewer employees who increasingly control and coordinate supplier relationships.

The quality improvement in the supply chain has also allowed Vestas to apply the make-to-order principle, thereby reducing component inventories.

Sales

The consolidation of the global sales organisation allows Vestas' sales business units to share best practises and reduce costs. Meanwhile, the six sales business units – Vestas Americas, Vestas Asia Pacific & China, Vestas Central Europe, Vestas Mediterranean, Vestas Northern Europe and Vestas Offshore – maintain proximity with its customers and the ability to quickly react to wishes and requirements from specific customers and markets.

In the reorganised sales function, continuously more resources have been allocated to the service business. As a result and a sign of the still closer relationship between Vestas and its customers, 95 per cent of all MW sold and announced in connection with orders received in 2012 was accompanied by a service contract. By the end of the year, service revenue had climbed to EUR 886m, turning Vestas into a truly two-legged operation, standing firmly on two revenue streams.

Repositioned for renewed growth

Despite the current challenges, time works for wind power. Since Vestas delivered its first wind turbine, the world's energy challenge has only grown bigger. The UN projects that the global population will have increased by another two billion in 2050, resulting in a massive need for more energy. Because it is financially competitive, predictable, independent, fast and clean, wind power is the leading alternative to oil and gas.

In order to meet the energy challenges of the future in a sustainable manner, it is Vestas' vision to bring wind power on a par with oil and gas. Because wind power in some markets is already competitive and the efficiency and reliability is constantly improved, Vestas has already come a long way on its journey towards fulfilling the vision. According to Bloomberg New Energy Finance¹⁾, when all types of energy are cleared of all subsidies, the average price of electricity from wind power plants will already in 2016 be on a par with fossil fuels.

To make the vision come true, it is Vestas' mission – together with the customers, shareholders, employees and the surrounding society – to always provide superior cost-effective wind technologies, products and services.

In 2013, Vestas will continue the work initiated in 2011 of becoming a leaner and more agile company by reducing costs and investments while increasing the utilisation of outsourcing. This will increase Vestas' earnings and cash flow generating capabilities. Simultaneously with securing a sustainable order intake, the ongoing cost-out efforts will reposition Vestas for a market expected to substantially increase once energy consumption resumes its inevitable growth. When that happens, Vestas will be even better positioned to deliver sustainable energy independence to its customers.

1) Bloomberg New Energy Finance: Onshore wind energy to reach parity with fossil-fuel electricity by 2016. Press release, November 2011.



Management report

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Management report

2012 was a challenging year for the wind power industry and for Vestas. During the year, Vestas started the implementation of a new operating business model and a new organisational structure.

While executing a record high level of shipments, Vestas also had to prepare for a significantly lower activity level in 2013. Consequently, the number of employees was reduced by 22 per cent or 4,943 employees, and investments were reduced by 62 per cent or EUR 475m during 2012.

Revenue amounted to EUR 7.2bn, EBIT margin before special items was 0.1 per cent and free cash flow amounted to EUR (359)m. A total of EUR 701m was recognised as special items primarily driven by write-downs.

Financial performance

Order backlog and activities – wind turbines

Compared to 2011, the order intake for the year decreased by 49 per cent to 3,738 MW corresponding to EUR 3.8bn. A weaker market development in several key markets was the primary driver for the lower than anticipated order intake in 2012. In terms of geography, Europe and Africa accounted for 61 per cent, the Americas for 26 per cent and Asia Pacific for 13 per cent of the 3,738 MW. 61 per cent of the orders were announced publicly.

At the end of 2012, the wind turbine order backlog amounted to 7,156 MW and EUR 7.1bn against 9,552 MW and EUR 9.6bn at the end of 2011. In terms of MW, Europe and Africa account for 67 per cent of the backlog of orders, the Americas for 20 per cent and Asia Pacific for 13 per cent.

Level of activity

In 2012, Vestas produced and shipped 2,765 wind turbines with an aggregate capacity of 6,171 MW, which was slightly lower than the expected level of around 6.3 GW. In 2011, Vestas produced and shipped 2,571 wind turbines totalling 5,054 MW. Final capacity

delivered to the customers in 2012 amounted to 6,039 MW; an increase of 16 per cent. At the end of 2012, Vestas had delivered a total of 48,950 wind turbines with a total capacity of 55,370 MW.

Overview per region

MW

	Europe and Africa	Americas	Asia Pacific	Total
Under completion, 1 January 2012	1,132	360	329	1,821
Delivered to customers during 2012	(3,090)	(1,978)	(971)	(6,039)
Produced and shipped during 2012	2,913	2,327	931	6,171
Under completion, 31 December 2012	955	709	289	1,953

At the end of the year, wind turbine projects with a total output of 1,953 MW were under completion. This is reflected in the level of pre-payments and inventories, as a large share of these MW cannot yet be recognised as revenue. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

Order backlog and activities – service

At the end of 2012, Vestas had service agreements with contractual future revenue of EUR 5.3bn – an increase of 8 per cent during the fourth quarter of 2012. Service revenue increased by 26 per cent to EUR 886m compared to 2011 which was as expected. Even though the activity level in the service business is far more stable than of the wind turbine business, revenue and earnings from the different service contracts may vary from quarter to quarter. In the fourth quarter of 2012, service earnings were adversely impacted by higher costs on some German service contracts. The EBIT margin before allocation of

Group costs amounted to 17 per cent – an increase of 1 percentage point compared to 2011. The EBIT margin after allocation of Group costs amounted to 9 per cent in 2012.

By the end of 2012, Vestas has installed more than 55 GW in more than 70 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, close monitoring of almost 25,000 wind turbines, equivalent to nearly 43 GW, is one of the foundations of Vestas' service business' growth strategy.

During 2012, Vestas renewed 77 per cent of its expiring service agreements. As Vestas expects further growth in the service business, the number of service technicians increased by around 450 during 2012. Vestas now employs 4,958 employees in the service business.

Income statement

Revenue

Revenue increased by 24 per cent to EUR 7,216m in 2012 – which was in the middle of the guided revenue range of EUR 6,500-8,000m. Europe and Africa accounted for 52 per cent of annual revenue. The Americas and Asia Pacific accounted for 35 per cent and 13 per cent of annual revenue, respectively.

Distribution of revenue

mEUR

	2012	2011
Europe and Africa	3,754	3,053
Americas	2,512	2,068
Asia Pacific	950	715
Total	7,216	5,836
- of which service revenue	886	705

Gross profit and EBITDA

Vestas' gross profit amounted to EUR 796m in 2012, equal to a gross margin of 11.0 per cent, a 1.4 percentage point decrease relative to 2011. Higher depreciation and higher product and production costs on the V112-3.0 MW turbine and GridStreamer™ technology adversely impacted the gross margin in 2012. EBITDA before special items increased by 55 per cent to EUR 473m, which translates into an EBITDA margin before special items of 6.6 per cent.

Depreciation and amortisation increased by EUR 126m to EUR 469m which was as expected. The increase in depreciation and amortisation was primarily due to the start of serial production in the second half of 2011 of both the V112-3.0 MW turbine and the GridStreamer™ technology, which means that capitalised development costs were amortised in the entire year of 2012.

Research and development costs

Research and development costs increased to EUR 255m from EUR 203m in 2011 driven by amortisations being EUR 75m higher. Total research and development expenditure decreased to EUR 221m in 2012, against EUR 402m in 2011. Of this amount, EUR 161m was capitalised in 2012, against EUR 302m in 2011.

Distribution expenses

Distribution expenses amounted to EUR 204m, which was slightly lower than the EUR 208m in 2011.

Administrative expenses

In 2012, administrative expenses amounted to EUR 333m, which was slightly lower than the EUR 352m in 2011. The employee reductions of 4,943 during 2012 did not have a full-year effect in 2012, but will contribute to lower expenses in 2013.

Operating profit

The Group reported an operating profit (EBIT) before special items of EUR 4m in 2012, an improvement of EUR 42m relative to 2011. The EBIT margin before special items was 0.1 per cent in 2012 against (0.7) per cent in 2011. This was at the low end of the guided range of an EBIT margin before special items of 0-4 per cent, which is partly explained by the composition of the projects finally delivered in 2012. After special items of EUR 701m, the EBIT stood at EUR (697)m.

Special items and impairments

As a consequence of Vestas' declining earnings and a more conservative view of the future market, a total review of all non-current assets has been performed. The following write-downs, amounting to EUR 527m, were recognised in 2012:

- Goodwill: EUR 104m
- Development projects and software: EUR 64m
- Non-current assets held for sale: EUR 182m
- Other non-current assets related to factories or facilities closed down or with low capacity utilisation: EUR 177m

In addition to the above-mentioned write-downs, Vestas has special items of EUR 119m relating to lay-off of employees. Finally, cancelled obligations, write down of inventories and other restructuring costs amounted to EUR 55m.

The total special items for 2012 thus amounted to EUR 701m compared to the guidance of EUR 225-250m. The write-downs recognised in the fourth quarter of 2012 were the primary reason for the deviation.

The write-downs of EUR 527m will lower the 2013 depreciation and amortisation by approx EUR 50m.

Financial items and tax

In 2012, financial items represented a net expense of EUR 14m; an improvement of EUR 79m relative to 2011. A positive currency development – among other things, driven by the depreciation of the euro – balanced the higher interest expenses.

In 2012, the tax rate was 35 per cent against 8 per cent in 2011. Corporation tax amounted to EUR 250m in 2012.

As a consequence of the declining earnings and a more conservative view of the future market, the expected future taxable profit has been reduced significantly. This has resulted in write-down of tax assets of EUR 377m.

Balance sheet

Vestas' total assets decreased by EUR 717m to EUR 6,972m in 2012 from EUR 7,689m in 2011, which was primarily driven by write-downs of property, plant and equipment and a decrease in the inventory level.

Non-current assets

Non-current assets amounted to EUR 2,481m at the end of 2012, a decrease of EUR 1,041m since the end of 2011. This was primarily driven by write-downs, and to a smaller degree, by lower investments than depreciation and amortisation in 2012.

Current assets

At the end of 2012, current assets amounted to EUR 4,360m primarily driven by an increase in trade receivables and cash at bank and in hand which more than offset the decrease in inventories.

Net working capital

At 31 December 2012, Vestas' net working capital amounted to EUR 233m, which corresponds to 3.2 per cent of annual revenue. The net working capital increase during 2012 was primarily due to a decrease in trade payables which was not fully balanced by lower inventories.

Inventories

Inventories amounted to EUR 2,244m at the end of 2012, a decline of EUR 302m relative to the end of 2011. A large part of Vestas' inventories consists of wind turbines that have been shipped but not yet handed over to the customers. Vestas is dedicated to reducing the part of its inventories that is included in the production process and thereby release capital.

Non-current assets held for sale

In alignment with the new operating business model, Vestas aims to become more asset-light through divestments. Some manufacturing plants have thus been reclassified as assets held for sale and are expected to be sold within the next year. The assets have been written down by EUR 182m to EUR 131m, corresponding to the expected sales price less costs to sell.

Net debt and cash at bank and in hand

The average interest-bearing position was EUR (1,189)m in 2012, against EUR (990)m in 2011. At the end of 2012, the net interest-bearing debt was EUR 900m, which was EUR 355m higher than the net debt at the end of 2011. Cash at hand and in bank stood at EUR 851m at the end of 2012 which was EUR 476m higher than at the end of 2011. The higher level was due to the transition to the revised banking facilities at the end of the year and is expected to be lowered in 2013.

The net debt/EBITDA ratio rose to 1.9 in 2012 from 1.8 in 2011.

Revised banking facilities

Vestas revised its banking facilities in the second half of 2012 after

deferring the covenant test on the former facilities in connection with the interim financial report for the first half year of 2012. The revised facilities agreed upon in November 2012 consist of:

- A EUR 900m syndicated loan facility with the existing lender group of nine international banks structured as a EUR 250m amortising term loan and a EUR 650m revolving credit facility.
- Term loans on an amortising basis with the European Investment Bank for EUR 200m and with the Nordic Investment Bank for EUR 55m.

In addition to the above facilities, Vestas has a corporate Eurobond of EUR 600m and has access to project-related guarantee facilities of EUR 519m.

It is management's assessment that the bank agreement will ensure that the required financial resources are available to the Group in 2013. The bank agreement is based on the condition that the Group meets certain quarterly financial ratios (covenants) if the banks are to continue to make the credit facility available. Based on the Group's outlook, it is management's assessment that the credit facilities will be available throughout 2013. Deviations from the outlook may inherently change this picture.

Warranty provisions

In 2012, Vestas made total warranty provisions of EUR 148m. This equals 2.1 per cent of revenue, which is lower than the expected level of around 3 per cent. In 2011, warranty provisions represented 2.5 per cent of revenue.

Vestas constantly improves the reliability of its turbines owing to increased investments in development, testing, monitoring and servicing of wind power plants. In 2012, Vestas consumed warranty provisions totalling EUR 119m. This corresponds to 1.6 per cent of revenue and is an improvement of 1.5 percentage points on 2011.

Vestas makes provisions for all costs associated with turbine repairs within the warranty period, and any reimbursement is not offset unless a written agreement has been made with the supplier to that effect.

Higher activity level, improved quality and increased regionalisation

	2012	2011	2010	2009	2008
Order intake (bnEUR)	3.8	7.3	8.6	3.2	6.4
Order intake (MW)	3,738	7,397	8,673	3,072	6,019
Produced and shipped (MW)	6,171	5,054	4,057	6,131	6,160
Deliveries (MW)	6,039	5,217	5,842	4,764	5,580
Revenue (mEUR)	7,216	5,836	6,920	5,079	5,904
Gross margin (%)	11.0	12.4	17.0	16.5	19.1
Warranty provisions (%)	2.1	2.5	2.8	5.8	4.5
Warranty consumption (%)	1.6	3.1	3.7	5.1	4.4
EBIT margin before special items (%)	0.1	(0.7)	6.8	4.9	10.4
Net working capital (%)	3.2	(1.2)	9.7	6.2	(1.2)
Return on invested capital before special items (%)	0.2	(1.3)	10.8	9.5	43.4
Investments (mEUR)	(386)	(761)	(789)	(808)	(680)
Free cash flow (mEUR)	(359)	79	(733)	(842)	(403)
Employees, year-end (number)	17,778	22,721	23,252	20,730	20,829
- of which, outside Europe and Africa (number)	6,704	8,603	8,127	6,569	5,320

Vestas also makes provisions to cover anticipated expenses for major repairs and replacements in connection with the conclusion of long-term service contracts.

Changes in equity

Vestas' equity amounted to EUR 1,622m at the end of 2012 compared with EUR 2,576m at 31 December 2011. The decrease was due to the reported loss, primarily arising from special items and write-down of tax assets. The write-downs also had an adverse impact on the solvency ratio. At 31 December 2012, the solvency ratio was 23 per cent, against 34 per cent at the end of 2011.

Cash flow and investments

In 2012, cash flows from operating activities amounted to EUR (73)m, a decrease of EUR 913m relative to 2011. The decrease was primarily due to a negative development in the net working capital during 2012 relative to a positive net working capital development in 2011.

Cash flows from investing activities amounted to EUR 286m, of which EUR 169m was intangible assets. Total investments were lower than the expected level of EUR 350m and EUR 475m lower than in 2011. This was primarily driven by lower investments in new factories and equipment and a more focused R&D investment programme.

The free cash flow decreased by EUR 438m to EUR (359)m, which was within the latest guided range of EUR (500)-0m, but lower than the original guidance of a positive free cash flow.

Market development

Widespread global concerns about the economy, tight fiscal policies and low gas prices in certain markets continue to represent a challenge to the wind power industry.

According to the independent research company Emerging Energy Research this will result in an overall decline of new wind power installations in the coming years. The market will see a steep decline from 48 GW in 2012 to 39 GW in 2013, after which the market will slowly recover to a projected 46 GW in 2015.¹⁾ The short-term slow-down in more mature markets cannot be compensated by otherwise strong growth rates in emerging markets.

While the intake of orders for wind turbines generally slowed down in 2012, Vestas succeeded in building an even stronger service business by entering into new or renewing service contracts. By the end of 2012, Vestas was servicing 41,760 MW – an increase of 29 per cent compared to the end of 2011. The strong growth resulted in total service revenue of EUR 886m in 2012.

2012 deliveries and backlog per region

MW

	Europe and Africa	Americas	Asia Pacific	Total
Deliveries	3,090	1,978	971	6,039
Wind turbine order backlog as per 31 December 2012	4,750	1,456	950	7,156

Europe and Africa

In 2012, the European wind market remained flat and the trend is expected to continue in 2013. Consequently, the European wind power industry is downscaling its manufacturing capacity. This also applies to Vestas which has reduced its headcount at a number of factories.

With an overall target of generating 20 per cent of its energy from renewable sources by 2020, Europe is still expected to remain Vestas' largest market. Yet there are notable differences between regions. Northern European countries continue to grow moderately. On the other hand, Southern European countries such as Spain, Portugal and Greece see continued decline and are likely to fall behind in their renewable energy action plans. Eastern Europe remains promising but with regional variations. In Ukraine, a 90 MW order for 30 V112-3.0 MW turbines underlined not only the popularity of the V112 turbine, but also Vestas' successful efforts to enter promising markets in Eastern Europe.

Especially the development of the V112-3.0 MW and the V126-3.0 MW wind turbines, which are highly suitable for the many low and medium wind sites in Europe, has given Vestas a favourable market position.

Although rising from a low level, African wind energy markets also continued to show potential in 2012. Not least in South Africa where Vestas consolidated its strong foothold. Since December 2011, Vestas has won preferred supplier status for seven projects totalling 435 MW, corresponding to approx 36 per cent of the approved wind power projects in South Africa. Two of these projects, amounting to 141 MW in total, have already materialised in firm and unconditional orders for Vestas.

In 2012, Vestas delivered 3,090 MW to Europe and Africa and the order backlog amounted to 4,750 MW as of 31 December 2012.

Americas

Racing to install wind power projects before the potential expiry of the production tax credit (PTC), the US wind market had a record-breaking 2012. More than 13 GW were installed and in January 2013, the American Wind Energy Association announced that a total capacity milestone of 60 GW had been reached²⁾.

In 2012, Vestas installed 1,313 MW in the USA while simultaneously preparing for a much more subdued 2013. By the end of 2012, Vestas had delivered a total capacity of almost 11 GW in the USA, serving as a solid foundation for its growing US service business. This achievement would not have been possible if Vestas had not built its presence in the US market on local and competitive manufacturing facilities.

The one-year extension of the PTC passed on 1 January 2013 was good news for the American wind power industry and Vestas. While the extension will not lead to new record levels of activity, it is expected to have a positive impact on the US market beyond 2013; the extension allows qualified projects that start construction in 2013 to claim the credit once they are placed in service.

Although wind power has provided approx 35 per cent of all new US power capacity over the last five years, growth of wind power generally slowed in the USA due to declining natural gas prices as well as a decline in the overall energy consumption.³⁾ Consequently, the price of electricity has fallen as well.

1) Emerging Energy Research (EER): Global wind energy forecast: 2012-2025 fall update. December 2012

2) American Wind Energy Association: US wind industry fourth quarter 2012 market report. January 2013.

3) U.S. Energy Information Administration: December 2012 monthly energy review. December 2012.

Deliveries (TOR)⁴⁾

MW

	2012	2011
Europe and Africa		
Germany	591	390
Sweden	525	309
Italy	452	178
United Kingdom	312	106
Spain	290	161
Poland	275	72
France	168	287
Denmark	87	130
Ukraine	81	3
Romania	56	216
Norway	54	-
Turkey	48	180
Netherlands	42	41
Finland	33	9
Czech Republic	16	4
Belgium	16	20
Austria	14	46
Cyprus	11	-
Portugal	6	35
Bulgaria	6	11
Ireland	4	30
Cape Verde	3	23
Greece	-	100
Total Europe and Africa	3,090	2,351
Americas		
USA	1,313	1,552
Canada	439	192
Brazil	88	-
Nicaragua	40	-
Netherlands Antilles	30	-
Mexico	29	-
Puerto Rico	23	-
Chile	7	-
Uruguay	7	2
Argentina	2	76
Dominican Republic	-	25
Total Americas	1,978	1,847
Asia Pacific		
Australia	420	200
China	413	501
India	88	276
Pakistan	50	-
New Zealand	-	36
Vietnam	-	6
Total Asia Pacific	971	1,019
Total world	6,039	5,217

Outside the USA, Vestas experienced growth in markets such as Mexico, Chile and Peru. In Mexico, Vestas secured a record-breaking 396 MW order for the Mareña Renovables project consisting of 132 V90-3.0 MW turbines and a 10-year service agreement. When installed, the project will be the largest wind power plant in Latin America.

In 2012, Vestas delivered 1,978 MW to the markets in its Americas region and the order backlog amounted to 1,456 MW as of 31 December 2012.

Asia Pacific

The Chinese market continues to be the world's largest wind power market. However, stagnation has further intensified competition. Vestas focuses on serving its Chinese customers with the most reliable and grid compliant wind turbines.

In 2012, Vestas initiated the manufacture in China of the V100-1.8 MW turbine, targeted at the growing market for low wind sites in the country. Soon after, Vestas received its first Chinese order for this type of wind turbine – 48.6 MW from Datang Hubei Renewable Energy.

In Australia, support for renewable energy continues to be robust, driven by the 20 per cent Renewable Energy Target. Completion of the 420 MW Macarthur wind power plant consolidated Vestas' strong position in Australia.

On a contrary note, incentives in India were withdrawn in 2012, primarily curbing project developments by private investors. Vestas has subsequently scaled down its Indian activities. In the short term, Vestas will focus on supporting existing customers in operating and maximising the output of their wind power plants.

Japan and South Korea are wind power markets offering attractive potential for Vestas, which has a well-established presence in both countries. In Japan, high electricity prices and a newly introduced feed-in tariff for renewable energy could kick-start the market, and in South Korea, Vestas has commenced talks with government officials about further development of wind power in the country.

In order to reduce cost, Vestas united its two separate sales business units Vestas China and Vestas Asia Pacific into one entity in 2012. The new setup will align Vestas' efforts in a region where the Asian markets are already closely interlinked.

In 2012, Vestas delivered 971 MW to Asia Pacific and the order backlog amounted to 950 MW as of 31 December 2012.

Offshore

In the UK, the draft bill to introduce a new contract-based support scheme was published in November 2012. Once the bill has been passed, the investment certainty for offshore projects is expected to improve significantly.

In other European countries, offshore development is progressing well. In Germany, however, grid and transmission issues are delaying progress.

In general, the offshore market undoubtedly represents a strong growth potential. That includes Asia where China aims to install 20 GW by 2020 while South Korea has set expectations for offshore installations of 2.5 GW towards 2019.

4) Delivered (transfer of risk - TOR) Vestas turbines as at 31 December 2012.

In 2012, Vestas received its second V112-3.0 MW offshore order for 216 MW inclusive of a 15-year service agreement from Belgian Northwind NV.

In order to further lower the cost of energy for Vestas' customers, power output for the V164 prototype was increased from 7 to 8 MW. The power increase will further enhance the V164-8.0 MW wind turbine's position as a game changer for offshore wind power.

Out of the total order backlog of 7,156 MW, the order backlog for Offshore amounted to 483 MW as of 31 December 2012.

Business development

In 2012, Vestas introduced a fundamentally new product roadmap. By focusing on further developing existing technology, outsourcing a larger part of the production and increasing the use of standard components, Vestas will reduce manufacturing cost as well as the cost of energy for its customers.

Likewise, Vestas revised its product platforms. Going forward, four MW platforms will form the foundation of future product development. Consequently, Vestas' global R&D facilities were consolidated, mainly in Denmark.

Finally, the service business continued its strong growth, indeed making Vestas a two-legged company based on two revenue streams.

Research and development

Historically, Vestas has developed and manufactured almost everything, from blades to bolts, in-house. However, a market characterised by slower growth and increased competition calls for a new mindset. Cost of energy and capital expenditure as well as the time-to-market for new products must be substantially reduced in order to adapt to near-term challenges.

According to the new product roadmap, Vestas will focus on continuous development of existing, proven products in stead of research in advanced, new technologies. Incremental innovation will result in products of low cost and high reliability for the benefit of customers and Vestas alike.

Other cost-saving measures initiated in 2012 were increased outsourcing and increased use of standard components. This was made possible after years of maturing, standardising and validating collaboration with Vestas' suppliers. Further outsourcing will also make Vestas able to enhance the local content of its products as this will increasingly become a prerequisite for selling wind turbines in many markets.

Vestas will also share more standard components with the industry in order to achieve economies of scale. This cost-out initiative is well-known in e.g. the automotive industry and will be fruitful for Vestas, customers and the wind power industry in general because it makes wind power even more competitive compared with fossil fuels.

While suppliers to a greater extent will be responsible for manufacturing standard components, Vestas will focus on the know-how and expertise for further development of special components and crucial technologies such as grid integration and ground-breaking new products like the V164-8.0 MW turbine.

As part of the changed set-up for R&D, Vestas decided to close down its R&D facilities in Beijing, China, Risø, Denmark and Boston, Louisville and Houston, USA. The main task for the restructured R&D organisation is to lower the cost of energy for Vestas' customers while maintaining the company's leading position within quality and reliability.

IP/IPR

The high number of patents filed in the last few years is now resulting in granted patents worldwide. For instance 65 patents were granted in the USA in 2012. The high number of new patent filings continued throughout 2012. For information on IP/IPR risks, see Risk Management.

Product platforms

In 2012, Vestas revised all of its product platforms as part of the product roadmap. One of the consequences was the discontinuation of the kW turbines V52-850 kW and V60-850 kW.

Vestas' revised product portfolio consists of a 2 MW, a 3 MW, a new 3 MW and an 8 MW platform. Based on analyses of customer needs, the market outlook of slower growth and increased competition, Vestas will base its future development on incremental innovation of these four platforms.

Product platforms

	IEC III Low wind	IEC II Medium wind	IEC I High wind
2 MW platform			
V80-2.0 MW			X
V90-1.8 / 2.0 MW	X	X	
V100-1.8 / 2.0 MW	X	X	
V80-2.0 MW GridStreamer™			X
V90-2.0 MW GridStreamer™	X	X	
3 MW platform			
V90-3.0 MW		X	X
V100-2.6 MW	X	X	
New 3 MW platform			
V112-3.0 MW	X	X	X
V112-3.0 MW offshore		X	X
V126-3.0 MW	X		
8 MW platform			
V164-8.0 MW offshore		X	X

An example of incremental innovation is the current 2 MW platform. Dating back to 1995, the platform has been constantly revised and technically updated, e.g. with larger blades and optimised drivetrain technology. This incremental approach to product development has increased quality and reliability while lowering the cost of energy and the Lost Production Factor for Vestas' customers. Expanding this approach to all product platforms will enable Vestas to cut costs and improve quality at the same time. Likewise, incremental innovation will reduce the time it takes to bring a new product to market while also lowering capital expenditure.

In 2012, the V112-3.0 MW turbine consolidated its position as one of the most popular wind turbines in the line-up. Launched for sale in August 2010, the V112-3.0 MW already reached the 3 GW order intake mark in the middle of 2012 due to strong demand from more than 30 customers around the globe. The size of orders spans from a single turbine to the largest order so far for 140 wind turbines for the recently completed Australian Macarthur project.

New products and services

Another example of incremental innovation, the V126-3.0 MW turbine, was launched in September 2012. Based on the new 3 MW platform, the V126-3.0 MW turbine has a rotor diameter of 126 metres to target low wind conditions especially in Europe, where land often is constrained. Because medium- and low-wind sites account for more than 75 per cent of the world's onshore wind resources, demand is on the rise for wind turbines with larger rotors such as the V126-3.0 MW and the V112-3.0 MW.

By increasing the swept area by 27 per cent, the V126-3.0 MW turbine enhances annual energy production by 7 to 13 per cent compared with the V112-3.0 MW turbine. The V126-3.0 MW turbine also introduces structural shell blade design. Utilising improved carbon fibre technology, the combination of the aerofoil and structural blade design has reduced the weight by 20 per cent compared to enlarging the existing V112 blade. The new blade can be built-to-print if Vestas chooses to outsource production in specific markets. The structural blade design also halves the capital investment in new production lines and improves flexibility in manufacturing while maintaining the quality and reliability expected of a Vestas wind turbine.

In November 2012, just six weeks after the V126-3.0 MW turbine was released, Finnish customer TuuliWatti Oy placed the very first order for the turbine. The first prototype of the V126-3.0 MW turbine will be installed at the Østerild test centre in Denmark during the second quarter of 2013.

Going forward, Vestas will continuously expand both the 2 MW and the 3 MW turbine platforms by adding rotors and generators of varying sizes to existing platforms. This incremental innovation makes it possible for Vestas to optimise turbine performance for specific markets and wind conditions while utilising proven technology with lengthy track records. With the capacity to perform up to 900 hours of testing a day distributed on 50 test rigs, Vestas has some of the wind turbine industry's most comprehensive testing facilities at its disposal. Thus the V112-3.0 MW and the V126-3.0 MW are the most thoroughly tested wind turbines Vestas has ever brought to market.

The 8 MW offshore wind turbine

Fully utilising the technological design of the V164 turbine, further development made it possible for Vestas to increase the power output from 7 to 8 MW. The increase emphasises the game-changing abilities of the V164-8.0 MW within offshore wind power. For the customers, it will significantly lower the cost of energy because the larger turbine reduces the balance of plant costs. For instance, for a 336 MW wind turbine project, the power increase from 7 to 8 MW corresponds to a 12.5 per cent decrease in investments in the form of fewer wind turbines, foundations and interconnections.

The development of the V164-8.0 MW turbine is progressing as planned. At Vestas' testing facilities on the Isle of Wight, UK, the first blade has been manufactured and is currently undergoing testing. The same goes for the prototype hub, while testing of the generator and gearbox is about to commence at Vestas' test centre in Aarhus, Denmark.

Vestas expects to install the first prototype of the V164-8.0 MW turbine at the Østerild test centre in Denmark in the second quarter of 2014. The testing will be conducted in collaboration with the Danish utility DONG, operator of the world's largest fleet of offshore wind turbines. The combined experiences of DONG and Vestas will mature the testing of the prototype and ultimately bring a highly validated V164-8.0 MW wind turbine to the market.

Depending on customer demand and the number of firm and unconditional orders, serial production could begin as early as 2015.

Service

The ability to plan, build, operate and service complete wind power plants for its customers is becoming increasingly important for Vestas. Customers are demanding individual solutions that provide maximum output and involve minimum risk: Vestas must deliver value before, during and after the customer has invested in a wind power plant.

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

An example of how Vestas capitalises on its monitoring and servicing capabilities was the signing of its largest ever service renewal agreement with long-standing Portuguese key account EDP Renováveis (EDPR). The global service agreement represents a total capacity of 1,897 MW, distributed over more than 1,100 turbines in the USA and Europe. Other service renewals in 2012 included two renewals amounting to 460 MW in Italy, 368 MW in Australia and 533 MW in Canada.

Going forward, as part of its service growth strategy, Vestas can offer servicing of non-Vestas turbines for key account customers requesting it. Partnering is pivotal to Vestas' operations, and with the Active Output Management (AOM) service concept Vestas has formalised customers' demand for a trustworthy partnership. The trend towards increased partnering is underlined by the fact that 95 per cent of all MW sold and announced in connection with orders received in 2012 was accompanied by a service contract. On top of that, Vestas had a 77 per cent renewal rate of service contracts.

Compared with total service revenue of EUR 396m in 2008, service revenue has climbed to EUR 886m in 2012, deriving from almost 42 GW under service. By the end of 2012, Vestas had accumulated a service backlog worth EUR 5.3bn. The expanding service business makes Vestas relatively less exposed to the fluctuations normally related to wind turbine manufacturing.

Active Output Management

AOM is Vestas' service concept, tailored to suit desired customer risk profiles. It 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. 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 of up to 97 per cent. The service contract 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 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. Using detailed weather forecasts, Vestas plans and performs service on days with no or little wind, thus optimising the customer's power production and ensuring the lowest possible Lost Production Factor. Vestas is pioneering this service concept, which relocates service and maintenance of the customer's wind power plant from time-based uptime to capturing the wind; "from hour to power".

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 into services that directly increase the profitability of 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 out and the best sites are selected.
- **SiteDesign®:** Once the site has been selected, Vestas helps its customers identify the most suitable 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 grid 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 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. In order to make power generation forecasts even more precise, Vestas began using the "Firestorm" super computer in the summer of 2011, at that time the world's third fastest commercially-owned computer.

Manufacturing footprint

Vestas implemented a new manufacturing setup in 2012, merging the four production business units under one management area. At the same time, an evaluation of the manufacturing footprint was initiated. Vestas seeks to increase its manufacturing flexibility and utilise outsourcing to a higher degree, creating a leaner and more asset-light manufacturing organisation.

An example of this approach was the divestment of the tower factory in Varde, Denmark, in June 2012 to long-standing Chinese supplier and business partner, Titan Wind Energy. Vestas continues the collaboration with Titan but saves fixed costs, frees resources and obtains greater manufacturing flexibility with the sale of the tower factory. In November 2012, Titan Wind Energy in Varde shipped its first tower to Vestas.

In 2012, Vestas closed the Hohhot factory in China and reduced the manufacturing workforces at the nacelle assembly facility in Brighton, Colorado, at the tower factory in Pueblo and at the blade factories in

Brighton and Windsor, all in the USA. In Spain, the production capacity at the blade factory in Damiel was also reduced and in October, Vestas closed the controls factory in Ólvega.

Suppliers

Vestas works closely with its suppliers to improve the professional level of the supply chain, enabling the timely supply of components of the right quality at competitive prices. Against this background, Vestas has implemented Six Sigma as the Group's key quality improvement tool for Vestas' own factories and its suppliers in all regions.

Using the Lean and Six Sigma productivity systems, Vestas ensures a uniform approach to production, including joint processes for improvement initiatives which facilitate the identification of synergies and exchange of best practice experience between factories. At the end of 2012, more than 500 employees had participated in improvement initiatives concerning Lean and Six Sigma.

As a proof of this development, warranty consumption has decreased by more than 50 per cent from 4.4 per cent of revenue in 2008 to 1.6 per cent of revenue in 2012. For Vestas, this corresponds to around EUR 200m of savings. For the customer, this means increased power output of the wind power plant.

This positive development is not least the result of Vestas' industry-leading testing facilities comprising 50 test rigs and employing more than 150 engineers committed to constantly improving quality.

The ambition is to complement in-house production with deliveries from collaboration partners. On the other hand, partnerships will deepen with increased supplier involvement in development, creating more strategic partnerships based on a high level of trust and mutual benefit. For Vestas, this approach means more flexibility, lower investments, fewer suppliers and reduction of fixed costs. It also makes Vestas more agile and capable of quickly adjusting production to demand – for instance to the lower level of activity expected for 2013.

In order for Vestas to rely more on suppliers and outsourcing, a number of initiatives were carried out in 2012. A standardised supplier assessment tool was rolled out globally, ensuring that Vestas' requirements to safety, quality and delivery are met. Meanwhile, quality improvement plans were implemented in order to drive every single manufacturing unit to continuously improve quality. Combined with an intensive follow up on conducting problem-solving techniques, this has significantly reduced the failure rate – translating into high product reliability for Vestas' customers.

Product cost out

At the end of 2011, Vestas experienced cost overruns due to too high development and production costs for the V112-3.0 MW turbine and the GridStreamer™ technology as well as commissioning problems at the generator factory in Travemünde, Germany.

Subsequently, a thorough plan was initiated to mitigate unsatisfactory earnings by simultaneously bringing down cost without compromising quality. During the course of 2012, more than 100 cost-out initiatives were identified and most of them implemented. A wide array of initiatives included e.g. replacing ten different bolts in production with only one in order to save time, inventory and tools.

Another example of cost out is the redesign of the rear frame of the V112-3.0 MW turbine in order to reduce production cost and facilitate manufacturing without compromising quality. This initiative alone saves Vestas EUR 29,000 on materials per wind turbine, while reducing assembly time by 20 hours. In addition to the significant decrease in raw material, Vestas has achieved cost reductions by qualifying

more suppliers of multiple rare earth for the permanent magnet generator technology. Together with general price reductions, this has reduced cost of rare earth by 35 per cent.

By the end of 2012, Vestas' implementation of the cost-out initiatives had led to savings of almost EUR 30m, mainly realised in the fourth quarter. In 2013, when Vestas obtains full effect of its product cost-out initiatives, cost savings are expected to increase significantly. All initiatives aimed at reducing costs are continuously monitored, however, cost out must never compromise quality.

Make-to-order

Under the make-to-order headline, Vestas aims to reduce its inventories. In 2012, the time from shipment of the wind turbines to commissioning was reduced to 15 weeks compared to up to 17 weeks in 2011 and around 30 weeks in 2010.

Part of the make-to-order concept involves more precise sales forecasts and improved project management from the receipt of an order until the wind turbines are delivered to the customer. The transition to an order-driven supply chain is to the benefit of customers and Vestas alike. Make-to-order will result in shorter lead times and enhanced flexibility while accelerating the final delivery of completed projects.

Customer performance

In 2012, the total order intake for wind turbines amounted to 3,738 MW; the average order was for 17 MW, the biggest one being the 396 MW order from Mareña Renovables in Mexico. The smallest order was for 1 MW. The wind turbine order intake was distributed among 296 customers in 2012 as compared to 224 in 2011.

Key account management

Over the past three years, Vestas has worked intensively with key account management. During this period Vestas has improved its performance towards its largest and most important customers.

In order to better address the needs of its customer base, Vestas plans to expand the account management organisation during the first half of 2013 to cover a broader range of customers.

A new customer segment targeted by Vestas is carbon conscious companies like the Swedish home furnishing giant IKEA. In the summer of 2012, IKEA ordered 90 MW of Vestas wind turbines. This is an example of how Vestas helps carbon conscious companies step up their active involvement in wind energy.

The Mareña Renovables project in Mexico, announced in March 2012, is additional evidence of Vestas' success in supporting private corporations' increased interest in deploying clean, independent energy. The 396 MW wind power plant will supply companies such as convenience store chain OXXO as well as Mexican Coca-Cola bottler FEMSA and the Mexican subsidiary of Heineken with electricity for their operations.

Sustainable behaviour not only reduces companies' carbon footprints and secures their energy supplies, it also sends a powerful message to consumers increasingly concerned about the environment and the consequences of burning fossil fuels. Vestas considers carbon conscious companies to be strategic partners in the continued deployment of renewable energy.

Customer loyalty

All over the world, the performance of Vestas wind turbines is constantly improving, and the cost per MWh produced is becoming increasingly competitive. Through a greater focus on customer needs and intensified engagement, Vestas aims at becoming a more flexible and knowledgeable business partner.

As in previous years, Vestas has conducted a loyalty survey among its customers. A total of 1,042 persons from 495 customers in 43 countries participated in the survey, which was conducted from 7 to 25 January 2013, against 1,002 persons from 353 customers in 43 countries in 2012.

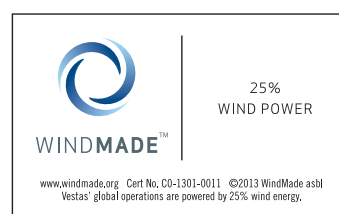
Effective from 2011, Vestas extended its customer satisfaction survey by adopting a more detailed methodology. The Customer Relationship Strength Indicator (CRSI) measures four parameters:

- Customer loyalty score
- Net promoter score
- Preferred partner score
- Reputation score

Vestas achieved a CRSI score of 73 for 2012, compared to 77 in 2011. The target for 2012 was an index of 81, which would match the level of some of the best brands in the world.

WindMade™

In addition to building close relationships with its direct customers, Vestas wants to engage with its indirect customers, the consumers. Consequently, Vestas was a co-initiator of the WindMade™ eco label, which allows consumers to choose products manufactured using wind power. The participating companies – including Bloomberg, Deutsche Bank and Motorola Mobility – have signed a declaration of intent to the effect that wind power is to cover at least one-fourth of their power consumption.



Vestas itself achieved the 25 per cent WindMade™ certificate for its global operations in January 2013. By actively sourcing renewable energy, Vestas wants to show the world that large production companies can reduce their environmental footprint and pave the way for a CO₂ free economy.

With the WindMade™ initiative, Vestas intends to engage consumers as well as companies in addressing the consequences of climate change by investing directly in wind power.

Social and environmental performance

Vestas' standards and goals in respect of sustainability build on recognised conventions established by international organisations such as the UN, ILO and OECD. In 2009, Vestas joined the UN Global Compact initiative and supports the Compact's ten generally recognised principles in respect of human rights, labour rights, the environment and anti-corruption. In 2011, Vestas became one of 56 elite companies in the Global Compact LEAD undertaking to take the lead in respect of sustainability.

Based on the ongoing dialogue with customers, shareholders, employees, government entities, NGOs and suppliers, Vestas maps out the topics and the indicators that reflect the organisation's principal economic, environmental and social impacts. These efforts are a prerequisite for Vestas to accommodate stakeholder requests for increased sustainability in the ways in which the company acts and communicates.

This is reflected in Vestas' social and environmental priorities:

1. The lowest possible incidence of industrial injuries, the ultimate goal being to avoid accidents altogether.
2. During its lifetime, the wind turbine must be as CO₂ efficient as possible.
3. As much of the wind turbine as possible must be recyclable after decommissioning.

Social performance

Social responsibility refers to Vestas' obligations to manage its social impacts where it operates, as well as its relationships with employees, suppliers, communities and customers. Vestas' commitment to do business in accordance with the ten principles of the UN Global Compact is becoming increasingly important as Vestas enters into developing markets.

Employees

During the course of 2012, Vestas carried out a comprehensive, global restructuring of the organisation including several rounds of lay-offs. In total, the number of employees was reduced by 4,943, bringing the total number of employees by year-end 2012 to 17,778 which was as expected. The lay-offs were distributed on 3,122 salaried employees and 1,821 hourly paid employees.

The lay-offs were necessary in order to prepare for the expected slowdown in activity in 2013. To carry out a 22 per cent reduction of the total workforce without noticeable complications in a 2012 characterised by record-high activity was an accomplishment. Even more impressively, it was yet another display of the unwavering willpower exercised by Vestas' employees through a tough 2012.

Vestas employees at 31 December 2012

Number

	Europe and Africa	Americas	Asia Pacific	Total
Manufacturing & Global Sourcing	4,318	1,114	2,096	7,528
Sales	3,910	1,228	1,049	6,187
Technology & Service Solutions	1,548	199	395	2,142
Others	1,298	174	449	1,921
Total	11,074	2,715	3,989	17,778

Vestas expects to employ no more than 16,000 by the end of 2013 which is a reduction of approx 30 per cent compared to the end of 2011. The reductions in the number of employees account for a significant amount of Vestas' expected total cost savings of more than EUR 400m during 2012 and 2013.

Vestas takes measures to carry out the restructuring as responsibly as possible. In Denmark, for instance, where 29 per cent of lay-offs took place in 2012, laid-off employees were offered outplacement services, including individual competency assessments as well as job seeking support.

While the overall number of employees has been reduced, Vestas stepped up its fast growing service business throughout the year. In fact, Vestas increased its number of employees within service by around 450 in 2012.

Diversity

At the end of 2012, Vestas' employees represented 84 nationalities. The share of women in leadership positions decreased by 1 percentage point compared to 2011 following the trend of the overall share of women. Non-Danish nationals held 56 per cent of the positions in the top management layers. This was an increase of 14 percentage points over the course of the last five years. The development clearly mirrors the continued globalisation of the company and is in line with Vestas' goal of increasing the number of nationalities at all locations without jeopardising the local roots.

With members from Spain, France, Denmark and Norway, Vestas' management is itself an example of increased diversity. Likewise in 2012, the Board attained a more international profile with the election of a chairman and deputy chairman from Sweden as well as a new member from Finland.

Safety

Through greater focus, intensive training and the dedicated effort of its employees, Vestas has managed to reduce the number of injuries year after year. Continuing its decline, the incidence of industrial injuries was 2.8 per one million working hours in 2012, which was below the 3.0 target and a great improvement on 2008, when the incidence rate was 15.6.

Yet another step change is needed in order to meet the short-term target of no more than 2.0 incidents of industrial injuries per one million working hours for 2013 as well as the longer term target of no more than 0.5 in 2015. Among the main drivers for reaching the next level of safety is further implementation of a safety programme on electricity initiated in 2012 as well as the continued implementation of a behavioural change programme successfully piloted at sites in the USA, Italy and Germany. Finally, best practices will be consolidated and aligned in 2013 in order to further improve safety.

Vestas has maintained an occupational health and safety management system certification from 2000. At the end of 2012, 100 per cent of Vestas was certified to the OHSAS 18001 standard.

Regrettably, two subcontractors' employees lost their lives in work related accidents in 2012. The first fatal accident occurred in May in Mexico when an employee suffered fatal injuries while cutting down a tree. The second took place in December when an employee operating a crane on a site in Germany suffered fatal injuries when a blade dropped onto the crane cabin during installation of a Vestas wind turbine.

Social responsibility

Vestas has global policies concerning human rights and freedom of association, which summarise Vestas' obligations and cover all of the company's units. Likewise, Vestas expects all of its business partners to respect human rights.

Based on the 2011 global labour standards assessment, Vestas developed a labour standard toolbox in 2012. The toolbox includes guidelines for implementation of the Vestas freedom of association policy, guidelines on child labour, a checklist on forced and compulsory labour and checklists for forced labour and child labour in vendor management.

Vestas also developed a social and environmental due diligence process for engineering, procurement and construction contracts in emerging markets, which was piloted in a number of turnkey contracts in 2012. The process integrates social and environmental risk assessment into the sales process in order to avoid and mitigate risks and potential negative impacts during project execution. Vestas will further roll out the process in 2013.

Environmental performance

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

Carbon footprint

Vestas has defined a target for 2015 that a Vestas wind turbine, throughout its lifetime – production, installation and dismantling – must be at least 15 per cent more CO₂ efficient than in 2010. Vestas currently contributes about 5 per cent of the total CO₂ emissions for a V112-3.0 MW turbine. 5-10 per cent is emitted during transport in connection with construction, dismantling and recycling of the wind turbine, whilst the remaining volume (80-90 per cent) of CO₂ derives from suppliers of materials and component production. Thus, Vestas only accounts for a limited share of the wind turbine's environmental impact.

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

Life cycle assessment

Wind energy outcompetes traditional energy sources when it comes to the carbon footprint, energy pay-back and use of water. Over a lifetime, a wind turbine only emits 5-10 grams of CO₂ per kWh produced.

These facts have been systematically documented for more than a decade through Vestas' life cycle assessments. The life cycle assessment identifies and evaluates the environmental performance of wind power throughout the lifetime of a wind power plant; from the extraction of raw materials and manufacturing to transport, installation, operation and dismantling of the wind power plant. 99 per cent of MW sold by Vestas in 2012 were covered by a publicly available, full ISO 14040/44 life cycle assessment.

The relationship between consumption of materials for manufacturing a wind turbine and the energy subsequently generated by the wind turbine is pivotal for the environmental impact. Vestas' large-scale investments in research and development must lead to more "MWh per kilogram of wind turbine" in order to reduce Vestas' impact on the environment.

A V112-3.0 MW turbine is energy neutral after approx eight months of operation. This means that after eight months, the wind turbine has generated as much energy as the suppliers and Vestas spend on manufacturing, transporting, installing and dismantling the wind turbine after 20 years. In other words, the V112-3.0 MW turbine returns 30 times more energy back to society than it consumes. After this period and during its remaining lifetime, a V112-3.0 MW turbine saves the environment for the emission of 200,000 tonnes of CO₂ compared with average, coal-fired electricity production. Furthermore, emissions of NO_x, SO_x and other harmful substances are reduced.

One particular effort which has reduced the environmental impact from the wind turbines is the recycling of the SF₆ gas, used for safeguarding against fire and electrical discharges in the wind turbine's high-voltage system. If the SF₆ gas is emitted into the atmosphere, it would correspond to 10 per cent of the carbon footprint. With a unique return system in place, Vestas has ensured that SF₆ is recycled or disposed of in a prudent manner.

Transportation

In 2012, Vestas tested blade transports by rail in Europe. Transporting up to nine 55 metre-blades at a time by train reduces time and CO₂ emissions as well as frees up space on congested European roads.

An example of potential benefit is transport of blades from Vestas' blade factory in Lauchhammer, Germany, to the port of Esbjerg, Denmark. Where it normally takes nine lorries and up to 18 pilot cars 36 hours to travel this distance, one single 700 metre-train can do the same job in 20 hours. The result is a decrease in CO₂ emissions of up to 65 per cent. The experience gained from the tests will be used for evaluating future transportation possibilities with the aim of further reducing CO₂ and road congestions.

Environmental impact

Energy consumption

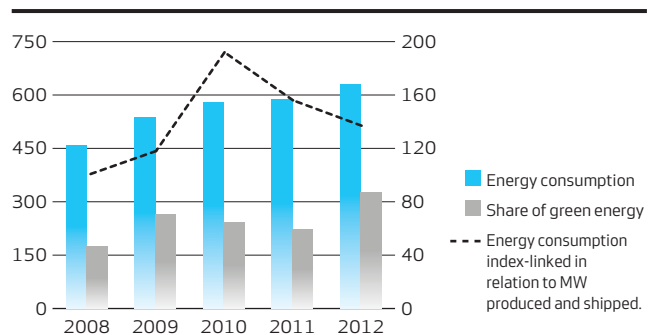
In 2012, Vestas' total energy consumption rose by 8 per cent. When index-linked to produced and shipped MW, Vestas' energy consumption decreased as the utilisation of the production facilities rose – Vestas expects the index to decrease further as capacity is adjusted.

A high capacity utilisation increases energy efficiency. The key driver behind the increase in energy consumption is the increased production at Vestas' blades factories, which have increased the production of blades measured in tonnes by 42 per cent from 2011 to 2012. The production of blades is one of the most energy-intensive processes in Vestas measured as MWh consumed per tonnes of raw material used.

Vestas' factories accounted for 74 per cent of Vestas' total energy consumption in 2012 and their energy consumption increased by 10 per cent from 2011 to 2012.

Energy consumption and share of green energy

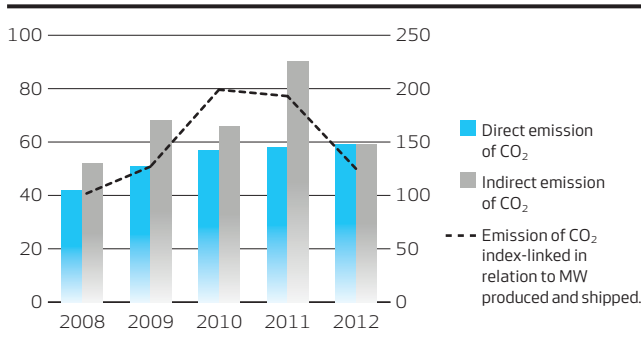
1,000 MWh · Index



In order to make Vestas' buildings as energy-efficient as possible, Vestas assesses its buildings using the LEED standard, which is the highest standard within sustainable construction. LEED specifies requirements for factors such as insulation, light, sound, energy types, rain water capture and water recycling.

Overall, Vestas increased its direct CO₂ emissions by 2 per cent in 2012, whilst the indirect CO₂ emissions decreased by 35 per cent. Comparing Vestas' total CO₂ emissions with the total number of MW produced and shipped, Vestas has reduced its CO₂ emissions by 35 per cent in relation to 2011.

Direct and indirect emission of CO₂ 1,000 tonnes · Index



Renewable energy in production

Vestas has defined a goal that all electricity must come from renewable energy sources, subject to availability. However, the goal was not reached in 2012 as it was not possible to buy renewable electricity in sufficient volumes primarily in China and in parts of the USA. At the same time, wind power plants owned by Vestas could not fully compensate for the consumption of non-renewable electricity.

In 2012, Vestas' share of renewable electricity increased to 89 per cent – up from 68 per cent in 2011. In addition hereto, Vestas achieved the 25 per cent WindMade™ certificate for its global operations in January 2013. By actively sourcing renewable electricity, Vestas has saved 110,000 tonnes of CO₂ emissions.

Resource consumption

In 2012, consumption of metals fell by 9 per cent compared with 2011, mainly due to lower production volumes at the tower factories in Varde, Denmark and Pueblo, Colorado, USA.

Vestas uses water in its production process, especially cooling water at the foundries. In 2012, water consumption increased by 3 per cent from 562,000 m³ in 2011 to 581,000 m³, mainly due to increased blades production.

Indexed compared to MW produced and shipped, water consumption decreased by 15 per cent compared to 2011.

Waste disposal

Reducing the volume of waste while increasing the share of waste sent to recycling, are key indicators of the efficiency of Vestas' sustainability efforts.

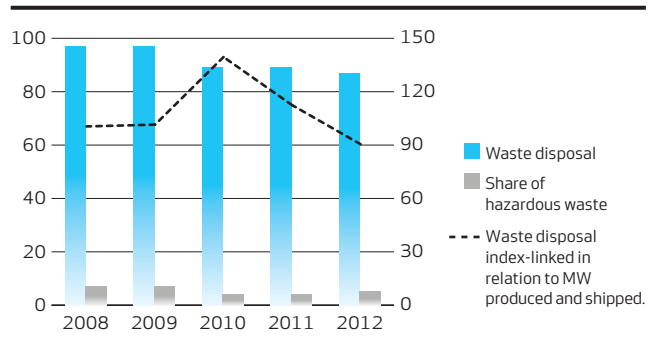
In 2012, the total volume of waste was 87,000 tonnes, against 89,000 tonnes in 2011. The decrease is mainly due to less scrap waste due to improved production process from the machining factory in Lem, Denmark, and less production at the tower factory in Pueblo, Colorado, USA. The decrease is also the main driver behind the decrease in recycled waste.

In 2012, 51 per cent of the total volume of waste was recycled, against 54 per cent the year before. The decrease in the percentage of waste for recycling was primarily due to the landfill disposal of a proportion of the casting sand at Vestas' foundry in Guldsmedshyttan, Sweden.

Measured in tonnes, approx 40 per cent of Vestas' waste is sand from the casting processes. The casting sand is recycled within each casting factory before finally disposed of. The initiative reduces raw materials consumption, the total waste volume as well as transportation costs.

In 2012, the volume of waste was reduced by 2 per cent compared to 2011. However, indexed in comparison with MW produced and shipped in 2012, Vestas reduced its volume of waste by 20 per cent compared to 2011.

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



Environmental management system

Vestas has systematically worked with environmental standards since 2000, when Vestas received its first ISO 14001 certification. At the end of 2012, 100 per cent of Vestas was certified to the ISO 14001 standard. Vestas did not experience any environmental accidents in 2012.

Risk Management

Vestas continuously assumes risks as an integral part of its business activities. The Group's risk profile reflects several types of risk, the most important being strategic, operational, legal & compliance and financial risks.

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 Group's risk management is based on guidelines, policies and instructions laid down by the Board of Directors. Based on the Board of Directors' general instructions, the Group has prepared specific instructions on Enterprise Risk Management (ERM) for Vestas' individual functions and units.

The Group regularly monitors and assesses its current risk profile in the most important business areas and for the most critical types of risks. Due to significant changes in Vestas' operating environment and organisation during 2012, the Group's risk management framework has been further developed. Most notably, a more formalised process towards ERM was established in 2012.

Enterprise Risk Management at Vestas is a continuous process for identifying, assessing, managing and monitoring risks across the Group. All parts of the organisation are involved in the ERM process. This ensures a comprehensive risk identification and assessment and provides reassurance that all relevant risks are covered.

For consistency and to facilitate aggregation and prioritisation, all risk reporting and assessment is based on the Vestas Group's Risk Criteria which defines the likelihood and potential impact of each identified risk.

Key risks are reported to the central risk management function on a quarterly basis for further analysis and consolidation. Key risks inclusive of action plans to reduce risk levels are then further discussed,

challenged and prioritised in the Group Risk Management Committee (GRMC). GRMC initiates new mitigation actions when needed, while the Executive Management makes final review of the quarterly Group Risk Reports. Bi-annually, the Board of Directors receives the Group Risk Reports.

Risk organisation (governance)

The Board of Directors is ultimately responsible for risk management at Vestas and for establishing Vestas' risk exposure and risk taking. The Board reviews the bi-annual Group Risk Reports from the Executive Management and challenges key risks and current control effectiveness within the overall Group risk appetite. The Audit Committee independently reviews the adequacy and effectiveness of risk management systems and internal controls across Vestas. The Executive Management is responsible for ensuring that each of the Group's units and functions implements the Vestas Risk Management Framework and for providing challenge on risk issues, their mitigation, and the overall risk appetite of the Group.

On an ongoing basis the Group works proactively with its key risks and action plans to reduce risk levels. Some of the more important risks are described in the following section.

Strategic risks

Legislative risks

The continued economic downturn as well as an increased emphasis on cost of energy continues to put focus on reducing or even abandoning support schemes for wind energy across the globe. Though there are grounds for cautious optimism, the industry must expect a low level of support short- and mid-term. The tendency towards decreasing regulatory financial frameworks for wind power thus continues to add pressure on the industry. In 2012, Europe in particular, has seen a succession of negative developments.

The presence of local public affairs specialists throughout Vestas has, however, helped improve the political frameworks and conditions as well as increased the understanding of wind power in a number of markets. The lobbyists advise the authorities in connection with drawing up the legislation required to further proliferate wind power. This helps to secure a stable financial and legislative framework that is the prerequisite for giving investors the trust necessary to safeguard the long-term development of the wind turbine industry.

Operational risks

Order intake

As usual, Vestas is budgeting with some order intake for production, shipment, delivery and revenue recognition in the relevant financial year. Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped and installed the turbines. Deviations from budgeted order intake thus may impact the year's revenue, earnings and cash flow. In 2013, this risk is mitigated by the relatively large order backlog compared to the expected revenue.

Product and production costs risks

Introduction of new product platforms can lead to cost overruns as seen at the end of 2011 with the introduction of the V112-3.0 MW turbine and the GridStreamer™ technology.

Vestas has no plans to introduce new platforms in 2013.

Supply chain risks

Supply chain risk is the risk of Vestas being unable to deliver products to market on-time and on-budget. Vestas currently has one of the most global and insourced supply chains in the industry and enters

into partnerships with new suppliers in new as well as mature markets on an ongoing basis. Managing a global supply chain naturally has inherent risks. If critical equipment breaks down for a longer period or if a key supplier fails to deliver as promised, this could delay final delivery to Vestas' customers, consequently deferring revenues and cash flow.

Internal production risks are mitigated through preventive maintenance, by implementing recommendations from insurance companies, by building business continuity plans and by transferring risks through insurance. To mitigate supplier risks, Vestas aims to always have at least two suppliers for all components; in the majority of cases, today this goal is accomplished. Furthermore, the slowdown in market growth has generally triggered supply chain capacity abundance and represents a financial challenge to a number of suppliers. Vestas therefore follows up on key suppliers' financial health on an ongoing basis.

Vestas screens all key suppliers to assess whether they meet the requirements for sustainability, human rights and labour rights. In 2012, 98 suppliers in 27 countries were assessed, and 71 were approved.

Product quality

Quality and reliability are key competitive parameters for Vestas. Vestas currently has almost 42 GW under service agreements. The majority of the wind turbines being serviced by Vestas have performance guarantees in the service contracts. Major quality problems on the installed fleet could therefore potentially have severe consequences for the company.

In 2012, Vestas developed five quality priorities that address:

1. a single standardised approach to quality,
2. a world-class problem resolution,
3. more reliance on quality assurance and less on quality control,
4. reduced cost of poor quality, and
5. an aligned Vestas quality organisation, simplified for the purpose of safeguarding Vestas' high quality and reliability ranking.

Throughout the value chain, focus areas continuously will be addressed using targets, performance indicators and actions plans for product development, supplier quality levels, production processes and connected quality cycles that capture quality problems through field results.

In 2012, Vestas also stepped up its ongoing improvement activities through closer cooperation between sites and all Vestas units, resulting in an improved quality culture, lower warranty costs and an all-time low Lost Production Factor. These activities will continue in 2013.

Legal & compliance risks

Intellectual Property (IP) risks

The IP/IPR strategy adopted by the company is based on two main principles; freedom to operate and protection of the company's IP/IPR assets. Various instructions, policies and standards have been introduced with the aim of complying with the IP/IPR strategy throughout the Vestas Value Chain. Freedom to operate in relation to third parties is handled in various ways including thorough IP reviews during the development of new products.

An important IP asset of the company is know-how, hence, the risk of unwanted disclosure of confidential information of both a business and a technical nature is mitigated through standards for handling and disclosure of such information. Protection of the company's IPR assets is also performed using standard procedures for identification and application for trademarks, design rights, patents and domain names.

Sustainability risks

Vestas' obligations to manage its social impacts where it operates, as well as its relationships with third parties are becoming increasingly important as Vestas moves into developing markets. Socially and politically unacceptable behaviour could cause comprehensive damage to Vestas' reputation and, by extension, to its growth and earnings.

Effective stakeholder engagement to ensure licence to operate and obtain community acceptance is especially needed in projects where local communities experience high levels of social, cultural and economic marginalisation. The importance is acknowledged by the International Finance Corporation standards, which many project funding providers are adhering to.

Vestas continuously identifies and mitigates security threats to its employees, assets, operations and reputation. This task is becoming increasingly important as still more of Vestas' sales activities are directed towards countries where the local infrastructure and stability may be inadequate. Consequently, the security department works closely with Vestas' sales units to help enter new markets.

Vestas is part of the construction and energy industries, which are more exposed to corruption than many other industries due to significant government interaction and big and complex contracts. Tougher anti-corruption laws have been introduced around the world. The potential damages of being involved in corrupt practices are significant and include penalties, cost of forensic accounting, collateral consequences, reputational damage and criminal prosecutions.

Regarding anti-corruption initiatives, see Corporate Governance, Code of Conduct.

Product responsibility and compliance

With its global presence, Vestas' products have to comply with a large number of different national regulatory requirements and product standards. In product development it is vital to identify business risks early in the development process in order to ensure that the project will not have a negative impact on Vestas' business strategy as well as on the customers' business. Risk management is a continuous process throughout the entire project, and a risk overview is reviewed at each project gate.

For all relevant markets the risk analysis must include health, safety and environmental aspects, product and commercial issues, process risk analyses as well as an investigation into the IPR issues.

Financial risks

Currency

The business activities of Vestas involve exchange rate risks linked to the purchase and sale of goods and services outside the euro zone. Vestas pursues a policy of reducing the exchange rate risks by balancing the different currencies to the largest possible extent. The net exposure in each individual currency will then be hedged. Exchange rate risks are primarily hedged through foreign exchange forward contracts.

Exchange rate adjustments of investments in subsidiaries and associated companies abroad are taken directly to equity. Vestas believes that continuous exchange rate hedging of such long-term investments is not a favourable solution with regards to balancing total risk against total cost.

The combination of having production facilities in Europe, China and the USA as well as worldwide sales makes Vestas less sensitive to fluctuations in currencies.

Interest rate and liquidity risks

Vestas' treasury function is in charge of ensuring that substantial capital resources are in place at all times. This is ensured through a combination of liquidity management, non-committed and committed credit facilities and other debt instruments. Vestas manages its liquidity risk through cash pool systems in various currencies and by using short-term overdraft facilities in a number of financial institutions.

For further details, see Revised banking facilities, page 22.

Vestas' primary interest rate risk consists of interest rate fluctuations, which may influence the Group's debt and lease obligations. Managing the interest risks involves the monitoring of duration and maximum interest rate risk on Vestas' net debts. Hedging instruments are used to manage interest rate risks.

Tax risks

Vestas pursues an active, but not an aggressive tax policy. Based on its broad, international production and sales platforms, Vestas maintains a well-documented transfer pricing system that gives a true and fair view, ref. international rules based on the OECD guidelines and local legislation. However, transfer pricing may always be challenged due to the interpretation of international guidelines adopted by local authorities.

Credit risks

Vestas is exposed to credit and counterparty risks in its daily business and undertakes a thorough assessment of its clients and counterparties to avoid assuming unsecured payment risks. Where a counterparty does not meet Vestas' credit standards, payment security is obtained whenever possible. The payment securities acceptable to Vestas must generally be issued by a bank or surety with a senior unsecured credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Vestas delivers its products and services to most parts of the world and is therefore exposed to the country risk and political risk common in developing countries.

The use of financial instruments by Vestas to hedge its market risks related to currencies, interest rates, and commodity prices has the added risk that the counterparty to these transactions may not be able to meet its obligations at maturity. Vestas generally minimises this risk in two ways:

Firstly, by engaging in such financial transactions only with counterparties that have a credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Secondly, by diversifying the financial instruments across acceptable counterparties to minimise the Group's exposure.

Finally, Vestas limits the notional exposure that the Group may have with a single bank. This applies especially to cash accounts.

Commodity risks

Vestas manages the overall risk related to changes in prices for commodities. The commodity risks are addressed 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 methods.

Overall, Vestas continuously strives to reduce commodity risk in the design and manufacture of the wind turbine itself. This means taking raw material into consideration in the efforts to reduce cost while maintaining the operational effectiveness of the products.

Financial reporting risks

Based on Vestas' risk management policy, the Global Finance function prepares a description of the key risks relating to financial reporting and measures taken to control such risks. Global Finance works actively with anchoring risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks.

As part of the risk assessment, Vestas' Board of Directors and Executive Management annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risks, including assessing any possibility of the general management overriding controls and affecting the financial reporting.

Control activities

Global Finance is responsible for the implementation and monitoring of Vestas' global financial processes. This helps to ensure a uniform design and structure of the Group's internal controls. The objective of the Group's control activities is to ensure compliance with the targets, policies, manuals, procedures, etc. defined by the Executive Management.

Furthermore, the activities must help ensure that any errors, deviations and shortcomings are prevented, discovered and rectified.

Vestas continuously adjusts and implements global financial processes and controls for all units and functions aimed at further mitigating the risk of incorrect reporting.

Information and communication

Vestas' internal rules, adopted by the Board of Directors, lay down, among other things, overall requirements on financial reporting and external financial reporting in accordance with current legislation and applicable regulations.

The information systems are designed to identify, collect and communicate relevant information, reports, etc. on an ongoing basis and on all levels to facilitate an effective, reliable workflow and the performance of controls. This is done with due consideration to the confidentiality required in a listed company.

Events after the balance sheet date

Orders

In 2013, Vestas has announced two orders for Uruguay and Chile, respectively, with a total capacity of 132 MW.

Furthermore, Vestas has received a service order for 200 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 and in relation to company announcements, the order value must exceed EUR 66m.

Major shareholder announcement

In January, Vestas received information from BlackRock Inc., USA, that they had reduced their holding of Vestas shares from 10,259,405 shares (5.04 per cent) to 10,013,772 shares (4.92 per cent), ref. company announcement No. 5/2013.

Tower production for third party in the USA

As part of Vestas' plan to create a more flexible and scalable business and to use the existing production capacity more effectively, Vestas has signed an agreement to supply towers for a number of non-Vestas wind power projects in the USA over the next two years, ref. company announcement No. 4/2013.

Request for scrutiny

A shareholder has requested that the company's Annual General Meeting, taking place on 21 March 2013, decides that a number of issues come under scrutiny and that an independent auditor to carry out the scrutiny will be appointed at the Annual General Meeting. Further details, see company announcement No. 3/2013.

Final credit approval of credit facilities

In January, Vestas confirmed that the final credit approval and documentation of the agreement on the credit facilities entered into in November 2012 was obtained, ref. company announcement No. 2/2013.

Outlook 2013

Shipments are expected to decline to 4-5 GW compared to the previous guidance of around 5 GW. The change is due to a weaker order intake than expected.

Revenue is expected to be at least EUR 5.5bn, including service revenue, which is expected to rise to approx EUR 1bn. Vestas expects to achieve an EBIT margin before special items of at least 1 per cent with the EBIT margin for service amounting to approx 1.7 per cent before allocation of Group costs.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped and installed the turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections and similar matters may thus cause delays that could affect Vestas' financial results for 2013.

The free cash flow is expected to be positive in 2013.

The development of the V164-8.0 MW turbine is continuing according to Vestas' plans, with installation of the first prototype still expected to take place in the second quarter of 2014. As previously announced, Vestas has received inquiries from potential partners on the V164-8.0 MW turbine. Vestas will also continue to upgrade the new 3 MW platform and the 2 MW platform.

There are no plans to invest in new production facilities, and thus investments in property, plant and equipment are expected to be around EUR 150m.

Vestas expects to further reduce the number of employees during 2013 and the year-end number of employees is expected to be no more than 16,000.



Accounting policies for social and environmental highlights

Vestas bases its materiality assessment on analysis of significant economic, environmental and social impacts of the company activities. The analysis is based on internal priorities as well as experiences from dialogues with and direct involvement of customers, investors, policy makers, employees and media. The result of the analysis is incorporated in Vestas' annual report with additional information at vestas.com. Vestas has previously selected a number of social and environmental key figures that are relevant to understanding 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.

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' operational control. Companies are excluded from the reporting from the time when the company leaves Vestas' operational control. 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 relation to scope, boundary, or measurement methods applied in the report. In 2012, Vestas elaborated the definition of significant environmental accidents. As Vestas is fully covered by an umbrella certificate for its worldwide activities, the accounting policy has been changed for its certified management system.

Safety and health

Occupational health & safety is measured for all activities under the organisational structure. Industrial injuries of all employees are stated on the basis of registration of incidents that have caused at least one work day of absence after the day of the injury.

From 2009, injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of injuries with at least one work day of absence after the day of the injury per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

Absence due to illness is defined as hours absent due to illness, exclusive of absence caused by industrial injuries, maternity leave and child's first day of illness. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards (hourly-paid employees) and absence records (salaried employees), respectively.

Management systems

Vestas is fully covered by an umbrella certificate for the management system standards OHSAS 18001, ISO 14001 and ISO 9001.

Consumption of resources

Metals and other raw materials are stated on the basis of consumption from inventories to manufacturing in the first phase of production and to servicing of wind turbines, respectively, as recorded in the company's ordinary registration systems. Metals include only the amount of metal that is processed at Vestas.

Consumables are stated on the basis of decentralised lists of quantities delivered per site in the financial year. Relevance has mainly been determined on the basis of Vestas' sector assessment of material environmental impacts, followed by a selection in relation to quantities consumed compared with the activities carried out at the sites.

Electricity, gas and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind turbines. Oil for heating is stated on the basis of external purchases adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water and geothermal heat. Nuclear power is not considered to be renewable energy. Consumption of electricity from non-renewable sources purchased as a result of not being able to purchase renewable electricity at some locations, is in the Group statement balanced with renewable electricity produced by wind power plants owned by Vestas and sold to the local grid. The consumption of water is stated as measured consumption of fresh water. Cooling water from streams, rivers, lakes, etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

Waste and emissions

Waste is stated on the basis of weight slips received from the waste recipients for deliveries effected 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.

Direct emission of CO₂ is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the Danish Energy Authority. Indirect emission of CO₂ is calculated on the basis of direct consumption of electricity and district heating, with the usage of national grid emissions factors published by International Energy Agency (IEA). Indirect CO₂ emissions from electricity consumption based on non-renewable sources is balanced out by CO₂ emission savings caused by production and sale to the grid from Vestas owned wind turbines.

MW produced and shipped

Produced and shipped MW is stated as the accumulated effect of wind turbines that were produced and shipped to the customers in the accounting period.

CO₂ savings from the produced and shipped MW

CO₂ savings 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 IEA of average CO₂ emission for electricity in the world, at present 502 grams of CO₂ per kWh.

Breaches of internal control conditions

Breaches of internal inspection conditions are stated as the conditions for which measurements are required, and where measurements show breaches of stated conditions.

Environmental accidents

Accidental release of substance and chemicals that Vestas considers to have a significant impact on the environment.

Employees and diversity

The number of employees is calculated as the number of employees who have a direct contract with Vestas and permanent staff employed through third parties. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of nationality, gender and IPE level (Mercers International Position Evaluation).

The independent auditor's statement concerning social and environmental highlights for 2012

To the Stakeholders of Vestas Wind Systems A/S

We have reviewed the consolidated social and environmental key figures and indicators in the annual report of Vestas Wind Systems A/S (Vestas) for the financial year 2012, stated on page 9 in the annual report for 2012.

Criteria for the preparation of reporting on social and environmental highlights

Page 36 of the annual report for 2012 includes the Management's responsibility for choice of the social and environmental key figures and indicators relevant for integration in the annual report page 9. The social and environmental key figures and indicators have been included in the annual report for 2012 according to the accounting policies for social and environmental highlights for the Group applied and described on page 36.

Management's responsibility

The Management is responsible for preparing the consolidated social and environmental key figures and indicators, including for establishing data collection and registration, internal control systems with a view to ensuring reliable reporting, specifying acceptable reporting criteria and choosing data to be collected for intended users of the report.

Assurance provider's responsibility

Our responsibility is, on the basis of our work, to express an opinion on the reliability of the consolidated social and environmental key figures and indicators in the annual report.

Scope, standards and criteria used

We have planned and performed our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000,

"Assurance Engagements other than Audits or Reviews of Historical Financial Information", to obtain limited assurance that the consolidated social and environmental key figures and indicators in the annual report are free of material misstatements and that the information has been presented in accordance with the social and environmental accounting policies here for. The assurance obtained is limited, as our work compared to that of an engagement with reasonable assurance has been limited to, principally, inquiries, interviews and analytical procedures related to registration systems, data and underlying documentation.

Methodology, approach, limitation and scope of work

Based on an assessment of materiality and risk, our work included:

1. Inquiries regarding procedures and methods to ensure that social and environmental key figures and indicators include data from the Group's operations, and that these data have been incorporated in compliance with the social and environmental accounting policies;
2. Assessment of the existing systems for data collection and registration, and procedures to ensure reliable reporting;
3. Analytical review of site data to be consolidated in the 2012 annual report;
4. On site review of documentation at reporting entities in China, Denmark, Germany and Sweden and requests of selected documentation at Group level.

Opinion

Based on our review, nothing has come to our attention which causes us not to believe that the consolidated social and environmental key figures and indicators presented in the annual report of Vestas for 2012 (on page 9) are free of material misstatements and has been stated in accordance with the social and environmental accounting policies here for.

Copenhagen, 6 February 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised
Public Accountant

Birgitte Mogensen
State Authorised
Public Accountant



NET
...XT.COM

VE-01

Corporate Governance

- 040** Organisational structure
 - 042** Management structure
 - 046** Remuneration
 - 049** Code of Conduct
 - 049** Statutory report on corporate governance
 - 050** Competencies and fiduciary positions of the members of the Board of Directors
 - 055** Competencies and fiduciary positions of the members of the Executive Management
-

Corporate governance

To Vestas' Board of Directors, corporate governance is not just a set of rules but a constant process. Consequently, the Board of Directors continuously addresses the guidelines and processes for the overall management of the Vestas Group. This ensures that the management at any time is able to solve its managerial tasks professionally and with due consideration to current legislation, practices and recommendations.

The evaluation of the guidelines and processes includes a review of the company's business model, business processes, goals, organisation, capital position, stakeholder relations and risks as well as exercise of the necessary control. The Board of Directors finds that clear guidelines on how to manage and communicate at Vestas help to provide a true and fair view of the Group.

During 2012, the Board focused on the establishment of the new organisation and management of the Group to support the new operation business model in the right way. This focus has been essential to ensure that Vestas in the future can act in a rapidly changing and challenging market, while at the same time creating sustainable returns.

Organisational structure

At least once a year, the Board of Directors assesses whether the Group's organisational structure and staffing in key areas are appropriate with consideration to Vestas' goals and challenges.

In 2005, Vestas intensified the internationalisation of its organisation and production. The objective was to be able to manufacture regionally at local costs, to reduce transport costs both financially and in terms of environmental footprint, to improve relations with politicians and not least local, regional and global customers and in that way shorten lead times.

Following a thorough review of the organisational structure in 2011, the Board of Directors decided to adjust the organisation of the Group in accordance with Vestas' new operating business model. The pur-

pose was to maintain Vestas' competitive wind turbine technology, global footprint and customer proximity while reducing costs through a scalable and more flexible organisation.

The transition towards a more scalable and flexible organisation has led to a reduction in the number of employees of 22 per cent – including a reduction of more than 50 per cent of the former top 30. This has resulted in a reduction of the fixed costs of more than EUR 1.90m in 2012.

As a natural consequence of the reorganisation and to ensure that the new organisational structure has the necessary impact, the Board of Directors established four executive management areas, reflecting Vestas' new operating business model: Finance, Sales, Manufacturing & Global Sourcing and Technology & Service Solutions. In addition, the Board of Directors reorganised the staff functions reporting to the Group President & CEO.

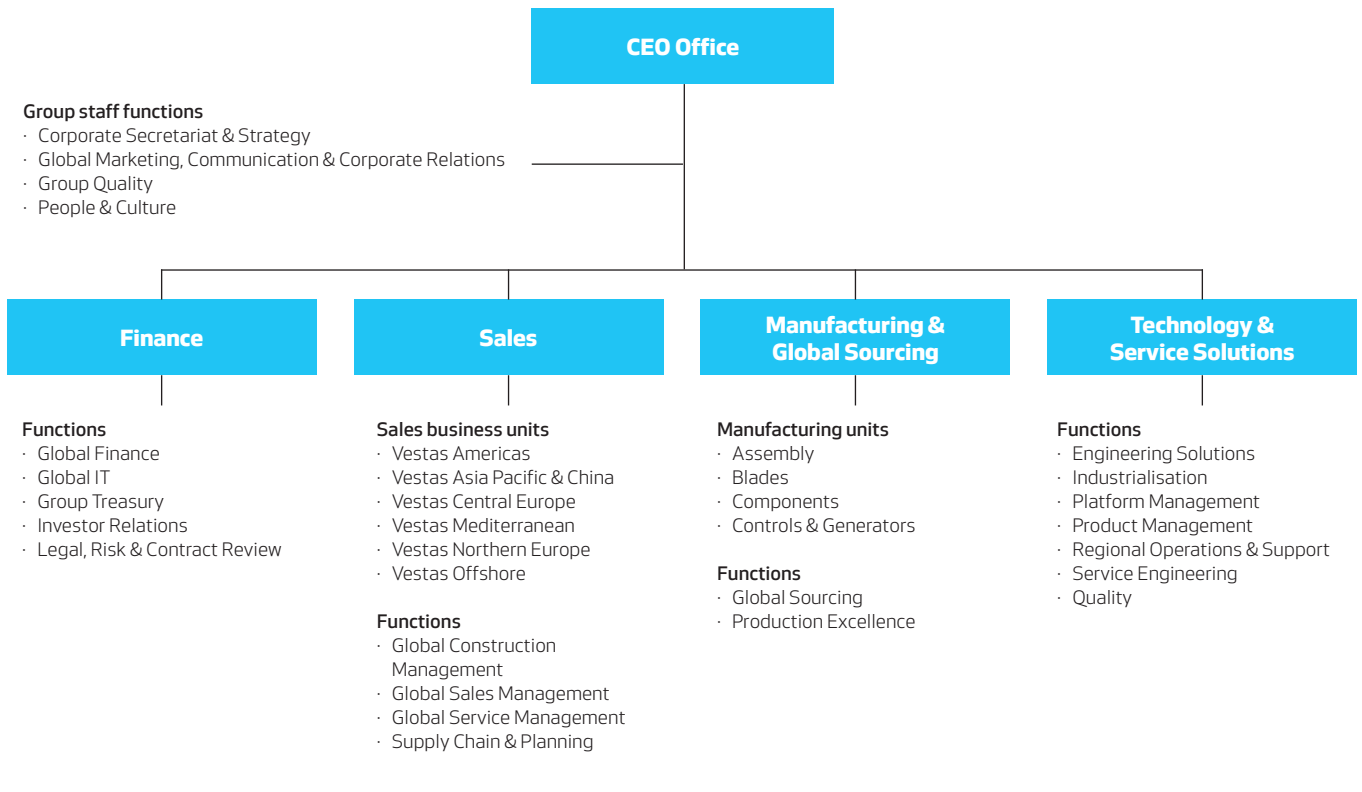
Finance

To reflect the need for a more efficient performance management setup, Vestas has increased the scope and responsibility of the central Finance function.

Finance is now fully responsible for all finance processes and activities in the Group, and local finance functions in the units now report to the central finance function. Previously, the finance employees were bound to the individual business areas, but they now to a higher degree work across the organisation. This leads to a better utilisation of resources and gives the employees an optimised understanding of how Vestas operates, which helps to align the Vestas Group.

Furthermore, the management area has focus on providing business infrastructure and other business support services such as IT and legal support.

Vestas' organisational structure



Sales

The creation of a dedicated sales function with full oversight of the sales activities strengthens the sales performance management. At the same time, it allows Vestas to continue the close collaboration with its customers on developing tailored financial structures to enable large wind power plant investments, including new contractual structures and financing arrangements.

Vestas believes that continued innovation in this area is a necessity for continued investments in wind power in a capital-constrained environment. Secondly, by consolidating support functions, Vestas ensures that sales staff can spend maximum time on sales and service activities, and that Vestas can cost-effectively maintain and establish presence in all markets in a more flexible and rapidly scalable sales model.

The sales management area is structured with six sales business units: Vestas Americas, Vestas Asia Pacific & China, Vestas Central Europe, Vestas Mediterranean, Vestas Northern Europe and Vestas Offshore.

Manufacturing & Global Sourcing

The four previous production business units Vestas Blades, Vestas Control Systems, Vestas Nacelles and Vestas Towers have together with Global Sourcing been consolidated into one management area called Manufacturing & Global Sourcing.

While the four previously separate production business units have been instrumental in the rapid build-out of a high-quality global footprint, Vestas now creates significant value through consolidation of factories and manufacturing support functions.

Due to the slowdown in the wind turbine market and the need to increase the organisation's scalability, Vestas evaluated its manufacturing footprint and in 2012, Vestas initiated a process to identify outsourcing and divestment opportunities in order to involve its suppliers in larger parts of the production process than is the case today. The intention is to further increase the manufacturing flexibility and to reduce Vestas' capital requirement.

Technology & Service Solutions

Technology & Service Solutions is responsible for the innovation, development and industrialisation of wind turbines that through cost-effective design, manufacturing and performance reduce the cost of energy and generate long-term value for Vestas' customers. This includes development and continuous improvement of Vestas' turbine platforms, technologies and upgrades. The management area is also dedicated to strengthening Vestas' ability to bring products and platforms to the market more efficiently.

Furthermore, Technology & Service Solutions delivers customer solutions from the initial planning of the wind power plants and through services related to the 20+ years' lifecycle of the plants. This includes

pre-sales services, wind and site engineering, wind turbine maintenance, grid integration, after-market services and wind turbine performance monitoring.

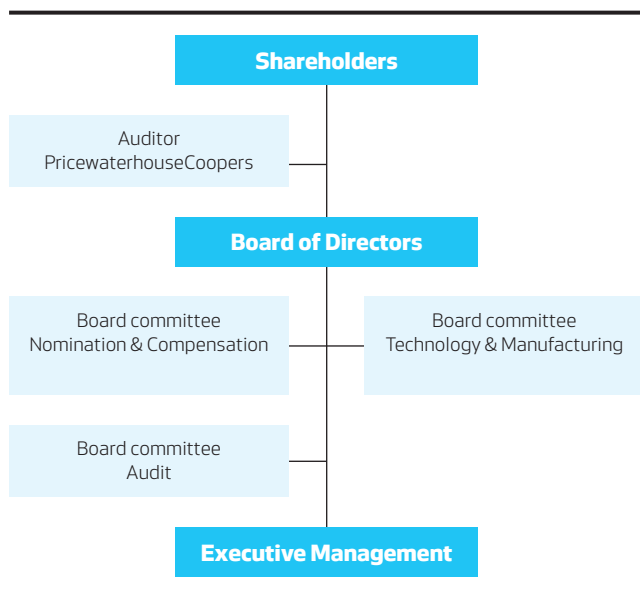
Services already form a significant part of Vestas' business. Based on long-term service agreements with global, leading wind power operators, Vestas is taking a significant step to further consolidate the company's position within services and solutions. Service execution is handled by the sales business units, but they can rely on consistent, global, high-performance support and solution development from Technology & Service Solutions.

Management structure

Vestas Wind Systems A/S is a Danish limited liability company with a two-tier management system in which the Board of Directors and the Executive Management are responsible for the management of the company's affairs. No persons hold dual memberships of the Board of Directors and the Executive Management. The company is also the parent company of the Vestas Group.

The management of the company is governed by the company's articles of association, the Danish Companies Act and other applicable Danish laws and regulations.

Vestas' management structure



Shareholders

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

Vestas seeks to have an international group of institutional investors and to inform everyone openly about the company's long-term targets, priorities and initiatives conducted with due consideration to short-term opportunities and limitations.

At the end of the year, the company had 181,912 shareholders registered by name, including custodian banks. The registered shareholders held 92 per cent of the company's share capital. At the end of the year, 177,195 Danish shareholders owned 65 per cent of Vestas.

Share capital distribution at 31 December 2012

Number of shares · Per cent

Capital, international shareholders	55,715,081	27
Capital, Danish shareholders	131,113,436	65
Capital, shareholders not registered by name	16,875,586	8
Total	203,704,103	

At the end of the year, BlackRock, Inc., USA had reported a shareholding that exceeded 5 per cent. The notification was received in August 2012. In January 2013, Vestas received information from BlackRock, Inc. that they had reduced their holding of Vestas shares from 5.04 to 4.92 per cent.

General meeting

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

The general meeting is held at least once a year and is convened by no more than five and no less than three weeks' notice counting from the date before the general meeting, ref. article 4(4) of Vestas Wind Systems A/S' articles of association. The articles of association are available at vestas.com/investor.

Attendance

Shareholders wishing to exercise their influence at the general meeting must first register their shares by name in order to subsequently request an admission card and voting papers.

The right of a shareholder to attend the general meeting and to vote is based on the shares held by the shareholder at the record date. The record date is one week before the general meeting. The shares held by each shareholder at the record date are calculated on the basis of registration of the shareholder's ownership in the register of shareholders and notifications about ownership received by the company, but which have not yet been registered in the company's register of shareholders.

Voting

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

The Board of Directors encourages all shareholders to exercise their influence and recommends that all shareholders ensure that their holding of Vestas shares is registered by name in the company's register of shareholders.

The Board of Directors also encourages all shareholders to express their opinions by voting at the general meeting.

Amendment requirements

All proposals put to the vote of the shareholders at the general meeting are adopted by a simple majority of votes, unless the Danish companies Act or the articles of association prescribe special rules regarding the adoption, ref. article 7(2) of the articles of association.

Any resolution in respect of an 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, ref. article 7(3) of the articles of association.

Annual General Meeting 2013

The Annual General Meeting of Vestas Wind Systems A/S will be held on 21 March 2013 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

6 February 2013	Deadline for proposals for the agenda
25 February 2013	Convening for the Annual General Meeting
14 March 2013	The record date
15 March 2013	Deadline for registration and submission of proxy
20 March 2013	Deadline for submission of correspondence vote

Distribution of dividends will always be decided with due consideration for the Group's plans for growth and liquidity requirements. The Board of Directors intends to propose to the company's Annual General Meeting that no dividend be paid in respect of 2012 due to the negative free cash flow and the company's ambition to reduce its net debt.

Allocation of loss 2012

mEUR

The Board of Directors proposes the following distribution of the amount available:	
Transfer to reserve for net revaluation under the equity method	(306)
Dividend	0
Retained earnings	(627)
	(933)

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

Furthermore, the Board of Directors intends 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 guidelines for incentive pay will be published at vestas.com/investor in connection with the convening for the Annual General Meeting.

The Board of Directors intends to propose the following changes to the company's articles of association:

In 2012, the Danish Business Authority changed its practise in relation to rules governing the authorisation to increase the share capital with or without pre-emptive rights. Accordingly, the existing authorisation in article 3(1) of the articles of association must technically be divided into two separate authorisations. Due to this, the Board of Directors proposes to the General Meeting that the existing authorisation be divided into two – one with pre-emptive rights for the shareholders and one without pre-emptive rights. Finally, the Board of Directors proposes granting the two authorisations for a five-year period. The two authorisations must, however, only be exercised for a total nominal amount of DKK 20m.

As the Executive Management now 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 the Group President & CEO together with another member of the Executive Management" instead of "the joint signatures of two members of the Executive Management".

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

The company's holding of treasury shares

In 2012, the Board of Directors did not exercise its authority to acquire treasury shares. Vestas has only acquired treasury shares to cover its option programme for executives, ref. note 32 to the consolidated accounts.

At the end of 2012, Vestas had a portfolio of treasury shares consisting of 1,455,813 shares, equal to EUR 48m acquired in 2006, 2007, 2009 and 2011, respectively. The portfolio corresponds to 0.7 per cent of the share capital.

Auditor

Pursuant to article 11(1) of the articles of association, Vestas' annual report must be audited by one or two audit firms to be appointed by the shareholders for the period until the next Annual General Meeting. In 2012, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PWC) was appointed as the company's auditor for the 2012 financial year.

For the 2012 financial year, PWC received a total fee of EUR 1.2m, ref. note 31 to the consolidated accounts.

Board of Directors

Pursuant to the company's articles of association, the company is managed by a Board of Directors composed of five to ten members elected by the general meeting and a number of representatives elected by the employees.

The Board of Directors is responsible for the overall operation of the Group and, through the independent oversight of management, accountable to shareholders for the performance of the business. They also deal with the overall and strategic management of the company, including:

- appointing the Executive Management
- laying down guidelines for and exercising control of the work performed by the Executive Management;
- ensuring responsible organisation of the company's business;
- defining the company's business concept and strategy;
- ensuring satisfactory bookkeeping and financial reporting;
- ensuring the necessary procedures for risk management and internal controls; and
- ensuring that an adequate capital contingency programme is in place at all times.

In cooperation with the Executive Management, the Board of Directors establishes and approves overall policies, procedures and controls in key areas, not least in relation to the financial reporting. This requires a well-defined organisational structure, unambiguous reporting lines, authorisation and certification procedures and adequate segregation of duties.

The Board of Directors' rules of procedure are available at vestas.com/investor.

Composition of the Board

The Board of Directors currently consists of 12 members. In 2012, eight members were elected by the general meeting, and four were elected by and among the employees. Further details on the individual Board members' can be found on page 50.

At the Annual General Meeting in 2012, the shareholders re-elected Carsten Bjerg, Håkan Eriksson, Jørgen Huno Rasmussen, Jørn Anker Thomsen and Kurt Anker Nielsen as members of the Board of Directors and Bert Nordberg, Lars Josefsson and Eija Pitkänen were elected as new members.

At the statutory board meeting, Bert Nordberg was elected as chairman and Lars Josefsson was elected as deputy chairman of the Board of Directors of Vestas Wind Systems A/S. In 2012, the Board of Directors held a total of 24 meetings.

The Board members' election terms expire in 2013, as Board members elected by the general meeting must retire at the following annual general meeting. However, Board members are eligible for re-election, ref. article 8(1) of the articles of association.

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

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

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

Pursuant to Danish legislation, a number of company and Group representatives can be elected to the Board of Directors. In 2012, an employee election was held among the employees in Denmark. Kim Hvid Thomsen and Michael Abildgaard Lisbjerg were re-elected as Group representatives. Sussie Dvinge Agerbo was re-elected as company representative and Knud Bjarne Hansen was elected as a new company representative. Their election terms run until 2016. A description of the Danish system concerning company and Group representatives is available at vestas.com/investor.

Authorities granted to the Board of Directors

Vestas' articles of association include an authority to Vestas' Board of Directors concerning an increase of the company's capital in one or more issues of new shares up to a nominal value of DKK 20,370,410 (20,370,410 shares), ref. article 3 of the articles of association. The authority is valid until 1 May 2015.

At the Annual General Meeting in 2012, 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 Companies Act.

The Board of Directors regularly assesses if the company's capital structure is in line with the company's and shareholders' interests, and the Board finds the present structure to be appropriate.

Assessment of the work performed by the Board of Directors

Pursuant to the rules of procedure for the Board of Directors, once a year, the Board of Directors must evaluate its work. In connection with the approval of the interim financial report for the third quarter, the Board evaluates its working methods and the results of its work and each Board member's contribution in an open dialogue at the Board meeting. The evaluation is headed by the chairman.

In November 2012, the Nomination & Compensation Committee evaluated the participation and performance of each member of the Board of Directors and the result of the evaluation was presented to the Board.

Vestas shares held by Board members

At 31 December 2012, members of Vestas' Board of Directors and their related parties held a total of 37,350 Vestas shares. At 31 December 2012, these shares represented a combined market value of approx EUR 0.2m, ref. note 32 to the consolidated accounts.

The members of Vestas' Board of Directors are registered on the Vestas insider list. As a general rule, these persons may only trade in Vestas shares during a four-week period following the disclosure of the annual report, interim financial reports or other financial announcements, ref. the company's internal rules. Notwithstanding that the "trading window" is open after disclosure of a financial report,

Board of Directors' special competencies

	Legal	Management of a listed company	Finance/capital markets	Sustainability/CSR	R&D/manufacturing/logistics	International business experience	Strategic management	Services and infrastructure	HR	Restructuring
Bert Nordberg		X				X	X	X		X
Carsten Bjerg					X	X	X			
Eija Pitkänen				X						
Håkan Eriksson					X	X				
Jørgen Huno Rasmussen		X			X	X	X	X		
Jørn Ankær Thomsen	X		X				X			X
Kim Hvid Thomsen					X				X	
Knud Bjarne Hansen					X		X	X		
Kurt Anker Nielsen		X	X			X	X			
Lars Josefsson		X			X	X	X			
Michael Abildgaard Lisbjerg									X	
Sussie Dvinge Agerbo									X	

no purchase or sale of Vestas shares must be made if, at the time of the transaction, the person in question has inside information which may be of importance to the transaction.

A list of the Board of Directors' disclosed insider transactions made during the last five years is available at vestas.com/investor.

Board committees

The purpose of Vestas' board committees is to prepare decisions and recommendations for evaluation and approval by the combined Board of Directors. The board committees enable the selected board members to immerse into their areas of special competencies and, in this way they support the company's business model and the Board's resources can be exploited in the best possible way. The committees are not authorised to make independent decisions.

Vestas has established three permanent board committees. Each of these consists of a chairman and two or three members elected for terms of one year by and among the board members. The election usually takes place at the board meeting held after the Annual General Meeting.

Audit Committee

The Audit Committee supports the Board of Directors in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing, the need for an internal audit function and Vestas' Ethics and anti-corruption programmes. The charter for the Audit Committee is available at vestas.com/investor.

Each year, Vestas' Board of Directors and the Audit Committee assess the need for an internal audit function. Vestas believes that there is no need for an internal audit function because a number of the assignments that would normally be undertaken by internal audit are handled by an in-house compliance department reporting directly to the Audit Committee.

The majority of the members of the Audit Committee meets the definition of independence of audit committee members set out in the Danish Auditors' Act. The chairman also meets the requirements under the Auditors' Act on accounting qualifications.

In 2012, Kurt Anker Nielsen was elected as chairman of the committee and Eija Pitkänen and Jørn Ankær Thomsen were elected as members of the committee. The committee held a total of six meetings.

Nomination & Compensation Committee

The Nomination & Compensation Committee supports the Board of Directors in overall staff-related topics, including assessments of remuneration.

In 2012, Bert Nordberg was elected as chairman of the committee and Jørgen Huno Rasmussen and Jørn Ankær Thomsen were elected as members of the committee. The committee held a total of four meetings.

Technology & Manufacturing Committee

In 2012, the Technology Committee and the Production & Excellence Committee merged into one committee – the Technology & Manufacturing Committee. Lars Josefsson was elected as chairman of the committee while Carsten Bjerg, Håkan Eriksson and Kim Hvid Thomsen were elected as members of the committee. The committee held a total of four meetings.

Among other things, the committee assists the Board of Directors in assessing technological matters, IPR strategy and product development plans. The committee also supports the Board in matters concerning production, monitors and evaluates the short and long-term manufacturing footprint, evaluates sustainability performance and gives support to forums such as Vestas' Innovation Portfolio Council, Product Portfolio Council and Product Operation Council.

Board of Directors' positions in Vestas Wind Systems A/S

Positions

	Board of Directors	Audit Committee	Nomination & Compensation Committee	Technology & Manufacturing Committee
Bert Nordberg	Chairman		Chairman	
Carsten Bjerg	Member			Member
Eija Pitkänen	Member	Member		
Håkan Eriksson	Member			Member
Jørgen Huno Rasmussen	Member		Member	
Jørn Ankær Thomsen	Member	Member	Member	
Kim Hvid Thomsen	Member			Member
Knud Bjarne Hansen	Member			
Kurt Anker Nielsen	Member	Chairman		
Lars Josefsson	Deputy chairman			Chairman
Michael Abildgaard Lisbjerg	Member			
Sussie Dvinge Agerbo	Member			
Number of meetings in 2012	24 ¹⁾	6	4	4

1) The number includes board meetings and a strategy seminar.

Executive Management

The Executive Management of Vestas Wind Systems A/S is appointed by the company's Board of Directors. The Board of Directors lays down the distribution of competencies among the members of the Executive Management. Members of the Executive Management must retire before they reach the age of 70.

In 2011, the Board of Directors made an assessment of staffing in key areas and in 2012, the Board decided to expand the Executive Management of Vestas Wind Systems A/S to reflect the organisational structure and to create more focus on the key areas of Vestas' new operating business model. This led to the following composition of the Executive Management:

- Ditlev Engel, Group President & CEO
- Dag Andresen, Executive Vice President & CFO
- Jean-Marc Lechêne, Executive Vice President & COO
- Anders Vedel, Executive Vice President & CTO
- Juan Araluze, Executive Vice President & CSO

A more detailed description of each member is available on page 56.

The work of the Executive Management

The Executive Management is responsible for the day-to-day management of the company, observing the guidelines and recommendations issued by the Board of Directors. The Executive Management is also responsible for presenting proposals for the company's overall objective, strategies and action plans as well as proposals for the overall operating, investment, financing and liquidity budgets to the Board of Directors.

The Executive Management monitors compliance with relevant legislation and other financial reporting regulations and provisions. Findings concerning operational and financial risks are reported continuously to the Audit Committee and the Board of Directors.

The Executive Management's rules of procedure are available at vestas.com/investor.

Vestas shares held by the Executive Management

At 31 December 2012, members of Vestas' Executive Management and their related parties held a total of 3,365 Vestas shares. These shares represented a combined market value of approx EUR 14t, ref. note 32 to the consolidated accounts.

The members of the Executive Management are registered on the Vestas insider list. As a general rule, these persons may only trade in Vestas shares during a four-week period following the disclosure of the annual report, interim financial reports or other financial announcements, ref. the company's internal rules. Notwithstanding that the "trading window" is open after disclosure of a financial report, no purchase or sale of Vestas shares may be made if, at the time of the transaction, the person in question has inside information which may be of importance to the transaction.

A list of the Executive Management's disclosed insider transactions made during the last five years is available at vestas.com/investor.

Remuneration

Vestas is a global Group headquartered in Denmark, which is reflected in the Group's remuneration principles. As an employer, Vestas undertakes to ensure responsibility and equal opportunities for its employees and to work actively to promote diversity.

Vestas' global remuneration principles for executives are based on Mercer's International Position Evaluation System, according to which the positions are evaluated taking into consideration the responsibility and impact of the position together with the development of the company size measured in terms of company revenue and number of employees. With this tool for comparability Mercer Reward Surveys are used as the benchmark.

For other employee groups, a combination of Mercer Reward Surveys and locally based statistics are used as the basis for the remuneration.

Remuneration of the Board of Directors and the Executive Management

The remuneration policy for members of the Board of Directors and the 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 responsibilities undertaken. The policy is available at vestas.com/investor.

The Board of Directors intends 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 at the Annual General Meeting in March 2013.

The remuneration reports 2012 for the Board of Directors and the Executive Management are available on page 47 and 48, respectively. According to law firm Gorrissen Federspiel's analysis of remuneration²⁾, the level of remuneration of Vestas' Board of Directors and Executive Management is in line with the remuneration in large companies in Denmark.

Share-based incentive programme

In 2012, an option programme was established for the Executive Management and selected executives. More information about the option programme is provided in note 32 to the consolidated accounts.

For the financial year 2012, a total of 1,057,430 options were granted at a price of DKK 60.66 to 352 persons under the 2012 programme exercisable in 2016-2017. Out of this, the Executive Management was granted 172,014 options. The allotment of options for the financial year was made in connection with the Board of Directors' approval of this annual report. The terms and conditions of the options are equivalent to the terms and conditions of the options issued for the financial year 2011.

For each year, the Board of Directors decides the level of grant to the Executive Management. The grant level for the share options granted for 2012 is equal to the level granted for 2011 and is defined by the participant's corporate title and basic remuneration. The present value of the share options is calculated in accordance with the Black-Scholes model.

When exercising the options, the Executive Management and Group Senior Vice Presidents must reinvest 50 per cent of the after-tax gain in Vestas shares, which must be held for at least three years. No executives exercised their allotted options in 2012, and at the end of 2012, Vestas had a total of 2,997,896 outstanding options, of which 352,613 were granted to the Executive Management.

Global bonus programme

The overall objective of Vestas' bonus programme is to reward all Vestas employees financially when the annual targets are achieved. The bonus programme builds on Vestas' corporate strategy, which

2) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2011). July 2012.

Remuneration report 2012 – for the Board of Directors

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

According to law firm Gorrissen Federspiel's remuneration analysis of Large Cap and C20 companies listed on NASDAQ OMX Copenhagen A/S in Denmark, the average remuneration (excl. of committee remuneration) in 2011 for the chairman of a board was EUR 0.1m (DKK 1.0m), for a deputy chairman EUR 0.1m (DKK 0.6m) and for an ordinary member EUR 0.0m (DKK 0.4m).³⁾

Remuneration policy and incentive pay

The Nomination & Compensation Committee has the responsibility of presenting recommendations to the Board of Directors about the remuneration policy established for the Board of Directors.

The remuneration policy covers all types of pay and remuneration, including regular pay, incentive earning schemes (including share-based remuneration), pension schemes as well as severance pay, etc.

The remuneration policy was approved by the shareholders at the Annual General Meeting in March 2011 – and the overall guidelines for incentive pay were approved by the shareholders at the Annual General Meeting in March 2010. The documents are available at vestas.com/investor.

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.

Incentive programme, bonus pay, etc.

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

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 2012, the shareholders approved the remuneration for the Board of Directors for the financial year 2012 to remain at the 2011 level.

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

For 2012, a total of EUR 0.9m was paid in remuneration to board and committee members compared to EUR 1.0m in 2011, ref. note 6 to the consolidated accounts.

Board of Directors' remuneration for the financial year

	2012		2011	
	Number of members	EUR	Number of members	EUR
Remuneration	12	654,090	12	654,090
Audit Committee remuneration	3	87,216	3	87,216
Nomination & Compensation Committee remuneration	3	87,216	3	87,216
Technology & Manufacturing Committee remuneration ⁴⁾	4	109,020	3	87,216
Manufacturing & Excellence Committee remuneration	-	-	3	87,216
Total remuneration for the financial year		937,542		1,002,954

3) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2011). July 2012, page 14.

4) The committee changed name in 2012 in connection with the merger of the two Board committees named Technology Committee and Manufacturing & Excellence Committee.

Remuneration report 2012 – for the Executive Management

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

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 their remuneration are fixed by the Board of Directors.

According to law firm Gorrissen Federspiel's remuneration analysis of Large Cap and C20 companies listed on NASDAQ OMX Copenhagen A/S in Denmark, the average remuneration (incl. of pension, benefits and cash bonus) in 2011 for an executive management function was EUR 3.4m⁵⁾ (DKK 27.6m).⁶⁾

Remuneration policy and incentive pay

Members of the Executive Management receive a competitive remuneration package consisting of a fixed salary, bonus, share options, warrants and personal benefits, ref. remuneration policy approved by the general meeting in March 2011.

Fixed salary is based on market level to attract and retain executives with the required competencies. Share options focus on retention and long-term value creation for the shareholders. Bonus is based on the company's results for the year. If it is proved after the grant of variable components to members of the Executive Management that these were paid erroneously, the company may in exceptional cases reclaim the variable components in full or in part.

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

Fixed salary

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

Bonus

- Members of the Executive Management participate in a bonus scheme based on the results for the year.
- The bonus is paid out annually after adoption of the annual report for the relevant financial year.
- The bonus may not exceed 95 per cent of the fixed salary, which level can only be achieved at a weighted target achievement of 130 per cent. Furthermore, the bonus will be cancelled at a weighted target achievement of less than 80 per cent.

Executive Managements' remuneration

EUR

	2012 ⁷⁾	2011 ⁸⁾
Fixed salary	2,846,151	1,712,820
Bonus	-	-
Granted share options for the financial year (number)	172,014	82,869
Granted share options for the financial year	599,432	1,138,038
Exercised options in the financial year (number)	-	-
Exercised options in the financial year	-	-
Total granted options for the period 2008 to - (number)	352,613	259,367

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

6) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2011). July 2012, page 25.

7) Five members of the Executive Management as per 31 December 2012.

8) Two members of the Executive Management as per 31 December 2011.

The bonus scheme is based on target achievement of a number of parameters, including EBIT, net working capital, revenue and customer loyalty.

Share options

For any single financial year, the Executive Management may be granted options with a maximum net present value at the time of grant equivalent to 115 per cent of the individual member's gross salary on the date of grant.

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. There are no agreements on severance pay to any member of the Executive Management.

Redundancy pay

There is no agreed redundancy pay/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.

Remuneration approved by the Board of Directors

In 2012, a total of EUR 2.8m was paid in salaries to the Executive Management, ref. note 6 to the consolidated accounts.

Based on the results achieved in 2012, no bonus will be paid in 2013 for the performance year 2012.

In 2012, EUR 0.6m was expensed as share-based payment, ref. note 6 to the consolidated accounts.

In the financial year 2012, a total of 172,014 options were granted to the Executive Management, exercisable in 2016-2017 at a price of DKK 60.66.

sets out that all employees should be rewarded when Vestas improves its profitability. The background is that all Vestas employees contribute to the same value creation and provide support to the same customers, regardless of whether they work in a support function or whether they develop, manufacture, market, sell, install or render service on wind turbines.

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

For most managers and employees, the targets for the Group carried a weight of 40 per cent, while business unit targets including safety, inventory days and local customer relations carried a weight of 60 per cent. For the Executive Management and employees in corporate functions, the bonus depended exclusively on the Group's performance relative to the expectations announced for the year.

Disbursed global bonus

mEUR

	2012	2011	2010	2009	2008
To the Executive Management	-	-	-	0.9	0.3
To other employees	-	-	-	57.7	38.0
Total disbursed bonus	-	-	-	58.6	38.3

The Group's bonus targets for 2012 were an EBIT margin of 5.0 per cent (35 per cent weighting), a free cash flow of EUR 300m (30 per cent weighting), a CRSI index of 81 (20 per cent weighting) and revenue of EUR 8bn (15 per cent weighting).

Based on the results achieved in 2012, no global bonus will be paid in 2013 to the Executive Management or other employees for the performance year 2012.

For 2013, maximum bonus pay-out can be achieved by meeting the following Group bonus targets: a free cash flow of EUR 500m (55 per cent weighting) and an EBIT margin before special items of 5 per cent (45 per cent weighting). No global bonus will be paid out for 2013 if the following minimum targets are not met: a free cash flow of EUR 220m and an EBIT margin before special items of 3.7 per cent. The bonus disbursement is based on national legislation.

Code of Conduct

Vestas is a company with employees and business partners with widely different cultural backgrounds, religious beliefs and political convictions, and therefore it is important to have a formal set of common values. Vestas' Code of Conduct is to ensure that all employees and other persons acting on behalf of Vestas know what is correct Vestas behaviour.

Vestas' Code of Conduct sets the framework for the work of supporting the principles of the UN Global Compact.

In 2012, Vestas continued its work to ensure a high degree of business ethics and to disseminate compliance with the Code of Conduct. Vestas' Code of Conduct and relevant information material is accessible for all employees on the intranet and via e-learning.

Externally, Vestas endeavours to ensure that its business partners also respect the principles of the UN Global Compact. For more information on sustainability in relation to Vestas' business partners, see vestas.com.

Anti-corruption initiative

Vestas has signed World Economic Forum's "Partnering Against Corruption Initiative" (PACI). Vestas has already implemented several anti-corruption initiatives recommended by PACI. As a PACI member, Vestas undertakes to develop and implement additional guidelines, processes, tools and control systems generally recognised to support a company's zero-tolerance policy on bribery and corruption.

To underline the importance of and further anchor the principles of Vestas' Code of Conduct, the Executive Management and Group Senior Vice Presidents have individually signed a declaration that they have read and understood Vestas' Code of Conduct and that they are not aware of any violation of Vestas' Code of Conduct within their areas of responsibility which have not been handled in an adequate manner.

An anti-corruption due diligence programme for the selection of Vestas' business partners is being implemented in Vestas in selected areas. The programme primarily focuses on high-risk markets, and it is expected to be fully implemented in the coming years.

EthicsLine

Vestas attaches great importance to ensuring an ethical environment in its operations, and therefore in 2007, Vestas established a system in which employees anonymously can report inappropriate behaviour or events. Today, EthicsLine is also available for Vestas' business partners.

Vestas' Audit Committee monitors the development and implementation of Vestas' ethics initiatives pursuant to Vestas' Code of Conduct and World Economic Forum's Partnering Against Corruption Initiative and receives reports regarding EthicsLine cases.

In 2012, Vestas received a total of 76 inquiries through EthicsLine against 86 inquiries in 2011. The inquiries concerned partly questions concerning the interpretation of Code of Conduct and partly suspected violations of the Code of Conduct.

Statutory report on corporate governance

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of "Rules for Issuers of Shares – NASDAQ OMX Copenhagen", listed companies must prepare a corporate governance report. The report must contain a description of the company's position on the recommendations in force. The committee's recommendations are available at corporategovernance.dk.

In connection with the preparation of the corporate governance report, the company must apply the "comply or explain" principle. The "comply or explain" principle entails that the company must either comply with the corporate governance recommendations or explain why the recommendations are not fully or partly complied with. This means that Vestas must state which recommendations it does not comply with, that it must explain the reasons for such non-compliance and, where relevant, state how it addresses the issue in question instead.

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

Vestas' statutory report for 2012 is available at vestas.com/investor/corporate-governance/statutory-report.

Competencies and 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.

Bert Nordberg

Born: 23 March 1956
Nationality: Swedish
Resident: Sweden
Position: Director

Position with Vestas Wind Systems A/S

Chairman of the company's Board of Directors since 2012. Elected to the Board of Directors in March 2012. Term of office expires in 2013.

Mr Nordberg meets the definition of independence as set out by the Danish Corporate Governance Committee.⁹⁾

Designated by the Board of Directors as chairman of the Nomination & Compensation Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 10,000 shares.

Competencies

Education

1985-1986 Courses in International Management, Marketing and Finance at INSEAD University (France)
1979-1980 Engineer in the Swedish Marines from Berga (Sweden)
1976-1979 Degree in Electronic Engineering (Sweden)

Former positions

2009-2012 President & CEO, Sony Mobile Communications AB (Sweden)
2008-2009 Head of Ericsson Silicon Valley, Telefonaktiebolaget LM Ericsson (USA)
2004-2008 Executive Vice President of Sales and Marketing, LM Ericsson Group (Sweden)
2003-2004 Senior Vice President of Group function Sales and Marketing, LM Ericsson Group (Sweden)
2002-2003 Head of Business Unit Systems, LM Ericsson Group (Sweden)
2001-2002 Head of Business Unit Global Services, LM Ericsson Group (Sweden)
2000-2004 Executive Vice President of Division Global Services, LM Ericsson Group (Sweden)
1999-2000 Executive Vice President of Ericsson Services, LM Ericsson Group (Sweden)
1996-2000 Head of Enterprise Services, LM Ericsson Group (Sweden)
1980-1996 Various management positions at Digital Equipment Corporation and Data General Corp (Sweden)

Special competencies

Mr Nordberg has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: Special competence in restructuring, services and infrastructure business; several years of international business experience; development market knowledge.

Fiduciary positions

Member of the boards of: Kcell Joint Stock Company (Kazakhstan), NOTE AB (Sweden) and Svenska Cellulosa Aktiebolaget SCA (Sweden).

Positions of trust

Chairman of: Kcell Joint Stock Company's Strategic Planning Committee (Kazakhstan) and Kcell Joint Stock Company's Personnel and Remuneration Committee (Kazakhstan).

Member of: HP Communications, Media & Entertainment Board of Industry Advisors (USA) and NOTE AB's Remuneration Committee (Sweden).

Representative for: Chamber of Commerce and Industry of Southern Sweden (Sweden).

Carsten Bjerg

Born: 12 November 1959
Nationality: Danish
Resident: Denmark

Position: Managing Director of Grundfos Holding A/S (Denmark) and Group President of the Grundfos Group 2007-.

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in March 2011 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2013.

Meets the definition of independence as set out by the Danish Corporate Governance Committee.⁹⁾

Elected by the Board of Directors as a member of the Technology & Manufacturing Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 1,831 shares.

Competencies

Education

1984-1985 ACPMM, University of Cambridge (England)
1983 BSc Engineering, The Engineering Academy of Denmark (Denmark)

Former positions

2006-2007 Acting CEO, Grundfos Management A/S (Denmark)
2003-2006 Deputy CEO, Grundfos Management A/S (Denmark)
2000-2003 EVP of Production & Logistics, Grundfos Management A/S (Denmark)
1997-2000 SVP of International Production, Grundfos Management A/S (Denmark)
1994-1997 Product Line Director, Danfoss A/S (Denmark)
1989-1994 Plant Manager, Danfoss A/S (Denmark)
1985-1989 Project Manager, Danfoss A/S (Denmark)
1983-1984 Engineer & Trainee, Danfoss A/S (Denmark)

Special competencies

Mr Bjerg has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing an international group including thorough knowledge of R&D, manufacturing and strategic management.

Fiduciary positions

Chairman of the boards of: Grundfos China Holding Co., Ltd. (China), Grundfos Holding AG (Switzerland), Grundfos New Business A/S (Denmark) and Grundfos Pumps (Shanghai) Co., Ltd. (China).

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

Member of the board of: Grundfos Finance A/S (Denmark).

Positions of trust

Chairman of: FORNYELSEFONDEN (Denmark).

Member of: The Executive Committee and The General Council of the Confederation of Danish Industries (Denmark) and the Board of Provincial Industries Employers' Federation (Denmark).

Eija Pitkänen

Born: 23 April 1961

Nationality: Finnish

Resident: Finland

Position: Vice President and Head of Corporate Responsibility, Telia Sonera (Sweden) 2011-.

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in March 2012. Term of office expires in 2013.

Mrs Pitkänen meets the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ and the definition of independence of audit committee members as set out in the Danish Auditors' Act¹⁰⁾.

Elected by the Board of Directors as a member of the Audit Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 500 shares.

Competencies

Education

1981-1987 M.Sc. (Food Microbiology) from Helsinki University, Finland, Faculty of Agriculture (Finland)

Former positions

2008-2011 Senior Vice President of Sustainability, Stora Enso (Finland)
2005-2008 Vice President of Sustainability Communications and CSR, Stora Enso (Finland)
2002-2005 Vice President of CSR, Stora Enso (Finland)
1999-2002 Vice President and Head of Sustainable Development, Danisco A/S (Denmark)
1987-1999 Various management positions at Cultor and Genencor International (Finland)

Special competencies

Mrs Pitkänen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: Extensive international experience in developing and executing global sustainability strategy as part of business in several international companies.

Håkan Eriksson

Born: 8 April 1961

Nationality: Swedish

Resident: Australia

Position: Head of Ericsson Australia, New Zealand and Fiji (Australia) 2012-.

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in March 2009 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2013.

Mr Eriksson meets the definition of independence as set out by the Danish Corporate Governance Committee.⁹⁾

Elected by the Board of Directors as a member of the Technology & Manufacturing Committee.

Shareholding

Does not hold shares in the company.

Competencies

Education

2005 Honorary PhD, Linköping Institute of Technology, Linköping University (Sweden)

1981-1985 MSc engineering (electrical), Linköping Institute of Technology, Linköping University (Sweden)

Former positions

2010-2012 Head of Ericsson Silicon Valley, Telefonaktiebolaget LM Ericsson (USA)
2009-2012 Group Chief Technology Officer Ericsson, Telefonaktiebolaget LM Ericsson (Sweden)
2003-2009 Senior Vice President and General Manager of Research & Development, Telefonaktiebolaget LM Ericsson (Sweden)
1998-2003 Vice President and General Manager of Ericsson Research, Ericsson Radio Systems AB (Sweden)
1997-1998 Vice President of Business and Technology Development, Ericsson Radio Systems AB (Sweden)
1995-1997 Director of Systems Design and Management Ericsson Research Canada (Canada)
1992-1995 Manager of Systems Research and Development department, Ericsson Radio Systems AB (Sweden)
1986-1992 Employed with Ericsson Radio Systems AB (Sweden)

Special competencies

Mr Eriksson has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of international affairs, including research and development.

Positions of trust

Member of: Kungliga Ingenjörsvetenskapsakademien (Sweden).

Jørgen Huno Rasmussen

Born: 25 June 1952

Nationality: Danish

Resident: Denmark

Position: President and CEO, FLSmidth & Co. A/S (Denmark) 2004-

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in January 1998 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2013.

Mr Rasmussen does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ as he has been a member of the Board of Directors for more than 12 years.

Elected by the Board of Directors as a member of the Nomination & Compensations Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 2,935 shares.

Competencies

Education

1980 Ph.D., the Technical University (Denmark)

1977 B. Com. (organisation),
Copenhagen Business School (Denmark)

1976 MSc engineering (civil),
the Technical University (Denmark)

Former positions

2000-2003 Director and member of the Group Management,
Veidekke ASA (Norway)

1988-2003 Managing Director, Hoffmann A/S (Denmark)

1986-1988 Director of International Operations,
H. Hoffmann & Sønner A/S (Denmark)

1983-1986 Department Manager,
H. Hoffmann & Sønner A/S (Denmark)

1982-1983 Manager, Industrial Construction,
Chr. Islef & Co. A/S (Denmark)

1979-1982 Project Manager, A. Jespersen & Søn A/S (Denmark)

Special competencies

Mr Rasmussen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing an international, listed group and optimising production processes.

Fiduciary positions

Chairman of the boards of: 11 subsidiaries of the FLSmidth Group, the Lundbeck foundation (Denmark) and Lundbeckfond Invest A/S (Denmark).

Deputy chairman of the boards of: Cembrit Holding A/S (Denmark) and Tryghedsgruppen SMBA (Denmark).

Member of the boards of: Bladt Industries A/S (Denmark), Tryg A/S (Denmark) and Tryg Forsikring A/S (Denmark).

Positions of trust

Member of: The General Council of the Confederation of Danish Industries (Denmark), the Board of the Copenhagen Industries Employers' Federation (Denmark) and the representatives of the Tryghedsgruppen (Denmark).

Jørn Ankær Thomsen

Born: 17 May 1945

Nationality: Danish

Resident: Denmark

Position: Attorney at Law, Gorrissen Federspiel (Denmark) 1976-

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in April 2004 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2013.

Mr Thomsen does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ and the definition of independence of audit committee members as set out in the Danish Auditors' Act¹⁰⁾ due to connection to one of the law firms acting as consultant to the company.

Elected by the Board of Directors as a member of the Nomination & Compensation Committee and the Audit Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 2,500 shares.

Competencies

Education

1970 Master of Law, University of Copenhagen (Denmark)

Former positions

1970-1974 Deputy judge and Junior associate (Denmark) and Lawyer in 1974

Special competencies

Mr Thomsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of international and national legal matters, including corporate law and securities law.

Fiduciary positions

Chairman of the boards of: Aida A/S (Denmark), Aktieselskabet Schouw & Co. (Denmark), Carlsen Byggecenter Løgten A/S (Denmark), Carlsen Supermarked Løgten A/S (Denmark), Danish Industrial Equipment A/S (Denmark), DB 2001 A/S (Denmark), Den Professionelle Forening Danske Invest Institutional (Denmark), F.M.J. A/S (Denmark), Fibertex Nonwovens A/S (Denmark), Fibertex Personal Care A/S (Denmark), Fåmandsforeningen Danske Invest Institutional (Denmark), GAM Holding A/S (Denmark), GAM Wood A/S (Denmark), Givisco A/S (Denmark), Investeringsforeningen Danske Invest (Denmark), Investeringsforeningen Danske Invest AlmenBolig (Denmark), Investeringsforeningen Danske Invest Select (Denmark), Kildebjerg Ry A/S (Denmark), Løgten Midt A/S (Denmark), Martin Professional A/S (Denmark), Placeringsforeningen Profil Invest (Denmark), Schouw & Co. Finans A/S (Denmark), Specialforeningen Danske Invest (Denmark), Søndergaard Give A/S (Denmark) and Th. C. Carlsen, Løgten A/S (Denmark).

Member of the boards of: ASM Foods AB (Sweden), Biomar Group A/S (Denmark), Carletti A/S (Denmark), Dan Cake A/S (Denmark), Danske Invest Management A/S (Denmark), Develvo Products A/S (Denmark), Ejendomsselskabet Blomstervej 16 A/S (Denmark), Givisco Bakery A/S (Denmark), Hydra-Grene A/S (Denmark), Hydra-Grene Holding A/S (Denmark) and P. Grene A/S (Denmark).

Positions of trust

Chairman of: Direktør Svend Hornsylds Legat (Denmark).

Deputy chairman of: Jens Eskildsen og hustru Mary Antonie Eskildsen memorial foundation (Denmark).

Member of: Købmand Th. C. Carlsens Memorial foundation (Denmark).

Kim Hvid Thomsen

Born: 8 August 1963

Nationality: Danish

Resident: Denmark

Position: Industry Technician and Senior Shop Steward, Vestas Manufacturing A/S (Denmark) 1985-

Position with Vestas Wind Systems A/S

Elected by Group employees. Member of the Board of Directors since May 1996 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2016.

Mr Thomsen does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ due to employment with the Vestas Manufacturing A/S (Denmark).

Elected by the Board of Directors as a member of the Technology & Manufacturing Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 4,798 shares.¹¹⁾

Competencies

Education

1984 Industry technician (Denmark)

Former positions

1985 Industry technician, K.P. Komponenter (Denmark)

1981-1984 Industry technician trainee, Tim Maskinfabrik (Denmark)

Special competencies

Mr Thomsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Fiduciary positions

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

Member of the board of: Uddannelsescenter Ringkøbing-Skjern (Denmark).

Knud Bjarne Hansen

Born: 26 March 1952

Nationality: Danish

Resident: Denmark

Position: Senior Vice President, Vestas Wind Systems A/S, Turbines R&D (Denmark) 1989- .

Position with Vestas Wind Systems A/S

Elected by company employees. Member of the Board of Directors since June 2012. Term of office expires in 2016.

Mr Hansen does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ due to employment with Vestas Wind Systems A/S (Denmark).

Shareholding

Vestas shareholding as per 31 December 2012: 915 shares.

Competencies

Education

1978 Marine Engineer, Aarhus School of Marine Engineering (Denmark)

1973 Mechanist, Fredericia School of Marine Engineering (Denmark)

1973 Mechanical Fitter, HECO A/S (Denmark)

Former positions

2005-2012 President, Vestas Towers A/S (Denmark)

2004-2005 VP of Project Logistics & Engineering, Vestas American Wind Technology Inc. (USA)

2003-2004 VP of Technical Support & Projects, Vestas Int. Wind Technology A/S (Denmark)

2001-2003 Group Service Manager, Vestas Wind Systems A/S (Denmark)

1998-2000 VP of Project- & Technology Transfer Department, Vestas Wind Systems A/S (Denmark)

1995-1998 Head of Project- & Technology Transfer Department, Vestas Wind Systems A/S (Denmark)

1989-1995 Head of Project Department, Vestas Danish Wind Technology A/S (Denmark)

1988-1989 International Purchaser, Inter Aqua A/S (Denmark)

1984-1988 Marine Superintendent, Bech Engineering A/S (Denmark)

1983-1984 Q/A Senior Quality Inspector, NGS/S&Q Tech A/S (Denmark)

1981-1983 Site Manager, B&S Environmental Engineering A/S (Belgium)

1979-1981 Marine Superintendent, Bech Engineering A/S (Denmark, Germany, Netherlands, Hong Kong)

1978-1979 Chief Engineer, Bech Rederierne A/S (worldwide)

1976 Operational Engineer, Danfoss A/S (Denmark)

1975-1976 Marine Engineer, Royal Danish Navy (North Atlantic Ocean)

1973-1975 Marine Engineer, Blæsbjerg & Co. (Denmark)

Special competencies

Mr Hansen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of steel and tower production, global procurement, technology transfer, services and infrastructure business and cross-cultural strategic management.

Kurt Anker Nielsen

Born: 8 August 1945
Nationality: Danish
Resident: Denmark
Position: Director

Position with Vestas Wind Systems A/S

Elected to the Board of Directors in April 2006 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2013.

Mr Nielsen meets the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ and the definition of independence of audit committee members as set out in the Danish Auditors' Act.¹⁰⁾

Designated by the Board of Directors as chairman of the Audit Committee and fulfills the demand for qualifications within financial accounting as set out in the Danish Auditors' Act.

Shareholding

Vestas shareholding as per 31 December 2012: 7,450 shares.¹¹⁾

Competencies

Education

1972 MSc (Economics and Business Administration),
Copenhagen Business School (Denmark)

Former positions

2000-2003 CEO, Novo A/S (Denmark)
1996-2000 Deputy CEO, Novo Nordisk A/S (Denmark)
1989-2000 CFO, Novo Nordisk A/S (Denmark)
1985-1989 Vice President Corporate Finance,
Novo Industri A/S (Denmark)
1984-1985 Director of Corporate Planning and Communications,
Novo Industri A/S (Denmark)
1977-1984 Head of Corporate Planning,
Novo Industri A/S (Denmark)
1974-1977 Economist, Novo Industri A/S (Denmark)
1973-1974 Management Consultant, Booz,
Allen and Hamilton of Scandinavia (Denmark)
1972-1973 Business Economist, Carlsberg A/S (Denmark)

Special competencies

Mr Nielsen has the following special competencies which are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of accounting, finance, capital markets and other financial matters as well as experience of managing an international, listed group.

Fiduciary positions

Chairman of the board of: Dalhoff Larsen & Horneman A/S (Denmark).

Deputy chairman of the board of: Novozymes A/S (Denmark).

Member of the boards of: Novo Nordisk A/S (Denmark), Novo Nordisk Fonden (Denmark) and Veloxis Pharmaceuticals A/S (Denmark).

Positions of trust

Chairman of: Novozymes A/S' Audit Committee (Denmark) and Veloxis Pharmaceuticals A/S' Audit Committee (Denmark).

Member of: Novo Nordisk A/S' Audit Committee (Denmark).

Lars Josefsson

Born: 31 May 1953
Nationality: Swedish
Resident: Sweden
Position: Independent consultant

Position with Vestas Wind Systems A/S

Deputy Chairman of the company's Board of Directors since 2012. Elected to the Board of Directors in March 2012. Term expires in 2013.

Mr Josefsson meets the definition of independence as set out by the Danish Corporate Governance Committee.⁹⁾

Designated by the Board of Directors as chairman of the Technology & Manufacturing Committee.

Shareholding

Vestas shareholding as per 31 December 2012: 2,000 shares.

Competencies

Education

1990 International Advanced Management Programme
(IAMP) (Switzerland)
1984-1985 Degree in Business Economics,
University of Uppsala (Sweden)
1973-1977 Master of Science, School of Engineering Physics,
Chalmers University of Technology (Sweden)

Former positions

2004-2011 President, Sandvik Mining and Construction (Sweden)
2003-2004 President, Siemens Industrial Turbines AB (Sweden)
1999-2003 President, ALSTOM Power Sweden AB (Sweden)
1977-1999 Various management positions at ABB (Sweden)

Special competencies

Mr Josefsson has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing international companies including research and development, technology and production.

Fiduciary positions

Member of the Board of: Wärtsilä Oyj Abp (Finland).

Michael Abildgaard Lisbjerg

Born: 17 September 1974
Nationality: Danish
Resident: Denmark
Position: Skilled Worker - Production and Shop Steward,
Vestas Manufacturing A/S (Denmark) 2001 -.

Position with Vestas Wind Systems A/S

Elected by Group employees. Member of the Board of Directors since April 2008 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2016.

Mr Lisbjerg does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ due to employment with the Vestas Manufacturing A/S (Denmark).

Shareholding

Vestas shareholding as per 31 December 2012: 834 shares.

Competencies

Education

2010-2011	Project management, Erhvervsakademi MidtVest (Denmark)
1998	Higher Preparatory Course – single subject (Denmark)
1996-1999	Military service, Royal Danish Life Guards (Denmark) and discharged as technical sergeant
1995	Auto Mechanic (Denmark)

Former positions

1999-2001	Nordisk Dæk Import A/S (Denmark)
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Special competencies

Mr Lisbjerg has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

Sussie Dvinge Agerbo

Born: 5 November 1970

Nationality: Danish

Resident: Denmark

Position: People & Culture employee, Vestas Wind Systems A/S (Denmark) 1990-

Position with Vestas Wind Systems A/S

Elected by company employees. Member of the Board of Directors since November 2005 and re-elected for subsequent terms, most recently in 2012. Term of office expires in 2016.

Mrs Agerbo does not meet the definition of independence as set out by the Danish Corporate Governance Committee⁹⁾ due to employment with Vestas Wind Systems A/S (Denmark).

Shareholding

Vestas shareholding as per 31 December 2012: 3,000 shares.¹¹⁾

Competencies

Education

2003	IT Administrator, Ringkøbing Business College/ Vestjysk Business College, Skjern (Denmark)
1997	Language secretary, German, Open education at HIH Herning (Denmark)
1995	Language secretary, English, Open education at HIH Herning (Denmark)
1989-1992	Commercial upper secondary examination (Denmark) and office assistant

Special competencies

Mrs Agerbo has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of project management and organisational structures including human resources and staff development.

Competencies and fiduciary positions of the members of the Executive Management

The members of the Executive Management have informed the company of the following competencies and fiduciary positions in other Danish and foreign companies and organisations.

Ditlev Engel

Born: 24 May 1964

Nationality: Danish

Resident: Denmark

Position: Group President & CEO, Vestas Wind Systems A/S, (Denmark) 2005-

Position in Vestas Wind Systems A/S

Member of the Executive Management since May 2005.

Shareholding

Vestas shareholding as per 31 December 2012: 2,224 shares.¹¹⁾

Competencies

Education

1997	General Management Program – INSEAD (France)
1990	Diploma in Business Economics, Copenhagen Business School (Denmark)

Former positions

2000-2005	Group President and CEO, Hempel A/S (Denmark)
1999-2000	Executive Vice President, Hempel A/S (Denmark)
1997-1999	President, Hempel Hai Hong Ltd. (China)
1995-1997	President, Hempel Norge AS (Norway)
1992-1995	Vice President, Hempel Hai Hong Ltd. (Hong Kong)
1990-1992	Vice President, Hempel Hong Kong Ltd. (Hong Kong)

Fiduciary positions

Member of: The General Council of the Confederation of Danish Industries (Denmark), the Industrial Policy Committee of the Confederation of Danish Industries (Denmark), the International Advisory Panel (IAP) on Energy from the Singaporean Ministry of Trade and Industry (Singapore), the Industry Advisory Group of the International Energy Agency (France) and UN's "High-Level Group on Sustainable Energy for All".

Industrial advisor for: EQT (Sweden).

Anders Vedel

Born: 6 March 1957
 Nationality: Danish
 Resident: Denmark
 Position: Executive Vice President & CTO,
 Vestas Wind Systems A/S (Denmark) 2012-

Position in Vestas Wind Systems A/S

Member of the Executive Management since February 2012.

Shareholding

Vestas shareholding as per 31 December 2012: 1,141 shares.¹¹⁾

Competencies**Education**

2008 Business Program at IMD, International Institute for Management Development (Switzerland)
 2002 Scandinavian International Management Institute (Denmark)
 1991-1995 Mechanical Engineer at Ingeniørhøjskolen Horsens (Denmark)

Former positions

2007-2012 Managing Director of Vestas Technology R&D, Vestas Technology R&D Chennai Pte. Ltd. (India)
 2007-2012 Senior Vice President of Vestas Technology R&D, Vestas Wind Systems A/S (Denmark)
 2006-2007 Vice President of CIM, Vestas Technology R&D, Vestas Wind Systems A/S (Denmark)
 2005-2006 Vice President of Operations, Vestas-Americas Wind Technology Inc. (USA)
 2004-2005 Vice President of Service Northern Europe, Vestas Northern Europe AB (Sweden)
 2003-2004 Service Manager, Vestas International Wind Technology A/S (Denmark)
 2000-2002 Technical Director, IWT-Italian Wind Technology S.r.l. (Italy)
 1995-2000 Various positions at Vestas Wind Systems A/S (Denmark)

Dag Andresen

Born: 21 April 1964
 Nationality: Norwegian
 Resident: Sweden
 Position: Executive Vice President & CFO,
 Vestas Wind Systems A/S (Denmark) 2012-

Position in Vestas Wind Systems A/S

Member of the Executive Management since August 2012.

Shareholding

Does not hold shares in the company.

Competencies**Education**

2004 Executive Leadership Programme, Harvard Business School, Boston (USA)
 2004 Executive Leadership Programme, Stanford Graduate School of Business, California (USA)
 2001 Executive Leadership Programme, IMD Lausanne, (Switzerland)
 2000 Executive MBA, Helsinki School of Economics & Business Administration (Finland)
 1994 Master of Science in Business Administration, Norwegian School of Economics & Business Administration, NHH, (Norway)
 1988 Royal Norwegian Air Force Academy (Norway)
 1985 Royal Naval Officer School (Norway)

Former positions

2008-2011 Group CFO & Deputy CEO, Senior Executive Vice President, Vattenfall AB, (Sweden)
 2007-2008 Senior Vice President and Head of Transaction & Finance Banking, Nordea Bank AB, (Sweden)
 2001-2007 Executive Vice President & Group Chief Audit Executive, Nordea Bank AB (Sweden)
 2000-2001 Vice President and Head of Finance & Controlling, Den Norske Bank A/S (Norway)
 1996-2000 Deputy Head of European Region, Nordic Investment Bank, NIB, (Finland)
 1994-1996 Business Controller, Kværner Engineering and Industry Group (Finland)
 1993-1994 International shipping, J.Odfjell Management (Norway)
 1988-1990 NATO Air Force Officer positions (International)
 1985-1986 Naval Officer positions, Royal Norwegian Navy (International)

Jean-Marc Lechêne

Born: 29 October 1958
Nationality: French
Resident: Denmark
Position: Executive Vice President & COO,
Vestas Wind Systems A/S (Denmark) 2012-.

Position in Vestas Wind Systems A/S

Member of the Executive Management since July 2012.

Shareholding

Does not hold shares in the company.

Competencies

Education

1988 MBA, INSEAD, Fontainebleau (France)
1981 Master Degree in Engineering,
École des Mines de Paris (France)

Former positions

2011-2012 President, Lechene Consulting (France)
2008-2011 Executive Vice President of Truck Tires Europe,
Michelin (France)
2002-2008 Executive Vice President & President,
Cement Operations North America (USA)
2000-2001 Senior Vice President & President,
Canadian Cement Operations, Lafarge (Canada)
1996-2000 Executive Vice President of China Cement Operations,
Lafarge (China)
1993-1996 Senior Vice President of Cement Strategy,
Lafarge S.A. (France)
1988-1993 Senior Manager, Manager and Associate,
McKinsey & Company (France)
1986-1987 Deputy Technical Director,
Dassault Systemes S.A. (France)
1984-1986 Technical Sales Engineer,
Dassault Systemes S.A. (France)

Juan Araluce y Martinez de Azagra

Born: 17 January 1963
Nationality: Spanish
Resident: Denmark
Position: Executive Vice President & CSO,
Vestas Wind Systems A/S (Denmark) 2012-.

Position in Vestas Wind Systems A/S

Member of the Executive Management since February 2012.

Shareholding

Does not hold shares in the company.

Competencies

Education

2003-2004 Advanced Management Program, IESE, Barcelona
(Spain) and Sales and Marketing Leadership Program,
Kellogg School, Chicago (USA)
1992-1995 Doctorate level courses in Economics,
ICADE, Madrid (Spain)
1988 Degree in Economics and Business Administration,
Universidad Complutense de Madrid (Spain)

Former positions

2007-2012 President of Vestas Mediterranean,
Vestas Eólica SAU (Spain)
2004-2007 Gas Performance Unit Leader Spain of Gas, Power and
Renewables Europe and Africa Business Unit,
BP Group (Spain)
2001-2003 Business Development Director of Power and
Renewables Europe and Africa Business Unit,
BP Group (Spain)
1999-2001 Sales Director of Gas and Power Business Spain, Power
and Renewables Europe and Africa Business Unit,
BP Group (Spain)
1995-1999 National Business Development and Distributors
Network Director of Consumer Industry Division,
BP Oil Spain (Spain)
1993-1995 Planning, Administration, and Systems Development
Director/Retail SAP Implementation Director of
Retail Division, BP Oil Spain (Spain)
1992-1993 Temporary Assignment, Polygon Retailing Ltd., (UK)
1991-1992 Global Customers Service Director of Oil Marketing
Unit, BP Oil International (UK)
1989-1991 Retail Network Development Manager, BP Med. (Spain)
1988-1989 Business Analyst of Retail Division, BP Spain (Spain)

9) The Committee on Corporate Governance's definition of independency, see vestas.com.

10) The Danish audit law's definition of audit members' independency, see vestas.com.

11) The mentioned number of shares includes both own and related parties' total shareholding.



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Consolidated accounts

Consolidated income statement 1 January – 31 December

mEUR	Note	2012	2011
Revenue	3, 4	7,216	5,836
Cost of sales	5, 6	(6,420)	(5,111)
Gross profit		796	725
Research and development costs	5, 6, 7	(255)	(203)
Distribution expenses	5, 6	(204)	(208)
Administrative expenses	5, 6	(333)	(352)
Operating profit before special items		4	(38)
Special items	5, 8	(701)	(22)
Operating profit		(697)	(60)
Income from investments in associates	15	(2)	1
Financial income	9	78	26
Financial expenses	10	(92)	(120)
Profit before tax		(713)	(153)
Corporation tax	11	(250)	(13)
Profit for the year		(963)	(166)
Attributable to:			
Shareholders in Vestas Wind Systems A/S		(963)	(166)
		(963)	(166)
Earnings per share (EPS)	12		
Earnings per share (EUR)		(4.76)	(0.82)
Earnings per share (EUR), diluted		(4.76)	(0.82)

Consolidated statement of comprehensive income 31 December

mEUR	2012	2011
Profit for the year	(963)	(166)
Exchange rate adjustment from conversion to EUR	(9)	6
Exchange rate adjustments relating to foreign entities	(11)	18
Fair value adjustments of derivative financial instruments	0	(24)
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	24	(10)
Tax on derivative financial instruments and other comprehensive income	(6)	8
Other comprehensive income after tax	(2)	(2)
Total comprehensive income	(965)	(168)
Attributable to:		
Shareholders in Vestas Wind Systems A/S	(965)	(168)
	(965)	(168)

Consolidated balance sheet 31 December – Assets

mEUR	Note	2012	2011
Goodwill		216	320
Completed development projects		485	577
Software		64	90
Development projects in progress		251	256
Total intangible assets	13	1,016	1,243
Land and buildings		785	1,020
Plant and machinery		220	387
Other fixtures and fittings, tools and equipment		218	326
Property, plant and equipment in progress		63	165
Total property, plant and equipment	14	1,286	1,898
Investments in associates	15	1	4
Other receivables	20	32	44
Deferred tax	16	146	333
Total other non-current assets		179	381
Total non-current assets		2,481	3,522
Inventories	17	2,244	2,546
Trade receivables	18	792	663
Construction contracts in progress	19	21	147
Other receivables	20	389	395
Corporation tax	22	63	41
Cash at bank and in hand	30	851	375
Total current assets		4,360	4,167
Non-current assets held for sale	21	131	0
Total assets		6,972	7,689

Consolidated balance sheet 31 December – Equity and liabilities

mEUR	Note	2012	2011
Share capital	23	27	27
Other reserves		5	7
Retained earnings		1,590	2,542
Total equity		1,622	2,576
Deferred tax	16	17	12
Provisions	24	175	145
Pension obligations		2	2
Financial debts	25	1,458	914
Total non-current liabilities		1,652	1,073
Prepayments from customers		1,716	1,865
Construction contracts in progress	19	77	38
Trade payables		1,008	1,563
Provisions	24	159	170
Financial debts	25	293	6
Other liabilities	26	412	356
Corporation tax	22	33	42
Total current liabilities		3,698	4,040
Total liabilities		5,350	5,113
Total equity and liabilities		6,972	7,689

Consolidated statement of changes in equity 1 January – 31 December

mEUR	Other reserves			Retained earnings	Total	
	Share capital	Translation reserve	Cash flow hedging reserve			
Equity at 1 January 2012	27	27	(20)	34	2,542	2,576
Share-based payment	0	0	0	0	11	11
Total comprehensive income for the year ¹⁾	0	(20)	18	(2)	(963)	(965)
Equity at 31 December 2012	27	7	(2)	32	1,590	1,622

mEUR	Other reserves			Retained earnings	Total	
	Share capital	Translation reserve	Cash flow hedging reserve			
Equity at 1 January 2011	27	3	6	36	2,718	2,754
Acquisition of treasury shares	0	0	0	0	(17)	(17)
Share based payment	0	0	0	0	7	7
Total comprehensive income for the year ¹⁾	0	24	(26)	(2)	(166)	(168)
Equity at 31 December 2011	27	27	(20)	34	2,542	2,576

Refer to the parent company's statement of changes in equity on page 119 for information about which reserves are available for distribution. For proposed distribution of profit, refer to page 117 of the parent company's annual accounts.

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

Consolidated cash flow statement 1 January – 31 December

mEUR	Note	2012	2011
Profit for the year		(963)	(166)
Adjustments for non-cash transactions	27	1,345	366
Interest received, etc.		38	22
Interest paid, etc.		(92)	(60)
Corporation tax paid		(97)	(69)
Cash flow from operating activities before change in net working capital		231	93
Change in net working capital	28	(304)	747
Cash flow from operating activities		(73)	840
Purchase of intangible assets		(169)	(327)
Purchase of property, plant and equipment		(167)	(406)
Purchase of other non-current assets		0	(19)
Acquisition of enterprise	29	0	(21)
Disposal of property, plant and equipment		45	12
Disposal of other non-current assets		5	0
Cash flow from investing activities		(286)	(761)
Free cash flow		(359)	79
Acquisition of treasury shares		0	(17)
Repayment of financial debts		(50)	0
Raising of financial debts		882	4
Cash flow from financing activities		832	(13)
Change in cash at bank and in hand less current portion of bank debt		473	66
Cash at bank and in hand less current portion of bank debt at 1 January		370	332
Exchange rate adjustments on cash at bank and in hand		4	(28)
Cash at bank and in hand less current portion of bank debt at 31 December		847	370
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		691	351
Cash at bank and in hand with disposal restrictions	30	160	24
Total cash at bank and in hand		851	375
Current portion of bank debt	25	(4)	(5)
		847	370

Notes to the consolidated accounts

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1 Group accounting policies

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

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

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

Basis of preparation

The annual report has been prepared under the historical cost method, except for the derivative financial instruments.

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

The accounting policies remain unchanged from 2011.

The annual report is presented in million EUR.

Implementation of new International Financial Reporting Standards

With effect from 1 January 2012, the Vestas Group implemented the following new and amended IFRSs and Interpretations.

IFRS 7 – The amendment prescribes further disclosure requirements in connection with transfer of financial assets.

The amendments and interpretations have not affected recognition and measurement or resulted in changes to the Group's accounting policies or changes to the note disclosures.

The amendments and interpretations have not affected earnings per share and diluted earnings per share.

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

Consolidated accounts and business combinations

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

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

An overview of Group legal entities is provided on pages 109–111.

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

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

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

Cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn-outs. Expenses related to the acquisition are recognised in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the enterprise acquired are recognised at the fair value at the date of acquisition calculated in accordance with the Group accounting policies.

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

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

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

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

Translation policies

Functional currency and presentation currency

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

Translation into presentation currency

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

Translation of transactions and amounts

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

Translation of Group enterprises

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

the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognised in other comprehensive income in the consolidated accounts. Similarly, exchange gains and losses on the part of loans and derivative financial instruments entered into in order to hedge the net investment in foreign enterprises with another functional currency than the currency of the parent company, which effectively hedge against corresponding exchange gains/losses on the net investment in the enterprise, are recognised in other comprehensive income in the consolidated accounts.

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

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

Derivative financial instruments

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 where the enterprise has the right and intention to settle several financial instruments on a net basis.

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

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

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

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

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

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

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

Segment information

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 activity. The reportable segments are an aggregation of operating segments within the Vestas Group as prescribed by IFRS 8. The reportable segments are determined based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker (CODM), 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 operating segments not included in the identified reportable segments are included under all other operating segments.

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

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

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

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

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

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

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

Share-based payments

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

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

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

Government grants

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.

Income statement

Revenue

Revenue comprises sale of wind turbines and wind power systems, after-sales service and sale of spare parts.

Sale of individual wind turbines and small wind power systems 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 systems with a high degree of customisation are recognised in revenue as the systems 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 systems sold, are recognised in the income statement over the term of the agreement as the agreed services are provided.

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.

Research and development costs

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.

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.

Special items

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 thereof.

Income from investments in associates

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

Financial income and expenses

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

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

Corporation tax

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

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

Balance sheet

Intangible assets

Goodwill

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

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

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

Development projects and software

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

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

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

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

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.

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

Property, plant and equipment

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 assets of own construction, 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 in the income statement. All other expenses incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as expenses in the financial year in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period, more than three months, of time to get ready for its intended use 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 cost of sales, research and development costs, distribution expenses as well as administrative expenses to the extent that depreciation is not included in the cost of assets of own construction.

Assets 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 no longer depreciated.

Leases

For accounting purposes, lease obligations 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 in accordance with the periods listed above. 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.

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the year of acquisition. Similarly, development projects in progress are tested annually for impairment.

The carrying amount of goodwill is tested 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, goodwill is written down to its lower recoverable amount in the income statement. Impairment losses on goodwill are recognised in a separate line in the income statement.

The carrying amounts of other 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 or an operating segment exceeds its recoverable amount. Impairment losses are recognised in the income statement in cost of sales, research and development costs, distribution expenses and administrative expenses. Impairment losses on goodwill are presented in a separate line in the income statement.

Impairment losses on goodwill are not reversed. Impairment losses on other assets 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.

Investments in associates

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

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

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

Inventories

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.

Trade receivables

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

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

Construction contracts in progress

Construction contracts in progress comprise agreements to deliver large wind power systems 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 systems construction site.

Prepayments from customers are recognised as liabilities.

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

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

Equity

Treasury shares

Purchase and sales sums as well as dividends relating to treasury shares are recognised directly in retained earnings in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares.

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

Dividend

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

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

Translation reserve

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

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

Cash flow hedging reserve

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

The cash flow hedging reserve also includes fair value adjustments of interest rate swaps outstanding at the balance sheet date, which were entered into to hedge against the interest rate risks on loans with floating interest rates.

Corporation tax and deferred tax

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.

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 concerning goodwill not deductible for tax purposes, office premises 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.

Provisions

Provisions are recognised when – in consequence of an event that has occurred before or on the balance sheet date – the company has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

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

Warranty provisions comprise warranty obligations made in respect of delivered wind turbines and wind power systems, based on experience. At the start of the warranty period, calculated provisions are made for each type

of wind turbine and are released to the income statement over the warranty period as warranty costs are incurred. Subsequently, periodic reviews are performed based on an overall assessment of the need for provisions.

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

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

Pension obligations

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

For defined benefit plans, an annual actuarial calculation is made of the net present value of the future benefits under the defined benefit plan. Net present value is calculated based on assumptions of the future development in e.g. salary level, interest rates, inflation and mortality. The net present value is calculated only for benefits earned by employees from their employment to date with the Group. The actuarially calculated net present value less the fair value of any plan assets is recognised in the balance sheet in pension obligations in accordance with the corridor method.

In the income statement, the pension expense for the year is recognised based on the actuarial estimates and financial expectations at the beginning of the year. Furthermore, a share of the accumulated actuarial gains or losses at the beginning of the financial year is recognised if it exceeds the higher of 10 per cent of the pension obligations and 10 per cent of the fair value of the pension assets. The amount is recognised in the income statement over the employees' estimated average remaining periods of employment with the Group. The non-recognised part of actuarial gains/losses is disclosed in the notes. Upon the change to IFRS, accumulated actuarial gains and losses were fully recognised in the opening balance sheet at 1 January 2005.

In the event of changes in benefits payable for employees' past services to the Group, a change is made to the actuarially calculated net present value, which is classified as past service cost. Past service cost is charged to the income statement immediately if the employees have already earned the right to the changed benefit. Otherwise, past service cost is recognised in the income statement over the period in which the employees earn the right to the changed benefit.

Where a pension plan constitutes a net asset, the asset is recognised only to the extent that it offsets non-recognised actuarial losses and future repayments from the plan, or if it will lead to a reduction in future contributions under the plan.

Other long-term staff benefits are similarly recognised by using an actuarial calculation, but without applying the corridor method. Accordingly, all actuarial gains and losses are recognised immediately in the income statement. Other long-term staff obligations include anniversary bonuses.

Financial debts

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.

Financial debts also include the capitalised remaining lease obligations on finance leases, measured at amortised cost.

Prepayments from customers

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

Other debt

Other debts are measured at amortised cost.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows relating to acquired enterprises are recognised from the date of acquisition. Cash flows relating to enterprises disposed of are recognised until the date of disposal.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from business acquisitions and sales 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 of shares for treasury 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 financial income and expenses, 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: Inventories, trade receivables, construction contracts in progress, other receivables minus trade and other payables, prepayments from customers and construction contracts in progress.

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

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

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

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

Share ratios

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

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

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

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

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

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

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

Terminology used in accounting policies

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

IASB: International Accounting Standards Board

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

2 Critical accounting judgements and estimates

When preparing the annual report of the Vestas Group, Management makes a number of accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are described below. The Group's accounting policies are described in detail in note 1 to the consolidated accounts.

Basis of preparation

Vestas revised its banking facilities in the second half of 2012 after deferring the covenant test on the former facilities in connection with the interim financial report for the first half year of 2012. During autumn 2012, Vestas conducted a thorough review of the future funding requirements of the company's new operating business model. The review shows that with the new operating business model Vestas will be capable of reducing its debt in the years to come. It is therefore Management's assessment that the revised banking agreement will ensure that the required financial resources are available to the Group in 2013. The bank agreement is based on the condition that the Group meets certain quarterly financial ratios (covenants) if the banks are to continue to make the credit facility available. Based on the Group's outlook and expectations in relation to the future financial performance ratios, it is Management's assessment that the credit facilities will be available throughout 2013. Deviations from the outlook may inherently change this picture.

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

Critical judgements

Use of percentage-of-completion method

Management performs critical accounting estimates in connection with income recognition. Provided that certain criteria in respect of project complexity, etc. are met, 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.

Critical estimates

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

The estimates and assumptions made are based on experience and other factors that Management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual amounts deviating from these estimates. Key risks of the Vestas Group have been described on pages 31-34 of the Management report, and in the individual notes to the consolidated accounts.

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

Warranty provisions

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 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 repair.

It is estimated that 15-20 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 148m have been made in 2012, corresponding to 2.1 per cent of the Group's revenue.

For further information on warranty provisions and related product risks, reference is made to page 22 of the Management report and to note 24 to the consolidated accounts.

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

The carrying amount of warranty provisions at 31 December 2012 was EUR 274m (2011: EUR 249m).

Impairment of assets

Goodwill

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

The estimate of the future free net cash flows is based on budgets and business plans for the coming five years and on projections for subsequent years. Key parameters are revenue development, EBIT, proposed capital expenditure as well as growth expectations for the following years. Budgets and business plans for the coming five years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. Projections for years following the next five-year period are based on general expectations and risks.

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

For a description of the impairment test of intangible assets and the related impairment loss, refer to note 13 to the consolidated accounts.

The carrying value of goodwill at 31 December 2012 was EUR 216m (2011: EUR 320m).

Development projects

Finished development projects are reviewed on an annual basis to determine whether there is any indication of impairment. If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings as well as interest rate and risks.

The carrying value of development projects in progress and finished development projects at 31 December 2012 was EUR 736m (2011: EUR 833m).

Property, plant and equipment

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

In 2012, an impairment loss of EUR 362m was recognised for property plant and equipment. For further details of the impairment loss, refer to note 14 to the consolidated accounts.

Deferred tax

The Vestas Group recognises deferred tax assets, including the tax value of tax loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future for set-off against future positive taxable income. The assessment is made on an annual basis and is based on the budgets and business plans for future years, including planned business initiatives.

The assessment in 2012 resulted in the write down of deferred tax assets by EUR 377m (2011: EUR 0m) primarily due to the fact that the tax losses are not expected to be utilised in the foreseeable future.

At 31 December 2012 the value of recognised deferred tax assets amounted to EUR 146m (2011: EUR 333m), of which EUR 38m (2011: EUR 115m) relates to tax loss carry-forwards. Of the total tax loss carry-forwards, EUR 0m (2011: EUR 0m) is expected to be realised within 12 months, and EUR 38m (2011: EUR 115m) is expected to be realised later than 12 months after the balance sheet date. The value of non-recognised tax assets (primarily tax loss carry-forwards) totals EUR 422m (2011: EUR 32m), which is not expected to be utilised in the foreseeable future.

For further details of deferred tax assets and write-downs in 2012 refer to note 16.

For a further description of the Group's tax assets, refer to note 16 to the consolidated accounts.

Non-current assets held for sale

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

3 Segment information

2012 mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service activity	Total reportable segments	
EXTERNAL REVENUE							
Wind turbines and wind power systems	3,213	2,281	804	0	-	6,298	
Service	-	-	-	-	886	886	
Other	12	0	0	20	0	32	
Total external revenue	3,225	2,281	804	20	886	7,216	
Internal revenue ¹⁾	522	58	26	4,730	0	5,336	
Total segment revenue	3,747	2,339	830	4,750	886	12,552	
Reportable segments' operating results (EBIT)²⁾	29	(70)	(62)	(139)	81	(161)	
Financial items (net)	13	(18)	(3)	48	-	41	
OTHER SEGMENT ITEMS							
Depreciation and amortisation	10	7	8	149	8	182	
Impairment losses ³⁾ (recognised in the income statement)	1	84	29	360	0	474	
Impairment losses (recognised in equity)	0	0	0	0	0	0	
Reversal of impairment losses (recognised in the income statement)	0	0	0	0	0	0	
Reversal of impairment losses (recognised in equity)	0	0	0	0	0	0	
Warranty provisions for the year	2	1	0	0	0	3	
Share-based payments	14	0	0	0	0	14	
Additions to property, plant and equipment and intangible assets	9	13	3	98	8	131	
Additions to investments in associates	0	0	0	0	0	0	
Investments in associates	0	0	0	0	0	0	
Non-current assets (excluding deferred tax, pensions, etc.)	91	25	27	892	13	1,048	
Non-current assets held for sale	0	0	0	131	0	131	
Segment assets	1,592	970	473	1,542	13	4,590	
External revenue specified by country:							
USA	-	1,413	-	-	-	-	
Germany	942	-	-	-	-	-	
External revenue in Denmark						146	
External revenue outside Denmark						7,070	
				USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)				-	-	-	1,609
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)				227	218	412	857

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

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

3) Impairment losses from other segment amounts to EUR 97m.

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 2012 and 2011 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

2011 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 systems	2,585	1,911	619	0	-	5,115
Service	-	-	-	-	705	705
Other	1	0	2	13	0	16
Total external revenue	2,586	1,911	621	13	705	5,836
Internal revenue ¹⁾	359	71	34	4,176	0	4,640
Total segment revenue	2,945	1,982	655	4,189	705	10,476
Reportable segments' operating results (EBIT)²⁾	40	(84)	(146)	109	42	(39)
Financial items (net)	(75)	(54)	(2)	(60)	-	(191)
OTHER SEGMENT ITEMS						
Depreciation and amortisation	12	6	15	125	8	166
Impairment losses (recognised in the income statement) ³⁾	0	0	0	22	0	22
Impairment losses (recognised in equity)	0	0	0	0	0	0
Reversal of impairment losses (recognised in the income statement)	0	0	0	0	0	0
Reversal of impairment losses (recognised in equity)	0	0	0	0	0	0
Warranty provisions for the year	1	0	0	0	0	1
Share-based payments	9	0	0	0	0	9
Additions to property, plant and equipment and intangible assets	24	11	8	241	6	290
Additions to investments in associates	0	0	0	0	0	0
Investments in associates	3	0	0	0	0	3
Non-current assets (excluding deferred tax, pensions, etc.)	120	19	38	1,378	13	1,568
Segment assets	2,018	977	674	2,387	13	6,069
External revenue specified by country:						
USA	-	1,705	-	-	-	
Germany	839	-	-	-	-	
External revenue in Denmark						170
External revenue outside Denmark						5,666
			USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)			-	-	-	1,838
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)			497	288	518	1,303

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 42m is after the allocation of Group costs of EUR 68m. EBIT before allocation of Group costs amounts to EUR 110m.

3) Impairment losses from other segment amounts to EUR 0m.

3 Segment information (continued)

mEUR	2012	2011
RECONCILIATION		
Reportable segments' EBIT	(161)	(39)
All other operating segments' EBIT ¹⁾	(536)	(21)
Consolidated operating profit (EBIT)	(697)	(60)
Reportable segments' revenue	12,552	10,476
All other segments' revenue	609	396
Elimination of internal revenue	(5,945)	(5,036)
Consolidated revenue	7,216	5,836
Reportable segments' assets	4,590	6,069
All other segments' assets	3,504	3,502
Elimination	(1,122)	(1,882)
Consolidated total assets	6,972	7,689

1) Includes parent company income (service, royalty and other rental income from Group companies) reduced by costs related to Vestas Technology R&D and Group staff functions.

4 Revenue

mEUR	2012	2011
Sale of wind turbines and wind power systems	6,298	5,115
Sale of service	886	705
Other	32	16
	7,216	5,836
Sale of wind turbines and wind power systems are specified as follows:		
Revenue using percentage-of-completion method (turnkey projects)	495	807
Revenue using completed contract method (supply-only and supply-and-installation projects)	5,803	4,308
	6,298	5,115

5 Amortisation, depreciation and impairment losses

mEUR	2012	2011
Amortisation, depreciation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets	221	128
Impairment losses, intangible assets	172	0
Depreciation, property, plant and equipment	241	205
Impairment losses, property, plant and equipment	362	22
Gains and losses on sold property, plant and equipment	0	10
	996	365
– and have been expensed as follows:		
Cost of sales	198	159
Research and development costs	203	128
Distribution expenses	38	40
Administrative expenses	30	16
Special items	527	22
	996	365

6 Staff costs

mEUR	2012	2011
Staff costs are specified as follows:		
Wages and salaries, etc.	1,091	1,037
Share-based payment	14	9
Pension schemes	53	55
Other social security expenses	118	114
	1,276	1,215
EUR 707m (2011: EUR 733m) out of the total staff costs is expensed in cost of sales, EUR 450m (2011: EUR 482m) is expensed in research and development costs, distribution expenses and administrative expenses and EUR 119m (2011: EUR 0m) is expensed in special items. The amount consists of termination benefits arising from restructurings resulting in a significant decrease in the number of employees.		
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	1
Executive Management		
Wages and salaries, etc.	3	2
Share-based payment	1	1
	4	3
The Executive Management was expanded in 2012 and the Vestas Government disbanded. Severance payment to former executives amounted to EUR 0.5m (2011: EUR 0m).		
Board of Directors and Executive Management are not covered by any pension schemes.		
Average number of employees	21,033	22,296
Number of employees 31 December	17,778	22,721

7 Research and development costs

mEUR	2012	2011
Research and development costs expensed in the year are specified as follows:		
Research and development costs	221	402
Capitalised development projects	(161)	(302)
Amortisation of development projects	191	103
Impairment losses on development projects	4	0
	255	203

8 Special items

mEUR	Note	2012	2011
Impairment losses on intangible assets		168	0
Impairment losses on property, plant and equipment		177	22
Impairment losses on property, plant and equipment held for sale		182	0
Write-down of inventories		24	0
Staff costs		119	0
Cancelled obligations (leasing, rental etc.)		10	0
Consultants/external assistance		11	0
Other restructuring cost		10	0
		701	22

9 Financial income

mEUR	2012	2011
Exchange rate adjustments	37	0
Deposits and receivables:		
– Interest income	19	21
– Other financial income	10	1
Hedge ineffectiveness (cash flow hedge)	9	0
Change in discounting of provisions	3	4
	78	26

10 Financial expenses

mEUR	2012	2011
Exchange rate adjustments	0	56
Financial debts, which are measured at amortised cost:		
– Interest expenses	59	53
– Other financial expenses	33	7
Hedge ineffectiveness (cash flow hedge)	0	4
	92	120

In 2012, borrowing costs amounting to EUR 1m (2011: EUR 10m) were capitalised as part of property, plant and equipment and development projects at a rate of 3.1 per cent (2011: 3.3 per cent).

11 Corporation tax

mEUR	2012	2011
Current tax on profit for the year	70	65
Deferred tax on profit for the year	164	(78)
Tax on profit for the year	234	(13)
Change in corporation tax rate	0	0
Adjustments relating to previous years (net)	16	26
Corporation tax in the consolidated income statement	250	13
Tax on entries in comprehensive income related to deferred tax	6	(8)
Tax on entries in comprehensive income	6	(8)
Total corporation tax for the year	256	5
Computation of effective tax rate:		
Corporation tax rate in Denmark	25%	25%
Adjustment relating to previous years	(2)%	(17)%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	1%	(9)%
Non-tax deductible expenses	(3)%	(8)%
Non-taxable income	1%	3%
Tax on special items	(4)%	(2)%
Write-down of tax assets	(53)%	0%
Effective tax rate	(35)%	(8)%

In 2012, the tax rate was (35) per cent against (8) per cent in 2011. The development in the tax rate is primarily due to write-down of tax assets in 2012.

12 Earnings per share (EPS)

	2012	2011
Profit for the year (mEUR)	(963)	(166)
Weighted average number of ordinary shares	203,704,103	203,704,103
Weighted average number of treasury shares	(1,455,813)	(1,260,197)
Average number of shares outstanding including dilutive effect of options	202,248,290	202,443,906
Earnings per share (EPS)	(4.76)	(0.82)
Earnings per share (EPS-D), diluted	(4.76)	(0.82)

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

13 Intangible assets

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

The impairment on development projects relates to the restructuring activities in 2012. Included in software are IT projects in progress amounting to EUR 1m at 31 December 2012.

2011 mEUR	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	320	361	137	457	1,275
Exchange rate adjustments	0	1	1	2	4
Additions	0	16	26	302	344
Disposals	0	(4)	0	(6)	(10)
Transfers	0	499	0	(499)	0
Cost at 31 December	320	873	164	256	1,613
Amortisation and impairment losses at 1 January	0	192	49	0	241
Exchange rate adjustments	0	1	0	0	1
Amortisation for the year	0	103	25	0	128
Impairment losses for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	0	0	0	0	0
Amortisation and impairment losses at 31 December	0	296	74	0	370
Carrying amount at 31 December	320	577	90	256	1,243
Internally generated assets included above	0	561	88	256	905
Amortisation period		3–5 years	5 years		

Included in software are IT projects in progress amounting to EUR 9m at 31 December 2011.

13 Intangible assets (continued)

Goodwill

At 31 December 2012, management completed impairment testing of the carrying amount of goodwill. The impairment testing was done in the fourth quarter based on the budgets and business plans approved by the Board of Directors and the Executive Management as well as other assumptions adjusted, as required, to comply with IAS 36.

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

For the purpose of the impairment test, the carrying amount of goodwill at 1 January 2004 plus goodwill from subsequent acquisitions have been allocated to the operating segments: Europe and Africa, Americas and Asia Pacific. At 31 December 2011, goodwill of the three units amounted to EUR 229m, EUR 84m and EUR 7m, respectively.

The impairment test performed resulted in recognition of an impairment loss of EUR 104m of which EUR 84m relates to Americas. As a result of the current market conditions and conservative expectations for the US market development business plans and future growth expectations have been revised. The basis for determining the impairment loss is value in use. The discount rate applied for determining value in use was 10.6 per cent after tax and the cash flows were based on a growth in the terminal period of 2 per cent.

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

When performing this impairment test, the recoverable amount (value in use) calculated as the discounted value of expected future cash flows is compared to the carrying amount of the operating segment.

The discount rate used to calculate the recoverable amount before tax was 12.4 per cent (2011: 19.1 per cent). The discount rate reflects the risk-free interest rate and related risk of the Europe and Africa segment.

Expected future cash flows are based on budgets and business plans for the next five years. The key parameters are revenue, EBIT, working capital investments, capital investments in progress and contracted as well as growth assumptions.

The revenue growth rate in the period 2009–2012 amounted to 9 per cent per year.

The growth rate used in the impairment model for the years after 2017 is 2 per cent (2011: 2 per cent), which, to be prudent, is lower than the expected growth rate for the same period.

At 31 December 2012, the net working capital as a percentage of revenue amounted to 3 per cent. In the period 2008–2012 the net working capital as a percentage of revenue moved from (1) to 3 per cent, see the Group financial highlights for the development in net working capital over this period.

Budgets and business plans for the next five years are based on Vestas' investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and recognised in the expected future cash flows. Projections for year six onwards are based on general market expectations and risks.

The terminal value after the five years is determined taking into account general growth expectations for the segments in question.

At 31 December 2012 the recoverable amount and net book values of the operating segment Europe and Africa was EUR 1,572m and EUR 1,484m respectively. For 2011 the recoverable amounts and book values of the segments Europe and Africa, Americas and Asia Pacific were: EUR 2,010m and EUR 1,826m; EUR 1,207m and EUR 737m; and EUR 583m and EUR 505m, respectively. Possible changes to the fundamental assumptions might result in the carrying amount of goodwill exceeding the recoverable amount in a segment.

Development projects

Recognised completed development projects and development projects in progress comprise development and testing of new wind turbines. The new wind turbines are expected to result in competitive advantages and thus a strengthening of the Group's market position.

The values of the development projects recognised have been compared to expected sales of the individual turbine types. In 2012, an impairment loss of EUR 65m has been recognised. The loss, of which EUR 61m is included in special items, relates to cancelled development projects in relation to the restructuring.

Software

Software comprises expenses for acquiring software licences and own development. The value of the recognised software has been compared to the expected value in use. The impairment losses on software in 2012, included in special items on the income statement, relate to cancelled software projects in relation to the restructuring. The cost of software capitalised outside Europe is immaterial.

14 Property, plant and equipment

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

2011 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	1,056	548	563	285	2,452
Exchange rate adjustments	24	14	9	5	52
Additions	8	72	100	226	406
Disposals	(5)	(48)	(38)	(1)	(92)
Transfers	185	77	88	(350)	0
Cost at 31 December	1,268	663	722	165	2,818
Depreciation and impairment losses at 1 January	189	244	315	0	748
Exchange rate adjustments	5	5	8	0	18
Depreciation for the year	45	55	105	0	205
Impairment losses for the year	11	8	3	0	22
Reversal of depreciation of disposals in the year	0	(45)	(28)	0	(73)
Transfers	(2)	9	(7)	0	0
Depreciation and impairment losses at 31 December	248	276	396	0	920
Carrying amount at 31 December	1,020	387	326	165	1,898
Depreciation period	20–40 years	3–10 years	3–5 years		

The impairment losses on property, plant and equipment relate to, among other things, the sale of the tower factory in Varde, Denmark.

14 Property, plant and equipment (continued)

As described in note 13, the current market conditions in the USA have resulted in revised business plans and reduced growth expectations. Consequently, the Group performed an impairment test on the non-current assets of the US operations. Besides this, Vestas has made other decisions related to the restructuring which has also resulted in impairment. This resulted in recognition of a total impairment loss of EUR 177m as specified below:

mEUR	
Land and buildings	54
Plant and machinery	38
Other fixtures and fittings, tools and equipment	85
In total	177

The assets evaluated as value in use, form part of the production unit segment. The basis for determining the impairment loss was value in use applying a discount rate before tax of 14.4 per cent. There were no impairment indicators in 2011.

As described in note 21, an impairment loss of EUR 182m was recognised on the decision to divest manufacturing units.

15 Investments in associates

mEUR	2012	2011
Cost at 1 January	4	5
Exchange rate adjustments	0	0
Additions	0	1
Disposals	0	0
Disposals, disposals of companies	(1)	(2)
Cost at 31 December	3	4
Value adjustments at 1 January	0	(1)
Exchange rate adjustments	0	0
Share of profit	(2)	1
Dividend	0	0
Disposals	0	0
Value adjustments at 31 December	(2)	0
Carrying amount at 31 December	1	4

16 Deferred tax

mEUR	2012	2011
Deferred tax at 1 January (net)	321	218
Exchange rate adjustments	(3)	(1)
Deferred tax on profit for the year	(164)	78
Adjustment relating to previous years	(18)	17
Changes in corporation tax rate	(1)	1
Tax on entries in comprehensive income	(6)	8
Deferred tax at 31 December (net)	129	321
Tax base of tax loss carry-forwards (net)	223	115
Intangible assets	(64)	(76)
Property, plant and equipment	191	78
Current assets	115	125
Provisions	107	93
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	0	(23)
Tax credit	15	11
Write-down of tax assets	(422)	(45)
Other	(19)	55
Deferred tax assets	146	333
Intangible assets	0	0
Property, plant and equipment	16	11
Current assets	0	0
Provisions	0	0
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	0	0
Other	1	1
Provision for deferred tax	17	12
Deferred tax asset at 31 December (net)	129	321

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 2012 (2011: EUR 0m).

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

Of the total tax carry-forwards, EUR 24m (2011: EUR 21m) are subject to expiry limits, but these losses are all expected to be utilised within three years.

As a consequence of the declining earnings and a more conservative view of the future market, the expected future taxable profit has been reduced significantly. 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. This has resulted in a write down of tax assets of EUR 377m. Consequently, deferred tax assets amounting to EUR 422m (2011: EUR 32m) have not been recognised in the balance sheet.

Of the total deferred tax relating to tax loss carry-forwards written down, EUR 186m (2011: EUR 0m) relates to Denmark. The recognised loss carry-forward relating to Denmark amount to EUR 0m (2011: EUR 134m).

17 Inventories

mEUR	2012	2011
Raw materials and consumables	589	774
Work in progress	490	513
Finished goods	1,164	1,256
Prepayments for goods	1	3
	2,244	2,546
Inventories used for the year, which are included in cost of sales	5,703	4,196
Write-downs of inventories in the year	66	46
Reversal of write-downs in the year	33	26

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

18 Trade receivables

mEUR	2012	2011
Trade receivables	792	663
Fair value of security received for trade receivables balances outstanding as at 31 December	326	142
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	(3)	(2)
Write-downs in the year	(8)	(1)
Write-downs at 31 December	(11)	(3)
All trade receivables are expected to be received within 12 months.		
The age distribution of receivables at 31 December was:		
Not overdue	621	558
0–60 days overdue	118	63
61–120 days overdue	20	8
121–180 days overdue	8	5
More than 180 days overdue	25	29
	792	663

The total write-downs of trade debtors of EUR 11m (2011: EUR 3m) is 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.

19 Construction contracts in progress

mEUR	2012	2011
Sales value of construction contracts in progress	371	403
Progress billings	(427)	(294)
	(56)	109
– which are included as follows:		
Construction contracts in progress (assets)	21	147
Construction contracts in progress (liabilities)	(77)	(38)
	(56)	109

There were no retentions related to construction contracts in progress at the end of 2012 and 2011.

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

20 Other receivables

mEUR	2012	2011
Prepayments	19	33
Supplier claims	9	17
Other receivables	393	389
	421	439
– specified as follows:		
0–1 years	389	395
> 1 year	32	44
	421	439

Other receivables principally comprise of VAT and insurance.

21 Non-current assets held for sale

As part of the Group's move towards increased manufacturing flexibility in 2012 the Board of Directors approved the divestment of a number of manufacturing units. The sale, purely the sale of assets (asset deal), is expected to be completed in 2013.

On classification as held for sale, the assets were written down to the expected sales price, based on market indications, less costs to sell. This resulted in an impairment loss of EUR 182m.

mEUR	2012	2011
Non-current assets classified as held for sale:		
Property, plant and equipment	124	0
Other non-current assets	7	0
	131	0

22 Corporation tax

mEUR	2012	2011
Corporation tax at 1 January	(1)	40
Exchange rate adjustments	1	(1)
Corporation tax for the year	(70)	(65)
Adjustments relating to previous years	2	(43)
Change in corporation tax rate	1	(1)
Corporation tax paid in the year	97	69
Corporation tax at 31 December	30	(1)
Corporation tax (assets)	63	41
Corporation tax (liabilities)	(33)	(42)
	30	(1)

23 Share capital

	2012	2011
The share capital comprises 203,704,103 shares of DKK 1.00	203,704,103	203,704,103
Number of shares at 1 January	203,704,103	203,704,103
Number of shares at 31 December	203,704,103	203,704,103
Shares outstanding	202,248,290	202,248,290
Treasury shares	1,455,813	1,455,813
Number of shares at 31 December	203,704,103	203,704,103

The share capital was increased by 18,500,000 shares of DKK 1.00 in 2009. Except for this increase, the share capital has not changed in the period 2008–2012.

All shares rank equally.

	2012	2011	2012	2011	2012	2011
	Number of shares	Number of shares	Nominal value (DKK)	Nominal value (DKK)	% of share capital	% of share capital
Treasury shares at 1 January	1,455,813	755,813	1,455,813	755,813	0.7	0.4
Purchases/(sales)	0	700,000	0	700,000	0.0	0.3
Treasury shares at 31 December	1,455,813	1,455,813	1,455,813	1,455,813	0.7	0.7

The Board of Directors has been authorised at the Annual General Meeting to allow Vestas Wind Systems A/S to acquire treasury shares amounting to a total nominal value of 1.0 per cent of the company's share capital during the period up until the next Annual General Meeting on 21 March 2013.

Vestas Wind Systems A/S acquired treasury shares in 2011 with a nominal values of DKK 300k, DKK 200k and DKK 200k at share prices of DKK 179.10, DKK 199.67 and DKK 154.12, respectively, corresponding to an acquisition sum of EUR 17m. In 2009, Vestas acquired treasury shares, with a nominal value of DKK 22k at a share price of DKK 339.17 corresponding to an acquisition sum of EUR 1m.

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

The share capital has been fully paid.

No dividends have been paid in 2012 and 2011 relating to the financial years 2011 and 2010.

24 Provisions

mEUR	2012	2011
WARRANTY PROVISIONS		
Warranty provisions at 1 January	249	283
Exchange rate adjustments	(1)	1
Warranty provisions for the year	148	148
Utilised warranty provisions during the year	(119)	(179)
Adjustments relating to the change in discounting of warranty provisions	(3)	(4)
Warranty provisions at 31 December	274	249
The warranty provisions are expected to be consumed as follows:		
0-1 year	132	138
>1 year	142	111
	274	249

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.

See page 22 of the management report and note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

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

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 turbine being recognised as a warranty obligation.

It is estimated that 15–20 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 for upgrades of wind turbines sold in previous years, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

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 Group's products and to improve customer earnings.

24 Provisions (continued)

mEUR	2012	2011
OTHER PROVISIONS		
Other provisions at 1 January	66	79
Exchange rate adjustments	0	0
Other provisions for the year	27	45
Utilised other provisions during the year	(33)	(58)
Adjustment to previously recognised other provisions	0	0
Other provisions at 31 December	60	66
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 estimate and are expected to be settled, on average, over 2-3 years.		
Other provisions are expected to be payable as follows:		
0-1 year	27	32
> 1 year	33	34
	60	66
Provisions are expected to be payable as follows:		
0-1 year	159	170
> 1 year	175	145
	334	315

25 Financial debts

mEUR	2012	2011
Financial debts are recognised in the balance sheet as follows:		
CURRENT LIABILITIES		
Mortgage debt	0	1
Debt to credit institutions	289	0
Bank debt	4	5
	293	6
NON-CURRENT LIABILITIES		
Mortgage debt	7	7
Debt to credit institutions	853	309
Corporate bonds	598	598
	1,458	914
Specified as follows:		
1-5 years	1,454	910
> 5 years	4	4
Financial debts	1,751	920
Fair value	1,618	851
Nominal value	1,753	920

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 23 March 2015.

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

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

26 Other liabilities

mEUR	2012	2011
Staff costs	130	101
Taxes and duties	148	153
Other payables	134	102
	412	356

27 Adjustments for non-cash transactions

mEUR	2012	2011
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment, including gains and losses on sale of non-current assets	996	365
Share of profit in associates	2	1
Warranty provisions in the year (net)	25	(35)
Other provisions in the year	(6)	(12)
Exchange rate adjustment	50	(69)
Financial income	(78)	(26)
Financial expenses	92	120
Corporation tax for the year	250	13
Cost of share-based payments	14	9
	1,345	366

28 Change in net working capital

mEUR	2012	2011
Change in inventories	302	193
Change in receivables	3	(264)
Change in prepayments from customers	(110)	342
Change in trade payables	(555)	443
Change in other liabilities	56	33
	(304)	747

29 Acquisition of enterprises

mEUR	2012		2011	
	Fair value	Carrying amount prior to acquisition	Fair value	Carrying amount prior to acquisition
Other non-current assets	0	0	17	17
Total non-current assets	0	0	17	17
Inventories	0	0	4	4
Trade receivables	0	0	0	0
Cash at bank and in hand	0	0	0	0
Other receivables	0	0	0	0
Total current assets	0	0	4	4
Total non-current liabilities	0	0	0	0
Trade payables	0	0	0	0
Other liabilities	0	0	0	0
Total current liabilities	0	0	0	0
Net assets	0	0	21	21
Goodwill	0	0	0	0
Total purchase consideration:	0	0	21	21
of which relating to cash and cash equivalents less bank debt	0	0	0	0
Purchase consideration payable	0	0	0	0
Cash purchase consideration	0	0	21	21
Share consideration	0	0	0	0
Net cash purchase consideration	0	0	21	21

In 2011, Vestas Wind Systems A/S acquired activities in OCAS AS related to a completed development project in Norway as well as activities related to project development in Bulgaria.

30 Cash at bank and in hand

Cash at bank and in hand with disposal restrictions, EUR 160m (2011: EUR 24m), are included in day-to-day cash management. The balance mainly comprises prepayments from a number of customers in relation to projects and cash deposits relating to issuance of bonds, where the restrictions are lifted as contractual obligations are met.

31 Fees to auditors appointed by the Annual General Meeting

mEUR	2012	2011
Audit:		
PricewaterhouseCoopers	3	3
Total audit	3	3
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	0	0
Tax assistance	1	1
Other services	8	1
Total non-audit services	9	2
Total	12	5

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

The increase in other services in 2012 compared to 2011 is due to consultancy work related to the financing of Vestas.

32 Management's option programme and shareholdings

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

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

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

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

The options 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 movement 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.

32 Management's option programme and shareholdings (continued)

2006 programme

A share option programme was established in 2006 for the Executive Management, the Vestas Government and other selected executives of the Group, totalling 20 people. Apart from the 2,550 options exercised, all the options allotted under this programme have either lapsed/forfeited or expired.

2007 programme

A new option programme was established for the same members as in the 2006 programme with allotment in 3 tranches. The options allotted to the members of the schemes for 2007, 2008 and 2009 are determined based their annual salaries. For 2008 onwards members will only be allotted options if they are still employed when the Board of Directors approves the annual report for the respective years. 207,952, 189,002 and 183,126 options were allotted in 2007, 2008 and 2009, respectively. The options can be exercised within two years of the date on which three years have elapsed since allotment. This period after the allotment of options is referred to as vesting period.

2009 expansion

Three new members were added to the programme on 7 January 2009 and were granted 21,970 options. A further four members were added to the scheme on 27 October 2009 and were granted 31,858 options. In both cases the date of allotment was that of the Board of Director's approval of the annual report for 2009, but the service periods start in January 2009 and October 2009, respectively. The terms and conditions of the options are the same as those for the options granted in May 2007.

2010 programme

On 25 January 2010, the 2007 programme was expanded to include other members of management and a total of 774,539 options were granted, of which 75,335 were allocated to the Executive Management. The terms and conditions of the options are similar to those for the options granted in May 2007.

2011 programme

On 2 March 2011, new options totalling 997,857 were granted. 82,869 options were allocated to the Executive Management. The terms and conditions of the options are similar to those for the 2010 programme.

2012 programme

On 9 March 2012, new options totalling 1,054,188 were granted, of which 172,014 options were allocated to the Executive Management. The terms and conditions of the options are similar to those for the 2010 programme.

The fair value at the grant date has been calculated under the Black-Scholes option pricing model, adjusted for dilution of share capital, based on the following assumptions:

	2012 programme	2011 programme	2010 programme	2007 programme 2009 expansion (October)	2007 programme 2009 expansion (January)	2007 programme 2007, 2008 and 2009 grant
Share price at grant (DKK)	53.50	191.50	299.00	337.00	303.50	380.50
Volatility (%)	57	54	56	65	88	44
Exercise price (DKK)	60.66	184.06	320.60	380.50	380.50	380.50
Risk-free interest rate for options (%)	1.02	2.39	2.85	3.47	3.27	4.30
Annual dividend per share (DKK)	0	0	0	0	0	0
Years to expiry	6	5	5	5	5	5
Exercise period	2016 - 2017	2015 - 2016	2014 - 2015	2013 - 2015	2013 - 2015	2010 - 2015
Market value at grant (mEUR)	5	14	16	1	1	12
hereof Executive Management	1	1	2	-	-	3

32 Management's option programme and shareholdings (continued)

					Grant date		Balance sheet date
	Group Executive Management pcs	Other executives pcs	Total pcs	Exercise price per option DKK	Fair value per option DKK	Total fair value tEUR	Total fair value ¹⁾ tEUR
Outstanding at 1 January 2012	329,684	2,028,168	2,357,852			42,638	2,018
Transferred	61,710	(61,710)	0	184-381	102-207	0	-
Granted 2011 programme		3,242	3,242	184	102	45	-
Granted 2012 programme	172,014	882,174	1,054,188	61	26	3,699	-
Lapsed	(130,319)	(57,256)	(187,575)	61-381	26-207	(2,516)	-
Expired	(80,476)	(149,335)	(229,811)	147-381	89-207	(4,432)	-
Outstanding at 31 December 2012	352,613	2,645,283	2,997,896			39,434	2,000
Outstanding at 1 January 2011	246,815	1,146,894	1,393,709			29,332	11,598
Granted 2010 programme	0	57,843	57,843	321	158	1,224	-
Granted 2011 programme	82,869	914,988	997,857	184	102	13,705	-
Lapsed	0	(91,557)	(91,557)	184-321	158-102	(1,623)	-
Expired	0	0	0		-	-	-
Outstanding at 31 December 2011	329,684	2,028,168	2,357,852			42,638	2,018
Number of exercisable options at 31 December 2012	42,424	113,459	155,701	380.50 ²⁾			
Number of exercisable options at 31 December 2011	70,317	159,494	229,811	333.30 ²⁾			

1) The fair value as at 31 December is determined based on parameters as at that date with the exception of the exercise price, which remains constant as specified on page 95.

2) Weighted average.

The weighted average remaining life of the options outstanding at 31 December 2012 was two years (2011: three years).

32 Management's option programme and shareholdings (continued)

	Options outstanding			Options exercised		Lapsed options		Expired options	
	No. of options	Exercise price	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Programmes 2012									
2006 programme	0	-	-	(2,550) ¹⁾	-	(7,293)	-	(46,605)	-
2007 programme	352,314	380.50	-	0	-	(98,388)	-	(183,206)	-
2010 programme	742,632	320.60	-	0	-	(89,750)	-	0	-
2011 programme	910,917	184.06	-	0	-	(90,182)	-	0	-
2012 programme	992,033	60.66	-	0	-	(62,155)	-	0	-
	2,997,896		200.13	(2,550)	147.60	(347,768)	252.05	(229,811)	333.27

1) The weighted average share price at the date of exercise was DKK 313.60.

	Options outstanding			Options exercised		Lapsed options		Expired options	
	No. of options	Exercise price	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Programmes 2011									
2006 programme	46,605	147.60	-	(2,550) ¹⁾	-	(7,293)	-	0	-
2007 programme	572,565	380.50	-	0	-	(61,343)	-	0	-
2010 programme	783,131	320.60	-	0	-	(49,251)	-	0	-
2011 programme	955,551	184.06	-	0	-	(42,306)	-	0	-
	2,357,852		276.40	(2,550)	147.60	(160,193)	299.60	0	-

1) The weighted average share price at the date of exercise was DKK 313.60.

Management's holdings of Vestas shares

The internal rules regarding the trading in Vestas shares for the Board of Directors, the Executive Management and certain employees only allow trading in the four weeks following the publication of the annual report and interim financial reports.

	Balance at 1 January	Purchased in the year	Sold in the year	Balance 31 December	Market value ¹⁾ tEUR
THE BOARD OF DIRECTORS					
Bert Nordberg	0	10,000	-	10,000	43
Carsten Bjerg	1,831	0	-	1,831	8
Eija Pitkänen	0	500	-	500	2
Håkan Eriksson	0	0	-	0	0
Jørgen Huno Rasmussen	2,935	0	-	2,935	13
Jørn Ankær Thomsen	2,500	-	-	2,500	11
Kim Hvid Thomsen	4,798	587	-	5,385	23
Knud Bjarne Hansen	915	0	-	915	4
Kurt Anker Nielsen	7,450	0	-	7,450	32
Lars Josefsson	0	2,000	-	2,000	9
Michael Abildgaard Lisbjerg	834	0	-	834	4
Sussie Dvinge Agerbo	3,000	-	-	3,000	13
	24,263	13,087	-	37,350	162
EXECUTIVE MANAGEMENT					
Ditlev Engel	2,224	-	-	2,224	9
Anders Vedel	1,141	-	-	1,141	5
Dag Andresen	0	-	-	0	0
Jean-Marc Lechêne	0	-	-	0	0
Juan Araluca	0	-	-	0	0
	3,365	0	0	3,365	14

1) The calculation of the year-end market value is based on the share price quoted on the NASDAQ OMX Copenhagen at the end of the year (DKK 31.86).

33 Related party transactions

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

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

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

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

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

Purchase of normal legal services for EUR 2.1m at arm's length basis (2011: EUR 0.3m) from the law firm Gorrissen Federspiel, where Jørn Ankær Thomsen is Attorney at law. The outstanding balance payable to Gorrissen Federspiel at 31 December 2012 amounted to EUR 0.4m (2011: EUR 0.1m).

Three people (2011: five) covered by the definition of related parties have directly or indirectly full or part ownership of wind turbines where a company in the Vestas Group performs service work. These transactions take place at arm's length and in total amounted to EUR 0.1m in 2012 (2011: EUR 0.4m). The outstanding amount of purchases from related parties at 31 December 2012 amounted to EUR 0.0m (2011: EUR 0.3m).

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

With the exception of the Board members elected by the employees, no members of the Board of Directors have been employed by the Group in 2012.

Transactions with associates

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

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

34 Government grants

The Group has received a number of government grants, of which EUR 2m (2011: EUR 0m) has been offset against incurred expenses and EUR 0m (2011: EUR 28m) against non-current assets. Out of the EUR 2m (2011: EUR 0m) offset against incurred expenses, EUR 2m (2011: EUR 0m) was received in cash.

35 Mortgages and security

As part of entering into the revised loan facility agreement, security has been provided for the facility. Security has been provided on:

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

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

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

Furthermore, the Group has issued mortgage deeds registered to the mortgagor and all-money mortgages which are secured on the aforementioned properties. These mortgage deeds registered to the mortgagor and all-money mortgages are all in the possession of the Group.

As security for credit facilities, the Group has given security in its cash at bank and in hand and other current assets.

mEUR	2012	2011
Mortgages		
Total mortgage loans	7	8
Mortgage deeds and all-money mortgages:		
Nominal value of mortgage deeds and all-money mortgages	10	10
Carrying amount of pledged assets	18	21
Other mortgage deeds and all-money mortgages in the possession of the Group	256	122
Other securities issued		
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Bank guarantees	519	345
	519	345

36 Contractual obligations

mEUR	2012	2011
The minimum lease obligations relating to operating leases fall due:		
0-1 year	50	49
1-5 years	99	100
> 5 years	59	30

Operating leases comprise irrevocable operating leases regarding buildings and vehicles. The main obligations relates to buildings in USA and Germany and runs for up to 20 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.

Costs recognised in the income statement relating to operating leases amount to EUR 49m in 2012 (2011: EUR 44m).

The Group has entered into binding contracts concerning purchase of plant to be delivered in 2013 and thereafter to a value of EUR 8m (2011: EUR 18m).

The Group has entered into binding contracts concerning purchase of components for production to be delivered in 2013 and thereafter to a total value of EUR 60m (2011: EUR 1,346m).

37 Contingent liabilities and contingent assets

Contingent liabilities

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

Contingent assets

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

38 Derivative financial instruments, risk and financial management

The Group's policy for managing financial risks

The Vestas Group is exposed to changes in exchange rates, interest rates and commodity prices due to its investments and financing operations. Management identifies the level and concentration of risks and initiates policies to address these, through continuous business reviews. The Group is also exposed to credit and liquidity risks, but it is the Group's policy not to engage in any active speculation in financial risks. Accordingly, the Group's financial management is directed solely towards managing 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 Vestas is unable to meet its obligations as they fall due because of inability to realise assets or obtain adequate funding. The Group ensures that a strong liquidity position is maintained in order to service its financial obligations as they fall due, both under normal and more pressing conditions.

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

Vestas revised its banking facilities in the second half of 2012 after deferring the covenant test on the former facilities in connection with the interim financial report for the first half year of 2012. The revised facilities agreed upon in November 2012 consist of:

- A EUR 900m syndicated loan facility with the existing lender group of nine international banks structured as a EUR 250m amortising term loan and a EUR 650m revolving credit facility. The term of the facility is two years. The revised facility replaces the former syndicated facility of EUR 1,300m.
- Revised term loans on an amortising basis with the European Investment Bank for EUR 200m and with the Nordic Investment Bank for EUR 55m.

In addition to the above facilities, Vestas has a corporate Eurobond of EUR 600m and project related guarantee facilities of EUR 519m ensuring that customers are willing to accept incorporating of prepayments in the terms of sales agreements.

The bank agreement is based on the condition that the Group meets certain quarterly financial ratios (covenants) if the banks are to continue to make the credit facility available. Based on the Group's outlook and expectations in relation to the future financial performance ratios, it is Management's assessment that the credit facilities will be available throughout 2013. Deviations from the outlook may inherently change this picture.

The value of cash assets with disposal restrictions was EUR 160m at 31 December 2012 (2011: EUR 24m).

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

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

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

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

2011 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	8	8	1	3	4	8
Bank debt and debt to credit institutions	314	314	5	309	0	314
Trade payables	1,563	1,563	1,563	0	0	1,563
Other liabilities	267	267	267	0	0	267
Corporate bonds	598	521	0	598	0	598
	2,750	2,673	1,836	910	4	2,750
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate obligation	11	11	9	2	0	11
Fixed-rate obligation	9	9	7	2	0	9
Currency hedging agreements:						
Cash flow hedges	53	53	39	14	0	53
Fair value hedges	16	16	16	0	0	16
	89	89	71	18	0	89
Total financial liabilities	2,839	2,762	1,907	928	4	2,839
MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)						
Trade receivables	663	663	663	0	0	663
Construction contracts and other receivables	524	524	480	44	0	524
Cash at bank and in hand	375	375	375	0	0	375
	1,562	1,562	1,518	44	0	1,562
DERIVATIVE FINANCIAL INSTRUMENTS						
Interest SWAPS (gross):						
Floating-rate assets	11	11	9	2	0	11
Fixed-rate obligation	21	21	10	11	0	21
Currency hedging agreements:						
Cash flow hedges	8	8	8	0	0	8
Fair value hedges	10	10	10	0	0	10
	50	50	37	13	0	50
Total financial assets	1,612	1,612	1,555	57	0	1,612

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

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

For a description of cash flows relating to operating leases, reference is made to note 36 to the consolidated accounts.

The carrying amounts of derivative financial instruments are included in other receivables and other liabilities, as appropriate.

As a general rule, the fair value of financial liabilities and financial assets is calculated using discounted cash flow models based on the market interest rates and credit conditions at the balance sheet date.

Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

- Level 1: Observable market prices for identical instruments.
- Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
- Level 3: Valuation techniques primarily based on unobservable prices.

The fair value of Vestas' forward exchange contracts as well as of other derivative financial instruments (commodity instruments) is measured according to level 2 as the fair value can be established directly based on exchange rates published and forward interest rates and prices specified at the balance sheet date.

Fair value of bonds is measured as level 1 because the fair value is set from the share price in an open market.

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

Credit risks

Vestas is exposed to credit and counterparty risks in its daily business and undertakes a thorough assessment of its clients and counterparties to avoid assuming unsecured payment risks. Where a counterpart does not meet Vestas' credit standards, payment security is obtained whenever possible. The payment securities acceptable to Vestas must generally be issued by a bank or surety with a senior unsecured credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Vestas delivers its products and services to most parts of the world and is therefore exposed to the country risk and political risk common in developing countries.

The use of financial instruments by Vestas to hedge its market risks related to currencies, interest rates, and commodity prices has the added risk that the counterparty to these transactions may not be able to meet its obligations at maturity. Vestas generally minimises this risk in two ways:

Firstly, by engaging in such financial transactions only with counterparties that have a credit rating of at least A- (S&P or Fitch) or A3 (Moody's).

Secondly, by diversifying the financial instruments across acceptable counterparties to minimise the Group's exposure.

Finally, Vestas limits the notional exposure that the Group may have with a single bank. This applies especially to cash accounts.

78 per cent (2011: 84 per cent) of Vestas' customers/trade receivables had not exceeded the deadline for payment at 31 December 2012. The credit risk relating to the outstanding trade receivables balance as at 31 December was mitigated by the EUR 326m (2011: EUR 142m) received as security. Historically, Vestas' customers have paid within the payment period agreed upon.

No bank balances or derivative financial instruments are overdue or written down due to the counterparty's inability to pay. There are no historic losses related to bank balances and derivative financial instruments due to the counterparty's inability to pay.

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

Market risks

Vestas' market risks relating to financial instruments comprise currency risks, interest rate risks and commodity price risks.

Currency risks

The business activities of Vestas involve exchange rate risks linked to the purchase and sale of goods and services outside the eurozone. Vestas pursues a policy of reducing the exchange rate risks by balancing the different currencies to the largest extent and the net exposure in each individual currency is then hedged. Exchange rate risks are primarily hedged through foreign exchange forward contracts.

The combination of production facilities in Europe, USA and China and worldwide sales makes Vestas less sensitive to fluctuations in currencies.

Exchange adjustments relating to investments in Group subsidiaries and associates abroad with a different functional currency than that of the parent company are recognised under other comprehensive income. Related currency risks are not hedged as, in the Group's opinion, hedging of such long-term investments will not be optimal from an overall risk, liquidity and cost perspective.

An increase of 10 per cent (2011: 10 per cent), considered probable by management, in the currencies specified below against the euro, would have the following isolated effects as at 31 December.

		2012	2011
USD:	Equity	(2)	5
	Profit for the year	4	23
CAD:	Equity	11	51
	Profit for the year	11	2
GBP:	Equity	14	19
	Profit for the year	0	0
AUD:	Equity	0	(3)
	Profit for the year	0	(3)
SEK:	Equity	(26)	(55)
	Profit for the year	5	0

Only currencies with a material effect on comprehensive income and the income statement are specified above. The above analysis is based on the assumption that all other variables, interest rates in particular, remain constant. The expectations are based on currently available market data.

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 2012 and 2011 values are solely due to differences in the nominal amounts in the individual currencies.

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

Currency hedging agreements relating to future transactions (cash flow hedges)

The following net outstanding forward exchange contracts of the Group at 31 December, which are publicly traded, are used and qualify as cash flow hedges:

mEUR	2012				2011			
	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	(23)	0	(23)	6	41	(8)	49	8
SEK	(249)	13	(262)	21	(531)	18	(549)	24
CAD	110	0	110	8	508	0	508	10
GBP	139	(1)	140	9	196	3	193	40
AUD	0	0	0	0	(23)	9	(32)	6
PLN	(243)	8	(251)	6	(253)	(4)	(249)	12
BRL	0	0	0	0	32	0	32	5
DKK	0	0	0	0	(75)	4	(79)	22
BGN	0	0	0	0	(6)	0	(6)	11
RON	(117)	(3)	(114)	48	(306)	(4)	(302)	12
TRY	(28)	0	(28)	6	(55)	(1)	(54)	11
ZAR	(148)	3	(151)	13	0	0	0	0
MXN	(189)	(5)	(184)	8	0	0	0	0
CLP	(88)	(2)	(86)	15	0	0	0	0
EUR	838	(13)	851	48	539	(62)	601	40
CZK	(2)	0	(2)	13	(19)	(1)	(18)	9
NOK	0	0	0	0	(49)	2	(51)	13
	0	0	0		(1)	(44)	43	

1) Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

The Group's cash flow hedges relate primarily to net cash flows outside euro-based countries, primarily in American, Australian and Canadian dollars as well as Swedish kroner and Great British pounds (USD, AUD, CAD, SEK and GBP, respectively) with equivalents in Danish kroner (DKK) and euro (EUR).

Currency hedging agreements relating to assets and liabilities recognised in the balance sheet (fair value hedges)

The following net outstanding forward exchange contracts of the Group at 31 December are used and qualify as fair value hedging of assets and liabilities included in the balance sheet.

mEUR	2012				2011			
	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	(23)	0	(23)	1	197	0	197	12
AUD	(2)	0	(2)	1	(25)	5	(30)	12
NOK	(11)	0	(11)	10	(9)	0	(9)	10
CAD	27	0	27	4	6	4	2	5
MXN	(34)	0	(34)	8	0	0	0	0
EUR	93	1	92	10	(153)	(16)	(137)	12
SEK	(42)	2	(44)	4	5	0	5	16
GBP	(4)	0	(4)	4	(1)	0	(1)	9
DKK	8	0	8	2	0	0	0	0
PLN	(12)	0	(12)	3	(20)	0	(20)	2
	0	3	(3)		0	(7)	7	

1) Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

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

Gains/(losses) on derivative financial instruments for the year used for hedging of fair values amounted to EUR 59m (2011: EUR 14m).

Fair value adjustments caused by movements in the hedged risk on hedged instruments amounted to EUR 59m (2011: EUR 14m).

The Vestas Group's fair value hedges relate to receivables outside euro-based countries, primarily in American and Australian dollars (USD and AUD), with equivalents in euro (EUR).

All fair value changes are recognised in the income statement.

Commodity price risks

Vestas manages the overall risk related to changes in prices for commodities. The commodity risks are addressed in either by entering long term fixed price agreements with suppliers, hedging through financial fixed price agreements with banks or mitigating the risk by including specific commodity price escalation clauses in sales contracts (often it will be a combination of some or all).

Overall Vestas continuously strives to reduce commodity risk in the design and manufacture of the turbine itself by taking raw material into consideration in the efforts to reduce cost while maintaining the operational effectiveness of the Group's products.

The fair value of the commodity hedges outstanding at the balance sheet date amounted to EUR 0m (2011: EUR 1m), which has been recognised in equity.

The isolated effects of a 10 per cent increase or decline in the price curve for the hedged commodities at 31 December are specified as follows:

	2012	2011
10 PER CENT INCREASE		
Equity	1	2
Profit for the year	0	0
10 PER CENT DECLINE		
Equity	(1)	(2)
Profit for the year	0	0

The above analysis is based on the outstanding financial hedge instruments at the balance sheet date.

The hedging of commodities is considered to be an effective cash flow hedge and changes in the value of these are recognised in the statement of comprehensive income. The sensitivity analyses are prepared on the assumption that all other factors remain constant.

Interest rate risks

Vestas' primary interest rate risk consists of interest rate fluctuations, which may influence the Group's debt and lease obligations. Managing the interest risks involves the monitoring of duration and maximum interest rate risk on Vestas' net debts. Vestas uses hedging instruments to manage interest rate risks.

Sensitivity analysis – interest rate risks

Vestas estimates, based on the current market conditions, that a change in the interest rate of one percentage point either up or down is considered likely. An increase or decline of 1 percentage point in the level of interest rates, in relation to swaps financial instruments outstanding at the balance sheet day, would have the following effect on equity and the income statement.

mEUR	2012	2011
1 PERCENTAGE POINT INCREASE		
Equity	0	0
Profit for the year	(3)	(3)
1 PERCENTAGE POINT DECLINE		
Equity	0	0
Profit for the year	3	3

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

The Group's interest-bearing financial assets and liabilities have the following terms to contractual review or maturity, depending on which date occurs first. The differences in between 2012 and 2011 values are solely due to differences in the interest bearing assets and liabilities.

2012 mEUR	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1 year	1–5 years	> 5 years			
FINANCIAL LIABILITIES						
Mortgage debt	0	3	4	7	7	4.6
Bank debt and debt to credit institutions	321	1,000	0	1,321	0	2.8
Corporate bonds	28	633	0	661	598	4.8
	349	1,636	4	1,989	605	
FINANCIAL ASSETS						
Trade receivables	792	0	0	792		
Construction contracts and other receivables	410	32	0	442		
Cash at bank and in hand	851	0	0	851		
	2,053	32	0	2,085		

2011 mEUR	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1 year	1–5 years	> 5 years			
FINANCIAL LIABILITIES						
Mortgage debt	1	4	5	10	8	4.6
Bank debt and debt to credit institutions	13	378	0	391	0	3.7
Corporate bonds	28	663	0	691	598	4.8
	42	1,045	5	1,062	606	
FINANCIAL ASSETS						
Trade receivables	663	0	0	663		
Construction contracts and other receivables	542	44	0	586		
Cash at bank and in hand	375	0	0	375		
	1,580	44	0	1,624		

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

Financial management

In connection with financial management it is the Group's objective to create the necessary stability to implement strategic development work while in the long term achieving a competitive return for the company's shareholders. At the same time, the Group has the objective of reducing cost of capital.

The Group's possible methods of maintaining or changing its capital structure are: adjustment of the dividends level; share buy-backs; issuing of new shares; new borrowing; change of the level of funding from prepayments received; credit granted by suppliers; and the sale of assets to reduce debts.

39 Subsequent events

Events after the balance sheet date

Orders

In 2013, Vestas has announced two orders for Uruguay and Chile respectively, with a total capacity of 1.32 MW.

Furthermore, Vestas has received a service order for 200 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 and in relation to company announcements, the order value must exceed EUR 66m.

Major shareholder announcement

In January, Vestas received information from BlackRock Inc., USA, that they had reduced their holding of Vestas shares from 10,259,405 shares (5.04 per cent) to 10,013,772 shares (4.92 per cent), ref. company announcement No. 5/2013.

40 New accounting regulations

At the end of January 2013, the IASB had published new or revised accounting standards and interpretations which are assessed to be of relevance to Vestas.

IFRS 9 "Financial Instruments"

The number of classes of financial assets is reduced to two; amortised cost or fair value.

IFRS 10 "Consolidated Financial Statements"

Specification of the definition of control of another enterprise. An enterprise has control when the following conditions are met:

- Control over another enterprise
- Risk related to or the right to variable return
- The ability to exercise the control to impact the return

IFRS 11 "Joint Arrangements"

Joint control is conditional on agreement between the parties and comprises two types: Jointly controlled activities (joint operations) and jointly controlled enterprises (joint ventures).

In a joint operation, the parties gain direct access to the assets and the parties are directly liable for liabilities. Each party in a joint operation recognises its share of the assets, liabilities, revenue and costs. In joint ventures, the participants do not share in assets and liabilities, etc; but share only net results and equity. Each party in a joint venture recognises using the equity method, cf IAS 28.

IFRS 12 "Disclosure of Interests in Other Entities"

Disclosure requirements concerning equity interest in other entities, including subsidiaries, joint operations, joint ventures and associates. Amendments to IFRSs 10, 11 and 12 – Specification of implementation (rules on effective dates).

Amendments to IFRS 10, 11 and 12

Clarification regarding implementation (Transitional guidance).

IFRS 13 "Fair Value Measurement"

General standard that provides the principles behind measurement of fair value.

IFRS 7 and IAS 32 "Financial Instruments: Presentation"

The change provides further guidance on offsetting and information on this topic

Tower production for third party in the USA

As part of Vestas' plan to create a more flexible and scalable business and to use the existing production capacity more effectively, Vestas has signed an agreement to supply towers for a number of non-Vestas wind power projects in the USA over the next two years, ref. company announcement No. 4/2013.

Request for scrutiny

A shareholder has requested that the company's Annual General Meeting, taking place on 21 March 2013, decides that a number of issues come under scrutiny and that an independent auditor to carry out the scrutiny will be appointed at the Annual General Meeting. Further details, see company announcement No. 3/2013.

Final credit approval of credit facilities

In January, Vestas confirmed that the final credit approval and documentation of the agreement on the credit facilities entered into in November 2012 was obtained, ref. company announcement No. 2/2013.

Changes to IAS 1 "Presentation of Financial Statements"

The change implies a requirement of presentation of other comprehensive income which must be recycled to the income statement, separate from items that are not to be recycled.

Change to IAS 27 "Consolidated and Separate Financial statements"

Consolidation rules are replaced by IFRS 10, and the standard thus comprises the rules of parent company financial statements from the current IAS 27.

Change to IAS 28 "Investments in Associates"

Jointly controlled organisations classified as joint ventures in accordance with IFRS 11 must be recognised according to the standard's equity method. SIC 13 concerning non-monetary contributions from enterprises has been included in the standard.

Annual minor improvements to applicable IFRSs comprise:

- IAS 1, specification of comparable information when three years' balance sheets are presented
- IAS 16, spare parts and equipment for maintenance of land, buildings, and equipment must not be capitalised as inventories but rather as Property, plant and equipment when they meet the definition of these
- IAS 32, specification of tax in the income statement and equity, respectively
- IAS 34, specification of assets in segment information in interim financial reports

The standards and interpretations published by IASB that at this point of time are irrelevant to Vestas, comprise IFRS 1 and IFRIC 20. The other standards are not expected to be significant for Vestas, however Vestas will evaluate until the implementations. The mentioned standards and interpretations have been adopted by the EU, except for IFRS 9, changes to IFRSs 10, 11 and 12 concerning rules on effective dates as well as the annual minor improvements to applicable IFRSs.

Vestas expects to implement the new standards and interpretations when the application becomes mandatory.

Legal entities¹⁾

Name	Place of registered office	Share capital	Votes and ownership
Parent company			
Vestas Wind Systems A/S	Aarhus, Denmark	tDKK 203,704	-
Production units			
Vestas Manufacturing A/S	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	tCNY 945,516	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 Spain S.A.	Viveiro, Spain	tEUR 601	100%
Vestas Nacelles Estonia, OÜ	Tallinn, Estonia	tEUR 100	100%
Vestas Nacelles America Inc.	Brighton (CO), USA	tUSD 20,000	100%
Vestas Castings Magdeburg GmbH	Magdeburg, Germany	tEUR 260	100%
Vestas Castings Guldsmedshyttan AB	Guldsmedshyttan, Sweden	tSEK 11,000	100%
Vestas Castings Kristiansand AS	Kristiansand, Norway	tNOK 62,797	100%
Vestas Castings (Xuzhou) Co. Ltd.	Xuzhou, China	tCNY 172,119	100%
Vestas Towers America Inc.	Pueblo (CO), USA	tUSD 20,000	100%
Vestas Towers Mediterranean S.L.	Madrid, Spain	tEUR 2,060	100%

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

Legal entities (continued)

Name	Place of registered office	Share capital	Votes and ownership
Sales and service units			
Vestas Americas A/S			
Vestas America Holding, Inc.	Aarhus, Denmark	tDKK 3,550,000	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD 1,200,000	100%
Vestas - Canadian Wind Technology Inc.	Portland (OR), USA	tUSD 105,856	100%
Vestas - Portland HQ LLC	Portland (OR), USA	tCAD 92,010	100%
Vestas - Portland HQ LLC	Portland (OR), USA	tUSD 10	100%
Vestas Asia Pacific A/S			
Vestas Asia Pacific Wind Technology Pte. Ltd.	Aarhus, Denmark	tDKK 33,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Singapore, Singapore	tSGD 10,000	100%
Vestas Korea Wind Technology Ltd.	Melbourne, Australia	tAUD 53,000	100%
Vestas New Zealand Wind Technology Ltd.	Seoul, South Korea	tKRW 500,000	100%
Vestas Taiwan Ltd.	Wellington, New Zealand	tNZD 100	100%
Vestas Wind Technology (Beijing) Co. Ltd.	Taipei City, Taiwan	tTWD 500	100%
Vestas - Danish Wind Technology A/S	Beijing, China	tCNY 8,171	100%
Vestas Wind Technology India Pvt Limited	Randers, Denmark	tDKK 30,000	100%
Vestas Wind Technology Japan Co. Ltd.	Chennai, India	tINR 1,490,150	100%
	Tokyo, Japan	tJPY 110,000	100%
Vestas Central Europe A/S			
Vestas Deutschland GmbH	Aarhus, Denmark	tDKK 307,000	100%
Vestas Services GmbH	Husum, Germany	tEUR 16,873	100%
Vestas Benelux B.V.	Husum, Germany	tEUR 25	100%
Vestas Österreich GmbH	Arnhem, The Netherlands	tEUR 1,362	100%
Vestas Czechia s.r.o.	Vienna, Austria	tEUR 7,035	100%
Vestas Hungary Kft.	Prague, Czech Republic	tCZK 200	100%
Vestas Bulgaria EOOD	Budapest, Hungary	tHUF 500	100%
Vestas CEU Romania S.R.L.	Sofia, Bulgaria	tBGN 5	100%
Vestas Central Europe-Zagreb d.o.o	Bucharest, Romania	tRON 570	100%
Vestas Slovakia spol S.r.o.	Zagreb, Croatia	tHRK 20	100%
LCC Vestas RUS	Bratislava, Slovakia	tEUR 5	100%
Vestas Eastern Africa Ltd.	Moscow, Russia	tRUB 4,333	100%
Vestas Southern Africa Pty. Ltd.	Nairobi, Kenya	tKHS 100	100%
Vestas Ukraine LLC	Sunninghill, South Africa	tZAR 1	100%
	Kiev, Ukraine	tUAH 1,598	100%
Vestas Mediterranean A/S			
Vestas Italia S.r.l.	Aarhus, Denmark	tDKK 50,000	100%
Vestas Hellas Wind Technology S.A.	Rome, Italy	tEUR 3,000	100%
Vestas Eólica SAU	Athens, Greece	tEUR 6,808	100%
Vestas France SAS	Madrid, Spain	tEUR 12,680	100%
Vestas (Portugal) - Serviços de Tecnologia Eólica Lda.	Perols, France	tEUR 5,040	100%
Vestas WTG Mexico S.A. de C.V.	Lisbon, Portugal	tEUR 6,000	100%
Vestas Mexicana del Viento S.A. de C.V.	Mexico City, Mexico	tMXN 454	100%
Vestas do Brasil Energia Eolica Ltda.	Mexico City, Mexico	tMXN 61	100%
Vestas Argentina S.A.	Sao Paulo, Brazil	tBRL 2,538	100%
Vestas Chile Turbinas Eólica Limitada	Buenos Aires, Argentina	tARS 66	100%
Vestas Rüzgar Enerjisi Sistemleri Sanayi ve Ticaret Ltd. Sirketi	Santiago, Chile	tCLP 5,080	100%
Vestas Turbinas Eólicas de Uruguay S.A.	Istanbul, Turkey	tTRY 11,500	100%
Vestas MED (Cyprus) Ltd.	Montevideo, Uruguay	tURU 720	100%
Vestas Nicaragua SA	Nicosia, Cyprus	tEUR 300	100%
Vestas CV Limitada	Managua, Nicaragua	tNIO 50	100%
	Cidade de Praia, The Republic of Cape Verde	tCVE 200	100%
Vestas Wind Systems Dominican Republic S.R.L.	Santo Domingo, The Dominican Republic	tDOP 100	100%

Legal entities (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 Northern Europe A/S			
Vestas - Celtic Wind Technology Ltd.	Aarhus, Denmark	tDKK 100,000	100%
Vestas Northern Europe AB	Edinburgh, UK	tGBP 8,200	100%
Vestas Poland Sp.z.o.o.	Malmö, Sweden	tSEK 1,000	100%
Vestas Ireland Ltd.	Szczecin, Poland	tPLN 435	100%
Vestas Norway AS	Dublin, Ireland	tEUR 2,000	100%
Vestas Finland Oy	Oslo, Norway	tNOK 1,100	100%
	Helsinki, Finland	tEUR 3	100%
Vestas Offshore A/S			
Vestas Offshore The Netherlands B.V.	Aarhus, Denmark	tDKK 97,000	100%
Vestas Offshore UK Ltd.	Ijmuiden, The Netherlands	tEUR 18	100%
Vestas Offshore Bligh Bank.	Warrington, England	tGBP 11,500	100%
Vestas Offshore Sweden AB	Elsene, Belgium	tEUR 61	100%
Vestas Offshore Germany GmbH	Malmö, Sweden	tSEK 991	100%
Vestas Offshore Northwind (Belgium) NV	Hamburg, Germany	tEUR 1,275	100%
	Brussels, Belgium	tEUR 1,000	100%
Other subsidiaries and associates			
Vestas Spare Parts & Repair A/S	Aarhus, Denmark	tDKK 50,000	100%
Vestas Spare Parts Belgium N.V.	Brussels, Belgium	tEUR 500	100%
Vestas Spare Parts & Repair UK, Ltd.	London, England	tGBP 1,000	100%
Vestas Spare Parts & Repair Spain, S.L.	Barcelona, Spain	tEUR 4,000	100%
Vestas Spare Parts & Repair Germany GmbH	Lübeck, Germany	tEUR 25	100%
Vestas Spare Parts & Repair America, Inc.	Windsor (CO), USA	tUSD 1000	100%
Vestas Wind Systems (China) Co. Ltd.	Hohhot, China	tCNY 321,799	100%
Vestas Switzerland AG	Zürich, Switzerland	tCHF 100	100%
Vestas Services Philippines, Inc.	Makati City, Philippines	tPHP 9,336	100%
Vestas India Holding A/S	Aarhus, Denmark	tDKK 267,110	100%
Wind Power Invest A/S	Aarhus, Denmark	tDKK 25,000	100%
Vestas Technology (UK) Limited	Isle of Wight, England	tGBP 90	100%
Vestas Technology R&D Singapore Pte. Ltd.	Singapore, Singapore	tSGD 3,805	100%
Vestas Technology R&D Chennai Pte. Ltd.	Chennai, India	tINR 40,000	100%
Vestas Technology R&D America Inc.	Houston (TX), USA	tUSD 1,000	100%
Vestas Technology R&D (Beijing) Co., Ltd.	Beijing, China	tCNY 6,729	100%
Vestas Wind Technology (Jiangsu) Co. Ltd.	Jiangsu, China	tCNY 11,871	100%
OCAS AS	Oslo, Norway	tNOK 1,001	100%
Vestas Shared Service A/S	Aarhus, Denmark	tDKK 50	100%
Vestas Shared Service (Deutschland) GmbH	Hamburg, Germany	tEUR 25	100%
Vestas Shared Service (Spain), S.L.U.	Madrid, Spain	tEUR 3	100%
Vestas Shared Service America, Inc.	Portland (OR), USA	tUSD 2,000	100%
Vestas Middle East A/S	Aarhus, Denmark	tDKK 12,000	100%
GREP Svenska AB	Falkenberg, Sweden	tSEK 1,824	100%
GREP USA Inc.	La Jolla (CA), USA	tUSD 2,001	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 2012.

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 2012 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 2012.

In our opinion, the management report includes a true and fair account of the development in the operations and financial circumstances of the Group and the company, of the results for the year and of the financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company.

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

Aarhus, 6 February 2013

Executive Management

Ditlev Engel
Group President and CEO

Dag Andresen
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluze
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eija Pitkänen

Håkan Eriksson

Jørgen Huno Rasmussen

Jørn Ankær Thomsen

Kim Hvid Thomsen

Knud Bjarne Hansen

Kurt Anker Nielsen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

The independent auditor's report

To the Shareholders of Vestas Wind Systems A/S

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2012, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

The audit has not included "Social and environmental key figures", "Accounting Policies for social and environmental highlights" and "GRI Overview" on pages 9, 36 and 126; these are included in a separate report on page 37.

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 2012 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2012 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 2012 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2012 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, 6 February 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Lars Holtug
State Authorised
Public Accountant

Claus Lindholm Jacobsen
State Authorised
Public Accountant



Annual accounts for Vestas Wind Systems A/S

116	Accounting policies
117	Income statement
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Annual accounts for Vestas Wind Systems A/S

Accounting policies for Vestas Wind Systems A/S

The annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to enterprises of reporting class D, as well as the requirements laid down by NASDAQ OMX Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

Vestas Wind Systems A/S' functional currency is Danish kroner (DKK), but due to the international relations of the Group the annual accounts are presented in euro (EUR).

For adopted accounting policies see note 1 to the consolidated accounts on page 61. The denomination of the items in the parent company's annual accounts complies with the requirements of the DK GAAP. Refer to the section "Terminology", below for a description of the main differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year.

The accounting policies of the parent company deviate from the Group's accounting policies in the following areas:

Investments in subsidiaries

Investments in subsidiaries are recognised and measured in the annual report of the parent company under the equity method.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the enterprise acquired.

Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item "Investments in subsidiaries". The item "Share of profit in subsidiaries after tax" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments in subsidiaries" in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill).

Subsidiaries with a negative net asset value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value. Any legal or constructive obligation of the parent company to cover the negative balance of the company is recognised in provisions.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected cost of disposal or winding up. The gains or losses are included in the income statement.

Goodwill

Goodwill is included in the item "Goodwill" or in the item "Investments in subsidiaries" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is a maximum of 20 years, and is longest for enterprises acquired for strategic purposes with a long-term earnings profile.

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	2012	2011
Net Revenue	1	863	421
Cost of sales	2	(845)	(452)
Gross profit		18	(31)
Administrative expenses	2,3	(375)	(529)
Operating profit before special items		(357)	(560)
Special items	4	(145)	(6)
Operating profit		(502)	(566)
Share of profit in subsidiaries after tax	5	(306)	171
Financial income and expenses (net)	6	18	104
Profit before tax		(790)	(291)
Corporation tax	7	(143)	109
Profit for the year		(933)	(182)
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		(306)	36
Retained earnings		(627)	(218)
Dividends		0	0
Profit for the year		(933)	(182)

Balance sheet 31 December for Vestas Wind Systems A/S

mEUR	Note	2012	2011
Intangible assets	8	809	933
Property, plant and equipment	9	373	394
Investments in subsidiaries	10	1,520	1,842
Total fixed assets		2,702	3,169
Inventories	11	146	3
Receivables from subsidiaries		2,306	2,686
Other receivables		26	55
Corporation tax		0	9
Prepayments and accrued income	12	7	6
Deferred tax	13	4	139
Total receivables		2,343	2,895
Cash at bank and in hand		624	158
Total current assets		3,113	3,056
Total assets		5,815	6,225
Share capital		27	27
Reserve for net revaluation under the equity method		(245)	72
Retained earnings		1,741	2,347
Total equity		1,523	2,446
Warranty provisions	14	271	255
Other provisions	15	1	4
Total provisions		272	259
Mortgage debt	16	6	7
Debt to credit institutions	16	1,451	895
Total long-term debt		1,457	902
Short-term share of mortgage debt and debt to credit institutions	16	289	0
Trade payables		116	93
Payables to subsidiaries		2,045	2,424
Other liabilities		113	101
Total short-term debt		2,563	2,618
Total debt		4,020	3,520
Total equity and liabilities		5,815	6,225
Mortgages and security	17		
Contractual obligations	18		
Contingent liabilities	19		
Related party transactions	20		
Currency and interest rate risks and the use of derivative financial instruments	21		
Subsequent events	22		

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

2012 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	27	72	2,347	2,446
Exchange rate adjustments from conversion to EUR	0	0	(8)	(8)
Exchange rate adjustments relating to foreign entities	0	(11)	0	(11)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	(27)	51	24
Fair value adjustments of derivative financial instruments	0	0	0	0
Share-based payments	0	0	11	11
Tax on changes in equity	0	0	(6)	(6)
Profit for the year	0	(306)	(627)	(933)
Acquisition of treasury shares	0	0	0	0
Transferred from retained earnings	0	27	(27)	0
Equity at 31 December	27	(245)	1,741	1,523

2011 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	27	17	2,597	2,641
Exchange rate adjustments from conversion to EUR	0	0	6	6
Exchange rate adjustments relating to foreign entities	0	18	0	18
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	(26)	16	(10)
Fair value adjustments of derivative financial instruments	0	26	(50)	(24)
Changes in equity	0	1	(2)	(1)
Share-based payments	0	0	7	7
Tax on changes in equity	0	0	8	8
Profit for the year	0	36	(218)	(182)
Acquisition of treasury shares	0	0	(17)	(17)
Transferred from retained earnings	0	0	0	0
Equity at 31 December	27	72	2,347	2,446

Notes to the annual accounts for Vestas Wind Systems A/S

1 Net Revenue

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

2 Staff costs

mEUR	2012	2011
Staff costs are specified as follows:		
Wages and salaries, etc.	208	194
Pension schemes	16	13
Other social security costs	1	1
	225	208
For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company see note 6 to the consolidated accounts. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For option programme, see note 32 to the consolidated accounts.		
Average number of employees	2,540	2,352

3 Fees to auditors appointed by the Annual General Meeting

mEUR	2012	2011
Audit:		
PricewaterhouseCoopers	1	1
Total audit	1	1
Non-audit services:		
PricewaterhouseCoopers		
Assurance engagements	0	0
Tax assistance	0	0
Other services	8	1
Total non-audit services	8	1
Total	9	2

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

The increase in other services in 2012 compared to 2011 is due to consultancy work, related to financing of Vestas.

4 Special items

Special items relate to impairment of intangible assets (EUR 64m), impairment of property, plant and equipment (EUR 2m), staff costs (EUR 68m) and consultants (EUR 11m).

5 Share of profit in subsidiaries

mEUR	2012	2011
Share of profit in subsidiaries before tax	(132)	307
Share of tax of subsidiaries	(109)	(122)
Amortisation of goodwill	(65)	(14)
	(306)	171

6 Financial income and expenses

mEUR	2012	2011
Financial income from subsidiaries	90	200
Financial expenses to subsidiaries	(7)	(12)
Exchange rate adjustments	(1)	(40)
Other financial expenses	(64)	(44)
	18	104

7 Corporation tax

mEUR	2012	2011
Current tax on profit for the year	12	3
Deferred tax on profit for the year	133	(113)
Adjustments relating to previous years (net)	(2)	1
Total corporation tax for the year	143	(109)
Tax on entries in equity relating to deferred tax	6	(8)
Tax on entries in equity	6	(8)
Total tax for the year	149	(117)

8 Intangible assets

2012 mEUR	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January	930	19	153	257	1,359
Exchange rate adjustments	(5)	0	(1)	(1)	(7)
Additions	0	0	8	161	169
Disposals	(69)	0	(3)	(17)	(89)
Transfers	148	0	0	(148)	0
Cost at 31 December	1,004	19	157	252	1,432
Amortisation at 1 January	353	8	65	0	426
Exchange rate adjustments	(3)	(1)	1	0	(3)
Amortisation for the year	191	1	29	0	221
Impairment for the year	48	0	3	17	68
Reversal of amortisation of disposals in the year	(69)	0	(3)	(17)	(89)
Amortisation at 31 December	520	8	95	0	623
Carrying amount at 31 December	484	11	62	252	809
Amortisation period	3–5 years	5–20 years	5 years		

Included in software are IT projects in progress amounting to EUR 1m at 31 December 2012.

9 Property, plant and equipment

2012 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	416	29	98	22	565
Additions	2	0	5	24	31
Disposals	(17)	0	(10)	0	(27)
Transfers	8	2	1	(11)	0
Cost at 31 December	409	31	94	35	569
Depreciation at 1 January	119	12	40	0	171
Depreciation for the year	17	5	22	0	44
Write down for the year	2	0	0	0	2
Reversal of amortisation on disposals in the year	(13)	0	(8)	0	(21)
Depreciation at 31 December	125	17	54	0	196
Carrying amount at 31 December	284	14	40	35	373
Depreciation period	20–40 years	3–10 years	3–5 years		

10 Investments in subsidiaries

mEUR	2012	2011
Cost at 1 January	1,770	1,262
Exchange rate adjustments from conversion to EUR	(6)	2
Additions	1	506
Cost at 31 December	1,765	1,770
Value adjustments at 1 January	72	17
Exchange rate adjustments	(11)	18
Profit shares for the year after tax	(241)	185
Changes in equity	0	1
Dividend	0	(135)
Amortisation of goodwill	(65)	(14)
Value adjustments at 31 December	(245)	72
Carrying amount at 31 December	1,520	1,842
Remaining positive difference included in the above carrying amount at 31 December	106	171

The legal entities in the Vestas Group are listed on pages 109–111 in the consolidated accounts.

11 Inventories

mEUR	2012	2011
Raw materials and consumables	146	3
	146	3

Raw materials and consumables relates to the spare parts activity which was transferred to Vestas Wind Systems A/S in 2012.

12 Prepayments and accrued income

Prepayments and accrued income comprise prepaid membership fees and rent.

13 Deferred tax

mEUR	2012	2011
Deferred tax at 1 January	139	(16)
Deferred tax on profit for the year	(133)	113
Tax on entries in equity	(6)	8
Adjustment relating to previous years	4	34
Deferred tax at 31 December (net)	4	139

14 Warranty provisions

mEUR	2012	2011
Warranty provisions at 1 January	255	276
Warranty provisions for the year	143	144
Used warranty provisions for the year	(127)	(165)
Warranty provisions at 31 December	271	255
The warranty provisions are expected to be consumed as follows:		
0-1 year	130	140
>1 year	141	115
	271	255

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

Warranty provisions only include standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. See note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

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

15 Other provisions

mEUR	2012	2011
Other provisions at 1 January	4	4
Adjustment relating to previous years provisions	(3)	0
Other provisions at 31 December	1	4
Other provisions are expected to be payable as follows:		
0-1 year	1	4
> 1 year	0	0
	1	4

16 Long-term debt

mEUR	2012	2011
Short-term share of long-term debt breaks down as follows:		
Debt to credit institutions	289	0
	289	0
Long-term debt breaks down as follows:		
1-5 years	1,453	898
> 5 years	4	4
	1,457	902

17 Mortgages and security

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

Furthermore, the company has issued mortgage deeds registered to the mortgagor and all-money mortgages secured on the above-mentioned properties. These mortgage deeds and all-money mortgages are all in the possession of the company.

mEUR	2012	2011
Total mortgage loans	7	7
Mortgage deeds and all-money mortgages relating to the company's mortgage loans:		
Nominal value of mortgage deeds and all-money mortgages	10	10
Carrying amount of pledged assets	18	18
Other mortgage deeds and all-money mortgages in the possession of the company	256	104
Provided work and payment guarantees	519	345

18 Contractual obligations

mEUR	2012	2011
The lease obligations relating to operating leases fall due:		
0-1 year	2	2
1-5 years	2	0
> 5 years	-	-

Operating leases comprise irrevocable operating leases regarding buildings and cars. The main obligations relate to cars.

19 Contingent liabilities

mEUR	2012	2011
Guarantees for bank debt of subsidiaries	45	45

In addition to this, the parent company provides performance bonds in connection with project supplies in subsidiaries, and their warranty obligations to customers.

The company is jointly taxed with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

For pending lawsuits see note 37 to the consolidated accounts.

20 Related party transactions

For transactions with related parties see note 33 to the consolidated accounts.

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

For the use of derivative financial instruments and risks and capital management see note 38 to the consolidated accounts.

22 Subsequent events

For subsequent events see note 39 to the consolidated accounts.

GRI overview

GRI Indicator	Subject	Page	Global Compact principles
STRATEGY AND PROFILE			
1.1	Management statement ¹⁾	4, 6	
1.2	Description of key impacts, risks and opportunities ¹⁾	9, 17	
2.1–2.10	Organisational profile, structures, markets ¹⁾	8, 22, 23, 25, 26, 42, 59, 109, 126	
3.1–3.13	Report parameters	2, 8, 36, 37, 113	
4.1–4.10	Corporate governance ¹⁾	39	1–10
4.11–4.13	Commitments ¹⁾	28	1–10
4.14–4.17	Stakeholder engagement ¹⁾	28, 36	
ECONOMIC PERFORMANCE INDICATORS			
Management approach		16, 33	
EC1	Direct economic value generated and distributed ¹⁾	59	
EC3	Coverage of benefit plan obligations	67	
EC4	Significant financial assistance received from government	74, 86, 98	
ENVIRONMENTAL PERFORMANCE INDICATORS			
Management approach ¹⁾		28, 29	7–9
EN1	Materials used	9, 31	8
EN3, EN4, EN6	Energy ¹⁾	9, 30	8, 9
EN8	Water ¹⁾	9, 31	8
EN16	Emissions ¹⁾	9, 31	8
EN21	Waste water ¹⁾	-	8
EN22, EN23	Waste ¹⁾	9, 31	8
EN26	Products and services ¹⁾	9, 30	9
EN28	Compliance ¹⁾	-	8
SOCIAL PERFORMANCE INDICATORS			
Labour practices and labour quality			
Management approach ¹⁾		28	1, 3, 6
LA1–LA2	Employment ¹⁾	29	6
LA7	Occupational health and safety ¹⁾	14, 29	1
LA10, LA12	Training and education ¹⁾	-	
LA13	Composition of governance bodies ¹⁾	29	1, 6
Human rights			
Management approach ¹⁾		28, 29	1–6
HR2	Screening of suppliers ¹⁾	32	1–6
HR5	Freedom of association, collective bargaining ¹⁾	29	1–3
HR6	Child labour ¹⁾	29	1, 2, 5
HR7	Forced labour, compulsory labour ¹⁾	29	1, 2, 4
Society			
Management approach ¹⁾		29, 32, 49	10
S05	Public policy ¹⁾	32	
S07	Anti-competitive behaviour ¹⁾	-	
S08	Compliance ¹⁾	-	
Product responsibility			
Management approach ¹⁾		30, 33	
PR5	Customer satisfaction ¹⁾	28	
PR9	Compliance ¹⁾	-	

1) Further information is available on vestas.com.

This overview shows where to find information on the GRI G3.0 indicators, as well as the principles of the United Nations Global Compact, in this report. Further information and an extended overview is available at vestas.com.

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Knud Bjarne Hansen
Kurt Anker Nielsen
Michael Abildgaard Lisbjerg
Sussie Dvinge Agerbo

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Ditlev Engel, Group President & CEO
Dag Andresen, Executive Vice President & CFO
Anders Vedel, Executive Vice President & CTO
Jean-Marc Lechêne, Executive Vice President & COO
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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.

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