Vestas

Vestas Wind Systems A/S

Interim financial report Third quarter 2014

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Contents

Press and analyst information meeting
For analysts, investors and the media, an information meeting will be held today, Friday 7 November 2014 at 10 a.m. CEST (9 a.m. BST) at

Radisson Blu Royal Hotel, Copenhagen
Hammerichsgade 1
1611 Copenhagen V
Denmark

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

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

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

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

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Summary

Outlook for 2014: Expectations to revenue, EBIT margin before special items and cash flow all upgraded. Third quarter 2014 was characterised by strong operational performance and high activity levels, leading to increases in both EBIT level and cash flow compared to the third quarter of 2013.

In the third quarter of 2014, Vestas generated revenue of EUR 1,813m – an increase of 26 per cent compared to the third quarter of 2013. EBIT before special items increased by EUR 96m to EUR 163m primarily due to higher volume and to a lesser extent also caused by improved average margins. The EBIT margin before special items was 9.0 per cent. The net result increased by EUR 189m to EUR 102m and the free cash flow increased by EUR 49m to EUR 105m compared to the third quarter of 2013.

The intake of firm and unconditional wind turbine orders amounted to 1,170 MW in the third quarter of 2014 – a decrease of 24 per cent compared to the third quarter of 2013. However, year-to-date, order intake is up by 458 MW, or an increase of 12 per cent compared to last year. The value of the wind turbine backlog amounted to EUR 6.7bn at 30 September 2014, which is a decrease of 9 per cent compared to same time last year. In addition to the wind turbine order backlog, Vestas had service agreements with contractual future revenue of EUR 6.7bn at the end of September 2014, compared to EUR 6.1bn at the end of September 2013. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 13.4bn at 30 September 2014.

Vestas upgrades the 2014 guidance on revenue from minimum EUR 6bn to EUR 6.4bn-7.0bn. EBIT margin guidance before special items is upgraded from minimum 6 per cent to 7-8 per cent and guidance on free cash flow is upgraded from minimum EUR 300m to EUR 400m-700m. The upgrades are based on the expected delivery plan for the remainder of the year and an improved cost base.

Group President & CEO Anders Runevad said: *”The third quarter of 2014 continued the trend with improvements in several operational areas and thus highlights that execution remains on track for our strategy, Profitable Growth for Vestas. Based on the expected delivery plan for the remainder of the year and the improved cost base, we raise our guidance on revenue, EBIT and cash flow.*”

Q3 at a glance (compared to Q3 2013)

- 24%	*Vestas had an order intake of 1,170 MW – a decrease of 24 per cent*
+ 36%	*Vestas produced and shipped 2,183 MW – an increase of 36 per cent*
+ 43%	*Vestas delivered wind power systems with an aggregate capacity of 1,682 MW – an increase of 43 per cent*
+ 26%	*Vestas generated revenue of EUR 1,813m – an increase of 26 per cent*
+ 11%	*Onshore service revenue amounted to EUR 235m – an increase of 11 per cent*
+ EUR 96m	*EBIT before special items amounted to EUR 163m – an increase of EUR 96m*
+ EUR 189m	*Net profit amounted to EUR 102m – an increase of EUR 189m*
+ EUR 49m	*Vestas realised a free cash flow of EUR 105m – an increase of EUR 49m*
+ 12%	*The number of employees at the end of the quarter was 19,324 – an increase of 12 per cent*
- 1% points	*Renewable energy amounted to 66 per cent of the total energy consumption – a decrease of 1 percentage points*
- 22%	*Incidence of lost time injuries per one million working hours was 1.4 – a decrease of 22 per cent*

Highlights for the Group

mEUR	Q3 2014[1)]	Q3 2013[1)]	9 months 2014[1)]	9 months 2013[1)]	FY 2013
Financial highlights					
Income statement					
Revenue	1,813	1,442	4,437	3,723	6,084
Gross profit	318	213	762	440	896
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) before special items	255	171	585	273	610
Operating profit/(loss) (EBIT) before special items	163	67	307	(29)	211
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) after special items	247	122	614	208	530
Operating profit/(loss) (EBIT) after special items	155	3	336	(128)	102
Net financial items	(12)	(39)	(46)	(97)	(138)
Profit/(loss) before tax	136	(36)	264	(225)	(36)
Net profit/(loss)	102	(87)	198	(300)	(82)
Balance sheet					
Balance sheet total	7,038	5,981	7,038	5,981	5,640
Equity	2,165	1,225	2,165	1,225	1,524
Provisions including deferred tax	378	355	378	355	388
Average interest-bearing position (net)	506	(838)	346	(991)	(862)
Net working capital	(344)	(117)	(344)	(117)	(596)
Net investments in property, plant and equipment	46	6	100	24	73
Cash flow statement					
Cash flow from operating activities	171	104	247	342	1,248
Cash flow from investing activities	(66)	(48)	(187)	(149)	(239)
Free cash flow	105	56	60	193	1,009
Cash flow from financing activities	0	(74)	398	(657)	(1,150)
Change in cash at bank and in hand less current portion of bank debt	105	(18)	458	(464)	(141)
Financial ratios[2)]					
Financial ratios					
Gross margin (%)	17.5	14.8	17.2	11.8	14.7
EBITDA margin before special items (%)	14.1	11.9	13.2	7.3	10.0
EBIT margin before special items (%)	9.0	4.6	6.9	(0.8)	3.5
EBITDA margin after special items (%)	13.6	8.5	13.8	5.6	8.7
EBIT margin after special items (%)	8.5	0.2	7.6	(3.4)	1.7
Return on invested capital (ROIC) before special items (%)[3)]	25.7	3.2	25.7	3.2	7.7
Solvency ratio (%)	30.8	20.5	30.8	20.5	27.0
Net working capital as percentage of revenue (%)[4)]	(5.7)	(2.1)	(5.7)	(2.1)	(9.8)
Return on equity (%)[3)]	23.5	(57.6)	23.5	(57.6)	(5.2)
Gearing (%)	28.6	90.0	28.6	90.0	39.9
Share ratios					
Earnings per share (EUR)[5)]	1.9	(4.5)	1.9	(4.5)	(0.4)
Book value per share (EUR)	9.7	6.0	9.7	6.0	7.5
Price/book value (EUR)	3.2	3.1	3.2	3.1	2.9
Cash flow from operating activities per share (EUR)	0.8	0.5	1.1	1.7	6.1
Dividend per share (EUR)	-	-	-	-	0.0
Payout ratio (%)	-	-	-	-	0.0
Share price at the end of the period (EUR)	31.0	18.7	31.0	18.7	21.5
Average number of shares	224,074,513	203,704,103	220,865,987	203,704,103	203,704,103
Number of shares at the end of the period	224,074,513	203,704,103	224,074,513	203,704,103	203,704,103

1) Neither audited nor reviewed.
2) The ratios have been calculated in accordance with the guidelines from “Den Danske Finansanalytikerforening” (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2010). Reference is made to the 2013 annual report.
3) ROIC and return on equity are calculated over a 12-month period.
4) Net working capital as percentage of minimum outlook for revenue.
5) Earnings per share have been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

	Q3 2014[1]	Q3 2013[1]	9 months 2014[1]	9 months 2013[1]	FY 2013
Operational key figures					
Order intake (mEUR)	1,019	1,420	3,741	3,857	5,821
Order intake (MW)	1,170	1,547	4,290	3,832	5,964
Order backlog – wind turbines (bnEUR)	6.7	7.3	6.7	7.3	6.8
Order backlog – service (bnEUR)	6.7	6.1	6.7	6.1	6.7
Produced and shipped wind turbines (MW)	2,183	1,607	4,764	3,364	4,513
Produced and shipped wind turbines (number)	931	717	1,971	1,523	2,025
Deliveries (MW)	1,682	1,176	3,815	2,872	4,862
Social and environmental key figures[2) 3)]					
Occupational health & safety					
Lost time injuries (number)	11	14	43	54	66
- of which fatal injuries (number)	0	0	0	1	1
Consumption of resources					
Consumption of energy (GWh)	121	133	354	425	586
- of which renewable energy (GWh)	80	89	201	243	325
- of which renewable electricity (GWh)	77	88	186	232	309
Consumption of fresh water (1,000 m^3)	127	172	305	391	512
Waste disposal					
Volume of waste (1,000 tonnes)	14	18	36	51	71
- of which collected for recycling (1,000 tonnes)	7	10	18	29	42
Emissions					
Emission of direct CO_2 (1,000 tonnes)	10	10	34	40	56
Emission of indirect CO_2 (1,000 tonnes)	7	12	21	34	44
Local community					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	2	1	1
Employees					
Average number of employees	18,674	17,298	17,347	17,298	17,051
Number of employees at the end of the period	19,324	17,237	19,324	17,237	15,497
- of which outside Europe and Africa	8,393	6,412	8,393	6,412	5,861
Social and environmental indicators[2) 3)]					
Occupational health and safety					
Incidence of lost time injuries per one million working hours	1.4	1.8	1.8	2.3	2.1
Absence due to illness among hourly-paid employees (%)	2.2	2.5	2.4	2.6	2.5
Absence due to illness among salaried employees (%)	1.2	1.0	1.2	1.2	1.2
Products					
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	61	43	134	89	125
Utilisation of resources					
Renewable energy (%)	66	67	57	57	56
Renewable electricity for own activities (%)	100	100	100	100	100
Employees					
Women in Board of Directors[4)] and Executive Management (%)	15	15	15	15	15
Women at management level (%)[5)]	18	18	18	18	17
Non-Danes at management level (%)[5)]	54	53	54	53	53

1) Neither audited nor reviewed.
2) Accounting policies for social and environmental key figures for the Group, see pages 103-105 of the annual report 2013.
3) The Social and Environmental data do not include data from our investment in joint venture MHI Vestas Offshore Wind.
4) Only Board members elected by the general meeting are included.
5) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

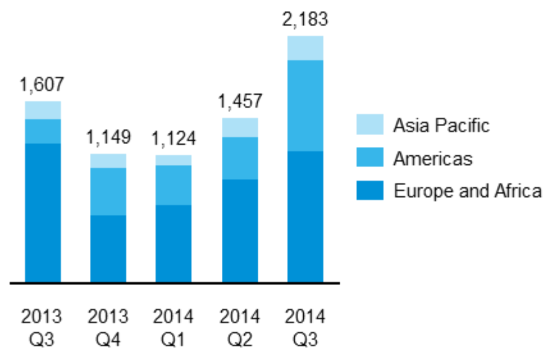
Financial performance

Order backlog and activities – wind turbines

The quarterly order intake was 1,170 MW, of which 52 per cent was announced. This is a drop of 377 MW or 24 per cent compared to the third quarter of 2013, mainly caused by lower order intake in the USA. The value of the quarterly order intake amounted to EUR 1.0bn.

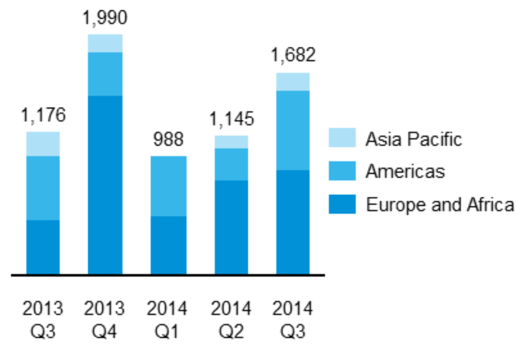
In the third quarter of 2014, Vestas produced and shipped wind turbines with an aggregate output of 2,183 MW (931 wind turbines) against 1,607 MW (717 wind turbines) in the third quarter of 2013.

Produced and shipped
MW



Final capacity delivered to the customers (transfer of risk – ToR) amounted to 1,682 MW; an increase of 43 per cent from the third quarter of 2013.

Deliveries (ToR*)
MW



*Transfer of risk

At the end of September 2014, wind turbine projects with a total output of 2,553 MW were under completion. This is reflected in the level of prepayments and inventories as a large share of these MW has not yet been recognised as revenue. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

Overview as per Q3 2014

MW	Europe and Africa	Americas	Asia Pacific	Total
Under completion, 1 July 2014	1,150	679	223	2,052
Delivered (ToR) to customers during the period	(876)	(648)	(158)	(1,682)
Produced and shipped during the period	1,159	819	205	2,183
Under completion, 30 Sep 2014	**1,433**	**850**	**270**	**2,553**

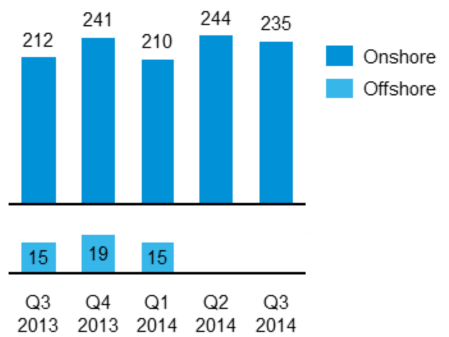
The order backlog amounted to 7,455 MW at the end of September 2014 – a decrease of 119 MW or 2 per cent compared to the end of September 2013. Americas accounted for an increase of 3 per cent, but was off-set by a decrease in Europe and Africa and Asia Pacific of 2 per cent and 31 per cent, respectively. The value of the order backlog was EUR 6.7bn at the end of September 2014 – a decrease of EUR 0.6bn compared to the end of September 2013.

Order backlog and activities – service

At the end of September 2014, Vestas had service agreements with contractual future revenue of EUR 6.7bn – an increase of 10 per cent compared to the end of September 2013.

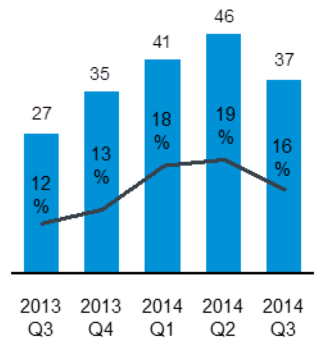
Service revenue amounted to EUR 235m in the third quarter of 2014 which is an increase of 4 per cent compared to the third quarter of 2013, which, unlike the third quarter of 2014, included service revenues from offshore. Comparing onshore revenues only in the two quarters, the growth was 11 per cent.

Service revenue
mEUR



In the third quarter of 2014, the EBIT margin before allocation of Group costs amounted to 24 per cent which is an increase of 5 percentage points compared to the third quarter of 2013. The increase is primarily driven by improved margins. The EBIT margin after allocation of Group costs was 16 per cent compared to 12 per cent in the third quarter of 2013.

Service EBIT after allocation of Group costs
mEUR and percentage



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

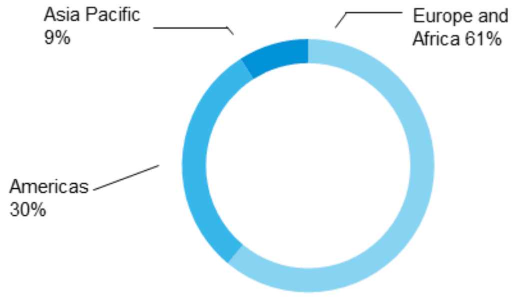
By the end of September 2014, Vestas has installed more than 64 GW in 73 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, close monitoring of more than 26,000 wind turbines equivalent to almost 50 GW is one of the foundations of Vestas' service business' growth strategy.

66 per cent of the expiring service contracts were renewed during the third quarter of 2014. The slightly lower renewal rate compared to the second quarter of 2014 can mainly be attributed to an unusual high share of contracts up for renewal in China with associated low renewal rates.

Income statement

In the third quarter of 2014, revenue amounted to EUR 1,813m; an increase of 26 per cent compared to the third quarter of 2013.

Distribution of revenue Q3 2014
Percentage



The gross profit amounted to EUR 318m – an increase of 49 per cent compared to the third quarter of 2013. The gross profit margin was 17.5 per cent compared to 14.8 per cent in the third quarter of 2013.

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

EBIT before special items amounted to EUR 163m – an increase of EUR 96m compared to the third quarter of 2013. The EBIT margin before special items was 9.0 per cent compared to 4.6 per cent in the third quarter of 2013.

The positive development in gross margin and EBIT compared to the third quarter of 2013 was mainly caused by higher volume and to a lesser extent also caused by improved average margins.

In the third quarter of 2014, a net loss of EUR 8m was booked as special items primarily comprised of reassessment of restructuring provisions and new provision related to site simplification (negative EUR 12m) and reassessment of the preliminary gain from the establishment of the MHI Vestas Offshore Wind joint venture (positive EUR 4m).

EBIT after special items amounted to EUR 155m – an improvement of EUR 152m compared to the third quarter of 2013. EBIT margin after special items was at 8.5 per cent compared to 0.2 per cent in the third quarter of 2013.

The third quarter-loss in 2014 from investments in joint ventures of EUR 7m was negatively impacted by adjustments for internal transactions between Vestas and the MHI Vestas Offshore Wind joint venture with respect to timing of transfer of risk of offshore projects which will be balanced in a later period.

In the third quarter of 2014, net financial items amounted to EUR (12)m against EUR (39)m in the third quarter of 2013, primarily driven by the improvement of the net debt position.

The corporation tax expense amounted to EUR 34m in the third quarter of 2014 and the net result was EUR 102m – an improvement of EUR 189m compared to the third quarter of 2013.

Balance sheet

Vestas had total assets of EUR 7,038m at 30 September 2014 against EUR 5,981m the year before.

At the end of September 2014, Vestas had a net cash position of EUR 602m, representing an increase of EUR 1,330m compared to the end of the third quarter of 2013. This was primarily driven by improved earnings in the period, focus on net working capital improvements during the second half of 2013 and the capital increase conducted in February 2014.

Assets and liabilities held for sale
As part of the site simplification project, Vestas expects to sell a number of its office facilities, which are classified as assets held for sale at EUR 103m. The measurement basis is fair value less cost to sell.

Net working capital
At the end of September 2014, Vestas' net working capital amounted to EUR (344)m, which is a decrease of EUR 227m compared to the end of September 2013. The decrease is caused by increases in prepayments and trade payables not fully offset by similar increases in aggregate receivables and inventories.

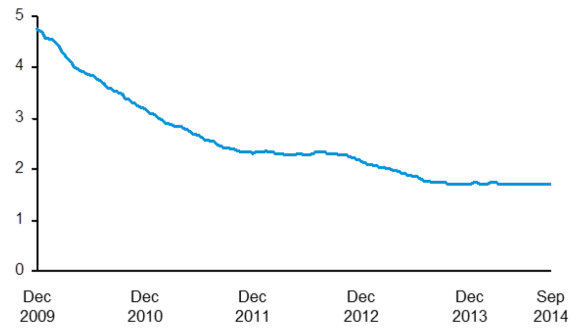
Vestas still aims to reduce the level of MW under completion by decreasing lead time in transportation and installation. At the same time, Vestas focuses on order-to-cash by implementing improvements within contract management and cash collection.

Warranty provisions
In the third quarter of 2014, warranty provisions charged to the income statement amounted to EUR 36m, equivalent to 2.0 per cent of revenue. Warranty consumption amounted to EUR 28m, thus equal to consumption in the third quarter of 2013. Over the last 12 months, warranty consumption as a percentage of revenue amounted to 1.5 per cent. The very low level is a result of the continued focus on quality and the improved performance of the wind turbines.

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

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

Lost Production Factor
Percentage



Data calculated across 18,866 Vestas wind turbines under full scope service.

Total equity
Vestas' equity amounted to EUR 2,165m at 30 September 2014; an increase of EUR 940m compared to 30 September 2013, primarily driven by the capital increase conducted in February 2014 and the positive net result for the period from 1 January to 30 September 2014. The solvency ratio increased by 10.3 percentage points to 30.8 per cent.

Cash flow and investments
In the third quarter of 2014, cash flow from operating activities before changes in net working capital increased by EUR 120m to EUR 163m compared to the third quarter of 2013.

Cash flow from investment activities amounted to EUR (66)m, which is EUR (18)m higher than the same period last year. The investments were primarily driven by V110 and V126 blade moulds and capitalised technology investments. Year-to-date, cash flow used for investment activities amount to EUR (187)m.

In the third quarter of 2014, the free cash flow increased by EUR 49m to EUR 105m compared to the third quarter of 2013.

Market development

Deliveries and wind turbine backlog per region

MW	Europe and Africa	Americas	Asia Pacific	Total
Deliveries Q3 2014	876	648	158	**1,682**
Order intake Q3 2014	652	468	50	**1,170**
Backlog as per 30 Sep 2014	4,487	2,539	429	**7,455**

Europe and Africa

Third-quarter 2014 deliveries in Europe and Africa amounted to 876 MW, an increase of 415 MW compared to the third quarter of 2013. As would normally be the case, deliveries within Europe was to a number of countries. Germany (244 MW), Sweden (192 MW), UK (88 MW) and Poland (64 MW) are amongst the more important markets in Northern and Central Europe while an increase of activity occurred in selected Southern European markets with France (109 MW) and Turkey (65 MW) being the more prominent ones.

Germany

The German market is experiencing a record year due to a rush in project execution before the announced regulatory framework modification.

Sweden

The Swedish market is starting to show more signs of activity and Vestas announced two orders totalling 132 MW in the quarter. The market is, however, still slower than in previous years due to low certificate and power prices. There is a planned review of the certificate market in 2015 and the new Swedish government has also announced intentions to increase the support for renewables. This may potentially impact certificate prices positively.

United Kingdom

The UK is showing increased signs of activity which is partly driven by many developers seeking to qualify for the existing support scheme, which requires projects to be operational by the end of March 2017. The new system of financial support contracts, awarded via auctions, will run in parallel until March 2017.

Scotland's referendum on remaining in the UK did cause some political uncertainty for projects located in Scotland, now relieved by the outcome of the vote.

Other markets

France and Turkey remain the two largest markets in Southern Europe with a healthier demand level compared to last year.

Poland is currently in a transition phase from a green certificate support system to an auction-based system, which has caused market uncertainty and affected order volume. Vestas has nonetheless been able to secure a stable share of the market in the last few years before the green certificate system closes, and Vestas announced two orders totalling 100 MW in the quarter. Vestas also announced the sale of two projects in Finland at a total of 47 MW, one of which included the Vestas De-icing System.

Americas

In the third quarter of 2014, Vestas delivered 648 MW to the markets in Americas and the order backlog amounted to 2,539 MW as of 30 September 2014.

USA

Based on a strong foothold and a continued high market activity in the USA, Vestas has received around 1.6 GW of orders in the USA in the first three quarters of the year. Vestas announced 276 MW of USA orders in the third quarter of 2014 and deliveries in the quarter in the USA were up by 279 MW to 304 MW compared to the third quarter of 2013.

In the USA, market activity is as always heavily correlated with the Production Tax Credit (PTC). The market continues to be characterised by demand caused by the PTC that expired in 2013.

Canada

In Canada, Vestas announced the signing of two service renewals for a total of 177 MW during the first nine months of 2014. Deliveries in Canada were down from 276 MW in third quarter of 2013 to 24 MW in the third quarter of 2014.

Brazil

Earlier this year, Vestas announced its decision to invest up to BRL100m (EUR 32m) in order to meet local content requirements, prioritising initiatives that enable the company to compete more effectively in the local wind power industry. As of the third quarter of 2014, Vestas has, all in all, delivered 686 MW to Brazil.

Other markets

In the third quarter of 2014, Vestas also received a 49 MW order in Uruguay, further strengthening its leadership position in the South American country, where the company has 140 MW installed as well as a good backlog. 52 MW were installed in Uruguay in third the quarter of 2014.

Other markets in Latin America, such as Mexico and Chile are in the midst of important regulatory changes, including its approach towards wind energy. Vestas remains a key player in both markets and is in permanent contact with strategic stakeholders to further support the development of wind energy. Amongst others, Vestas delivered 138 MW to Mexico and 112 MW to Peru in the third quarter of 2014.

Asia Pacific

In the third quarter of 2014, Vestas delivered 158 MW to one market in Asia Pacific, China. This is largely comparable to the 144 MW delivered to China in the third quarter of 2013. The order backlog in the Asia Pacific region amounted to 429 MW as of 30 September 2014.

China

The current Feed-in-Tariff (FiT) scheme in China approaches its expiration and a market-based incentive scheme is likely to be introduced. Further, the market is expected to move towards an increased emphasis on cost of energy and additional measures drafted by the National Energy Administration like the Renewable Portfolio Standards (RPS) are being implemented with the aim of easing some of the current obstacles to wind energy development, such as the curtailment of production, or offsetting the negative impact from the adjustment of the FiT.

All of these factors suggest a continued strong build-out in China for the coming years with the bulk of wind development in China coming from medium, low and ultra-low wind conditions.

Other markets

In July 2014, it was announced that the accelerated depreciation scheme would be re-introduced in India. Vestas did not have deliveries in India in the quarter.

The Australian Renewable Energy Target (RET) is still in discussion, which may have an impact on new projects in the country.

Deliveries (ToR)

MW	Q3 2014	Q3 2013	FY 2013
Germany	244	147	616
Sweden	192	62	235
France	109	82	257
United Kingdom	88	10	243
Turkey	65	-	36
Poland	64	38	301
Romania	60	2	324
Netherlands	20	3	21
Greece	15	-	19
Austria	6	18	35
Finland	6	-	40
Czech Republic	5	-	2
South Africa	2	-	65
Belgium	-	-	134
Denmark	-	45	233
Croatia	-	-	0
Ukraine	-	-	111
Kenya	-	-	-
Italy	-	-	199
Ireland	-	40	68
Portugal	-	-	7
Bulgaria	-	14	14
Switzerland	-	-	11
Total Europe and Africa	**876**	**461**	**2,971**
USA	304	25	102
Mexico	138	-	104
Peru	112	-	-
Uruguay	52	-	28
Canada	24	276	421
Chile	12	-	180
Costa Rica	6	-	-
Brazil	-	184	334
Nicaragua	-	40	40
Total Americas	**648**	**525**	**1,209**
China	158	144	434
India	-	46	80
Australia	-	-	168
Total Asia Pacific	**158**	**190**	**682**
TOTAL WORLD	**1,682**	**1,176**	**4,862**

Profitable Growth for Vestas

Strategic objectives

The world, in which Vestas operates, continues to evolve in ways that significantly affect the wind industry as well as Vestas. Wind energy's advantages are strong and Vestas' aspiration is to continue to be the global leader of the wind power industry. In order to succeed – together with its customers, shareholders, employees and the surrounding society – Vestas will continue to provide superior cost-effective wind turbine technologies, products and services to the market.

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

Public policies that have supported renewable energy's growth continue to evolve as well, along with the shifts in demand. Policy support is uncertain in many markets and governments, customers and societies are relentlessly demanding that the wind power industry continuously reduces the cost of energy. This ties well with Vestas' ambitions to bring the cost of wind energy on a par with coal and gas which today is a reality in some markets.

Vestas' strategy, Profitable Growth for Vestas, was launched in early 2014. The strategy rests on four main strategic objectives which form the basis for implementation:

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

Grow profitably in mature and emerging markets

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

Vestas has already established a strong track record of winning firm and unconditional orders in new wind turbine markets in Eastern Europe, Asia, Africa and South America and Vestas further expects to improve its regional competitiveness and presence in specific markets like China, India and Brazil. New regional management has been appointed in both China and India which, combined with continuous cost and performance improvements and a higher degree of local sourcing, are key levers in these markets going forward. In June 2014, Vestas also announced its intent to invest up to EUR 32m in Brazil as part of its revised Brazil strategy.

Year to date, Vestas has had order intake in 25 countries, illustrating Vestas' ambitions to grow in both mature and emerging markets. Order intake for the third quarter of 2014 was lower than in the same period in 2013; however order intake for the first nine months of 2014 was 458 MW higher than in the same period last year.

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

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

Capture full potential of the service business

Having installed an accumulated amount of more than 64 GW of wind power – a significantly higher amount than the closest competitor – Vestas has a unique platform from which to grow its service business, which is already today the largest in the wind power industry.
As the majority of wind turbine contracts are sold with service agreements running for five or ten years, the stable revenue stream from the service business is set to continue its growth as the installed base of wind turbines increases.

Vestas intends to expand its service business further by offering new and value-adding service solutions and a variety of upgrades of existing wind power plants to its customers.

Earlier this year, the service business was carved out as a separate division and a head of service was appointed. A new organisation designed to reflect Vestas' ambitions for the segment was announced and made operational in the third quarter of 2014.

In May 2014, Vestas launched the PowerPlus™ upgrades designed to optimise the performance and increase the power output on existing wind power plants by up to 5 per cent while maintaining high reliability. The PowerPlus™ solution has been positively received by the market and has been sold to several clients in North America and Europe.

The service business continued to grow in the quarter, thus supporting Vestas' ambition to grow the service business by more than 30 per cent mid-term.

Reduce levelised cost of energy

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

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

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

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

Improve operational excellence

Cost savings remain a priority for Vestas, and Vestas will continue its journey towards lower costs through further site simplification, shared service centres and increased efficiency by leveraging on the scale of its operations. All of these efforts were continued as planned in the third quarter of 2014.

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

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

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

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

Financial and capital structure targets and priorities

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

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

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

Dividend policy and priorities for excess cash allocation

Vestas has the following priorities for excess cash:

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

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

Update on strategy

In connection with the announcement of the full year results for 2014 in February 2015, Vestas will be providing an update on the status of the strategy.

Social and environmental performance

Employees

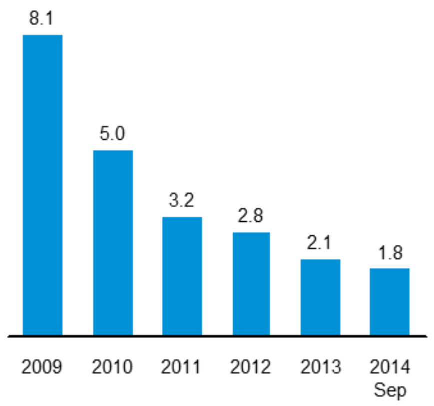
During the first nine months of 2014, Vestas increased the number of employees by 3,826 mainly driven by the ramp up at the factories. Vestas will continue to scale the workforce according to, among other things, the expected activity level.

Safety

The number of lost time injuries decreased from 14 in the third quarter of 2013 to 11 in the third quarter of 2014. Similarly, the incidence of lost time injuries decreased from 1.8 in the third quarter of 2013 to 1.4 in the third quarter of 2014.

Vestas has set a target of incidence of lost time injuries of 1.6 for 2014 and with the 2014 first nine months-performance at 1.8, further improvements are needed to achieve the full-year target.

Incidence of lost time injuries
Per one million working hours



Social responsibility

The continued efforts of mitigating risks in emerging markets and addressing challenges that comes when entering and building new markets for wind power is becoming more integrated with the traditional risk mitigation process in Vestas. Vestas' social and environmental due diligence process is part of this initiative, and contribute to identify and mitigate social risks that, if not properly addressed, could result in loss of/damage to Vestas assets and personnel and reputational damage. By addressing risks and opportunities in the early stages of the projects, Vestas integrates and expands the social license to operate in these new markets.

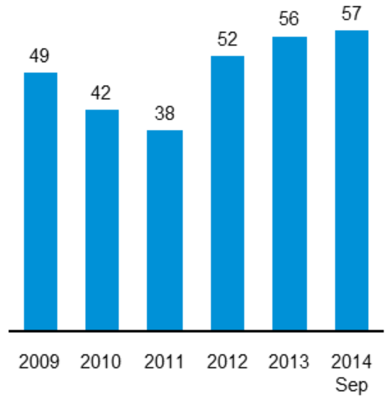
Environmental performance

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

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

Vestas continues to use 100 per cent renewable electricity for its operations. Furthermore, 57 per cent of all energy consumption came from renewable energy sources in the first nine months of 2014, which is equal to the first nine months of 2013.

Renewable energy
Percentage of total energy consumption



Outlook 2014

Based on the expected delivery plan for the remainder of the year and the improved cost base, Vestas upgrades guidance for revenue, EBIT margin before special items and free cash flow.

Revenue is upgraded from minimum EUR 6bn to now range between EUR 6.4bn and EUR 7.0bn including service revenue, which is expected to grow.

Vestas now expects to achieve an EBIT margin before special items of 7-8 per cent compared to the previous guidance of minimum 6 per cent. The service margins are expected to remain stable.

The free cash flow is now expected to range between EUR 400m and EUR 700m in 2014, compared to minimum EUR 300m previously.

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

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

Outlook 2014

Revenue (bnEUR)	6.4-7.0
EBIT margin before special items (%)	7-8
Total investments (mEUR)	approx 250
Free cash flow (mEUR)	400-700

Financial calendar 2015

11.02.2015	Disclosure of annual report 2014 and outlook for 2015
02.03.2015	Convening for annual general meeting
30.03.2015	Annual General Meeting in Aarhus, Denmark
06.05.2015	Disclosure of Q1 2015
19.08.2015	Disclosure of Q2 2015
05.11.2015	Disclosure of Q3 2015

The financial calendar lists the expected dates of publication of financial announcements and the Annual General Meeting in the 2015 financial year for Vestas Wind Systems A/S.

Governance

Board member, Jørn Ankær Thomsen, has informed that he will not stand for re-election at the Annual General Meeting in 2015.

Assumptions and risks

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

Vestas has defined its three most significant risks, being:

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

Decreasing governmental support for wind power

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

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

In early 2014, EU adopted a new state aid guidance which is expected to facilitate a shift from fixed tariff systems to more market-based types of schemes. Overall, this might lead to reduced support for wind power across a number of European countries within the next years. The transition phase to new support schemes is expected to cause market unrest as some currently planned projects might no longer be profitable under the aid levels in the new support schemes. The EU did, however, recently agree to increase the share of renewables to 27 per cent by 2030 which demonstrates a continued commitment to renewables and commits the policy makers to create a long-term environment for renewables.

Potential impact

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

Mitigation actions

Vestas' sustained investment in product development has led to continued reductions in the cost of energy for wind power, making wind power more competitive. According to some industrial analysts, the cost of wind power is expected to reach grid parity in 2015. Vestas thus continues to focus on reducing the cost of energy in order to make wind power an even more attractive investment.

Entering new markets

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

In order to achieve widespread acceptance in each country that Vestas enters, products and services must be tailored to the customs and cultures of that country. Furthermore, it must be taking into account that the time required to achieve widespread acceptance for those products and services may be longer than anticipated. In addition, Vestas is subject to certain risks as a result of having international operations – risks that inevitably are higher in new markets than in mature markets.

These risks include:

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

Potential impact

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

Mitigation actions

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

Introduction of new products

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

Potential impact

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

Mitigation actions

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

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

Consolidated accounts 1 January - 30 September 2014

Condensed consolidated income statement

mEUR	Note	Q3 2014	Q3 2013	9 months 2014	9 months 2013
Revenue		**1,813**	**1,442**	**4,437**	**3,723**
Cost of sales		(1,495)	(1,229)	(3,675)	(3,283)
Gross profit		**318**	**213**	**762**	**440**
Research and development costs		(55)	(55)	(167)	(168)
Distribution expenses		(36)	(41)	(114)	(127)
Administrative expenses		(64)	(50)	(174)	(174)
Operating profit/(loss) (EBIT) before special items		**163**	**67**	**307**	**(29)**
Special items	4	(8)	(64)	29	(99)
Operating profit/(loss) (EBIT) after special items		**155**	**3**	**336**	**(128)**
Income from investments in associates		-	-	-	-
Income from investments in joint ventures	8	(7)	-	(26)	-
Net financial items		(12)	(39)	(46)	(97)
Profit/(loss) before tax		**136**	**(36)**	**264**	**(225)**
Corporation tax		(34)	(51)	(66)	(75)
Net profit/(loss) for the period		**102**	**(87)**	**198**	**(300)**
Earnings per share (EPS)					
EPS (EUR), basic		0.47	(0.43)	0.91	(1.48)
EPS (EUR), diluted		0.46	(0.43)	0.90	(1.48)

Condensed consolidated statement of comprehensive income

mEUR	Q3 2014	Q3 2013	9 months 2014	9 months 2013
Profit/(loss) for the period	**102**	**(87)**	**198**	**(300)**
Items to be reclassified to the income statement when specific conditions are met:				
Exchange rate adjustments relating to foreign entities	57	(23)	70	(37)
Fair value adjustments of derivative financial instruments for the period	15	(45)	(17)	(76)
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	(26)	-	(14)	-
Share of other comprehensive income of joint venture	3	-	4	-
Tax on derivative financial instruments and other comprehensive income	2	11	7	19
Other comprehensive income after tax for the period	51	(57)	50	(94)
Total comprehensive income for the period	**153**	**(144)**	**248**	**(394)**

Condensed consolidated balance sheet – Assets

mEUR	Note	30 September 2014	30 September 2013	31 December 2013
Goodwill		215	216	215
Completed development projects		306	365	331
Software		33	47	42
Development projects in progress		119	136	153
Total intangible assets		**673**	**764**	**741**
Land and buildings		687	824	803
Plant and machinery		194	192	219
Other fixtures, fittings, tools and equipment		132	153	151
Property, plant and equipment in progress		93	72	48
Total property, plant and equipment		**1,106**	**1,241**	**1,221**
Investments in associates		1	1	1
Investments in joint ventures	8	179	-	-
Other receivables		38	34	34
Deferred tax		216	152	155
Total other non-current assets		**434**	**187**	**190**
Total non-current assets		**2,213**	**2,192**	**2,152**
Inventories		2,095	2,024	1,425
Trade receivables		714	515	626
Construction contracts in progress		179	40	47
Other receivables		456	312	307
Corporation tax		56	62	57
Cash at bank and in hand		1,222	374	694
Total current assets		**4,722**	**3,327**	**3,156**
Current and non-current assets held for sale	5, 9	103	462	332
TOTAL ASSETS		**7,038**	**5,981**	**5,640**

Condensed consolidated balance sheet – Equity and liabilities

mEUR	Note	30 September 2014	30 September 2013	31 December 2013
Share capital		30	27	27
Other reserves		40	(89)	(10)
Retained earnings		2,095	1,287	1,507
Total equity		**2,165**	**1,225**	**1,524**
Deferred tax		22	25	21
Provisions	10	194	172	200
Pension obligations		2	2	2
Financial debts	5, 7	12	841	604
Total non-current liabilities		**230**	**1,040**	**827**
Prepayments from customers		1,938	1,458	1,568
Construction contracts in progress		30	63	12
Trade payables		1,403	1,076	832
Provisions	10	160	156	165
Financial debts	5, 7	608	261	4
Other liabilities		417	358	426
Corporation tax		87	48	39
Total current liabilities		**4,643**	**3,420**	**3,046**
Liabilities directly associated with current and non-current assets held for sale	5	0	296	243
Total liabilities		**4,873**	**4,756**	**4,116**
TOTAL EQUITY AND LIABILITIES		**7,038**	**5,981**	**5,640**

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

mEUR	Share capital	Trans-lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
Equity at 1 January 2014	**27**	**(46)**	**36**	**-**	**(10)**	**1,507**	**1,524**
Total comprehensive income for the period	-	70	(23)	3	50	198	248
Capital increase	3	-	-	-	-	439	442
Costs of capital increase	-	-	-	-	-	(10)	(10)
Acquisition of treasury shares	-	-	-	-	-	(43)	(43)
Share based payments	-	-	-	-	-	4	4
Equity at 30 September 2014	**30**	**24**	**13**	**3**	**40**	**2,095**	**2,165**

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

mEUR	Share capital	Trans-lation reserve	Cash flow hedging reserve	Other reserves	Total other reserves	Retained earnings	Total
Equity at 1 January 2013	**27**	**7**	**(2)**	**0**	**5**	**1,590**	**1,622**
Total comprehensive income for the period	-	(37)	(57)	-	(94)	(300)	(394)
Acquisition of treasury shares	-	-	-	-	-	(7)	(7)
Share based payments	-	-	-	-	-	4	4
Equity at 30 September 2013	**27**	**(30)**	**(59)**	**0**	**(89)**	**1,287**	**1,225**

Condensed consolidated cash flow statement

mEUR	Q3 2014	Q3 2013	9 months 2014	9 months 2013
Profit/(loss) for the period	102	(87)	198	(300)
Adjustments for non-cash transactions	87	147	276	417
Corporation tax paid	(19)	10	(67)	(38)
Interest paid	(7)	(27)	(42)	(88)
Cash flow from operating activities before change in net working capital	163	43	365	(9)
Change in net working capital	8	61	(118)	351
Cash flow from operating activities	**171**	**104**	**247**	**342**
Investment in intangible assets	(21)	(46)	(85)	(128)
Investment in property, plant and equipment	(46)	(6)	(105)	(24)
Sale of property, plant and equipment	-	-	5	-
Other	1	4	(2)	3
Cash flow from investing activities	**(66)**	**(48)**	**(187)**	**(149)**
Free cash flow	**105**	**56**	**60**	**193**
Capital increase	-	-	432	-
Acquisition of treasury shares	-	(7)	(43)	(7)
Repayment of financial debts	-	(67)	-	(650)
Raising of financial debts	-	-	7	-
Cash flow from financing activities	**-**	**(74)**	**396**	**(657)**
Change in cash at bank and in hand less current portion of bank debt	**105**	**(18)**	**456**	**(464)**
Cash at bank and in hand less current portion of bank debt at 1 July/1 January	1,053	385	690	847
Exchange rate adjustments of cash at bank and in hand	56	2	68	(14)
Cash at bank and in hand less current portion of bank debt at 30 September	**1,214**	**369**	**1,214**	**369**
The amount can be specified as follows:				
Cash at bank and in hand without disposal restrictions	1,052	322	1,052	322
Cash at bank and in hand with disposal restrictions	170	52	170	52
Total cash at bank and in hand	1,222	374	1,222	374
Current portion of bank debt	(8)	(5)	(8)	(5)
	1,214	**369**	**1,214**	**369**

In connection with the establishment of the joint venture between Vestas Wind Systems A/S and Mitsubishi Heavy Industries Ltd. (ref. note 8), net assets of EUR 139m were transferred from Vestas to the joint venture, MHI Vestas Offshore Wind. As part of this transfer, a gain of EUR 58m was recognised in the income statement and an investment in MHI Vestas Offshore Wind amounting to EUR 197m was recognised on the balance sheet. The entire transaction was carried out in Q2 2014 non-cash. In Q3 2014, a non-cash re-measurement gain of EUR 4m was recognised as special items (ref. note 8).

Notes to the consolidated accounts

Note 1 - Accounting policies

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

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

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

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

Critical accounting judgements and estimates
Reference is made to the annual report 2013 pages 52, 57, 62, 65, 68, 73 and 75 with the exception of changes in estimates that are required in determining the provision for income tax, measurement of fair value less cost to sell of assets held for sale (note 9), measurement of consideration for the sale of shares in Vestas Offshore A/S (ref. note 8), and re-assessment of restructuring (note 4).

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

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

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

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

Annual improvements 2012-2014 cycle: IAS 34 *Interim financial reporting*. Clarification that cross references must be made from the interim financial reporting to other elements in the interim reporting, e.g. Management's review, if disclosures required by IAS 34 are included. Vestas complies already with this requirement. The improvement is effective on 1 July 2016. No date has been published for the expected EU adoption.

IFRS 9: Recognition and measurement of financial assets and liabilities. A new impairment model is introduced based on expected losses. Vestas expects to apply the simplified model as Vestas in all material respects only has trade receivables without any material credit elements. Credit losses are recognised at the time of sale and classified as a cost and not as a reduction of revenue. The complete standard becomes effective for financial years beginning on or after 1 January 2018. No date has been published for the expected EU adoption.

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

Note 2 - Segment information

mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service	Total reportable segments
Q3 2014						
External revenue	1,035	463	120	(40)	235	**1,813**
Internal revenue	155	18	4	1,324	0	**1,501**
Total segment revenue	**1,190**	**481**	**124**	**1,284**	**235**	**3,314**
Reportable segments' operating results (EBIT)[1)]	(6)	(4)	10	142	37	**179**
Total assets	**1,450**	**810**	**310**	**1,702**	**380**	**4,652**
Q3 2013						
External revenue	545	527	125	18	227	1,442
Internal revenue	222	29	6	1,156	0	1,413
Total segment revenue	**767**	**556**	**131**	**1,174**	**227**	**2,855**
Reportable segments' operating results (EBIT)	(3)	13	5	(69)	27	(27)
Total assets	**1,667**	**551**	**256**	**1,664**	**372**	**4,510**

Reconciliation	**Q3 2014**	**Q3 2013**
Reportable segments' EBIT	179	(27)
Unallocated net income/(expenses)[2)]	(24)	30
Consolidated operating profit (EBIT) after special items	**155**	**3**

1) Service EBIT of EUR 37m is after allocation of Group costs of EUR 19m. Before allocation of Group costs, service EBIT amounts to EUR 56m (2013: EUR 44m).
2) Inclusive of parent company income (service, royalty and other rental income from Group companies) reduced by costs related to Vestas Technology and Service Solutions and Group staff functions.

Note 2 - Segment information (continued)

mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service	Total reportable segments
9m 2014						
External revenue	2,323	997	360	53	704	**4,437**
Internal revenue	439	125	14	2,922	0	**3,500**
Total segment revenue	**2,762**	**1,122**	**374**	**2,975**	**704**	**7,937**
Reportable segments' operating results (EBIT)[1]	(25)	17	5	265	124	**386**
Total assets	**1,450**	**810**	**310**	**1,702**	**380**	**4,652**
9m 2013						
External revenue	1,683	897	427	22	694	3,723
Internal revenue	418	69	14	2,468	0	2,969
Total segment revenue	**2,101**	**966**	**441**	**2,490**	**694**	**6,692**
Reportable segments' operating results (EBIT)	(26)	(11)	16	(22)	112	**69**
Total assets	**1,667**	**551**	**256**	**1,664**	**372**	**4,510**

Reconciliation	9m 2014	9m 2013
Reportable segments' EBIT	386	69
Unallocated net income/(expenses)[2]	(50)	(197)
Consolidated operating profit (EBIT) after special items	**336**	**(128)**

1) Service EBIT of EUR 124m is after allocation of Group costs of EUR 52m. Before allocation of Group costs, service EBIT amounts to EUR 176m (2013: EUR 169m).
2) Inclusive of parent company income (service, royalty and other rental income from Group companies) reduced by costs related to Vestas Technology and Service Solutions and Group staff functions.

Note 3 - Overview of MW under completion per quarter 2014

mEUR	Europe and Africa	Americas	Asia Pacific	Total
Q3				
Under completion, 1 July 2014	1,150	679	223	2,052
Delivered (ToR) to customers during the period	(876)	(648)	(158)	(1,682)
Produced and shipped during the period	1,159	819	205	2,183
Under completion, 30 September 2014	**1,433**	**850**	**270**	**2,553**
Q2				
Under completion, 1 April 2014	1,035	572	133	1,740
Delivered (ToR) to customers during the period	(792)	(267)	(86)	(1,145)
Produced and shipped during the period	907	374	176	1,457
Under completion, 30 June 2014	**1,150**	**679**	**223**	**2,052**
Q1				
Under completion, 1 January 2014	853	690	61	1,604
Delivered (ToR) to customers during the period	(499)	(483)	(6)	(988)
Produced and shipped during the period	681	365	78	1,124
Under completion, 31 March 2014	**1,035**	**572**	**133**	**1,740**

Note 4 - Special items

For the nine months period ended 30 September 2014, special items primarily comprise of EUR 54m representing the net gain from the sale of 50 per cent of the shares in Vestas Offshore A/S and its subsidiaries to form the joint venture, MHI Vestas Offshore Wind, offset by EUR 25m representing costs relating to site simplification and restructuring in general. For the third quarter of 2014, special items primarily comprise of reassessment of restructuring provisions and new provision related to site simplification, partly offset by reassessment of the preliminary gain from the establishment of the MHI Vestas Offshore Wind joint venture (positive EUR 4m).

Note 5 - Key development in the balance sheet since 31 December 2013

Current and non-current assets held for sale have decreased by EUR 332m and liabilities directly associated with current and non-current assets held for sale have decreased by EUR 243m to EUR 0m due to the transaction referred to in note 8 involving MHI Vestas Offshore Wind. The decrease is offset by non-current assets held for sale of EUR 103m due to change in classification of office facilities as part of the site simplification project (ref. note 9).

Non-current financial debts have decreased by EUR 592m. This is primarily due to the financial debts now being due within 12 months and therefore classified as current financial debts.

Note 6 - Financial risks

Financial and other risks, including risks related to currency, interest rate, tax, credit, commodity exposures, financial reporting and control activities, are addressed in the notes to the consolidated accounts, ref. annual report 2013. The risks remain unchanged from 2013.

Note 7 - Financial instruments

There are no material differences between the fair values and book values of financial assets and liabilities apart from corporate bonds, whose book value at 30 September 2014 is EUR 600m with a corresponding fair value of EUR 608m. The fair value of derivative financial instruments at 30 September 2014 amounts to EUR 23m which equals book value

Note 8 - Investment in joint ventures

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

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

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

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

Based on an assessment of the value of the consideration, a preliminary net gain of EUR 50m was recognised as special items in the income statement for the six months period ended 30 June 2014. In the third quarter of 2014, a re-assessment of the milestones expected to be achieved has been performed. This reassessment has resulted in the recognition of a further net gain of EUR 4m classified as special items. The measurement of the net gain to date is subject to MHI's final approval of the closing balance sheet at 1 April 2014 of Vestas Offshore A/S. Expected final approval has been postponed from the third to the fourth quarter of 2014.

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

mEUR	**9 months ended 30 September 2014**
Beginning of period	0
Addition in April	197
Re-measurement of gain-consideration	4
Share of profit/(loss)	(26)
Share of other comprehensive income	4
Investments in joint ventures	**179**

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

The Group's share of the joint venture's revenue since 1 April 2014 and aggregated assets and liabilities at the end of the period amounts to: Revenue: EUR 60m, aggregated assets: EUR 368m and aggregated liabilities: EUR 193m.

Nature of investment in joint ventures:

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

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

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

Note 9 - Non-current assets held for sale

As part of the site simplification project, Vestas expects to sell a number of its office facilities, which are classified as held for sale at EUR 103m. The measurement basis is fair value less cost to sell.

Impairment loss recognised in the first half of 2014 amounted to EUR 20m which has been kept unchanged at 30 September 2014.

Note 10 - Warranty provisions (included in Provisions)

mEUR	30 September 2014	30 September 2013	31 December 2013
Warranty provisions, 1 January	307	274	274
Provisions for the period	89	74	117
Warranty provisions consumed during the period	(90)	(73)	(84)
Warranty provisions	**306**	**275**	**307**
The provisions are expected to be payable as follows:			
< 1 year	137	132	137
> 1 year	169	143	170

Note 11 - Related party transactions

Since 1 April 2014 the Group's investment in the joint venture, MHI Vestas Offshore Wind has become a related party. Revenue from sales to MHI Vestas Offshore Wind for the period from 1 April to 30 September 2014 amounts to EUR 256m and receivables from MHI Vestas Offshore Wind amounts to EUR 33m at 30 September 2014.

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

Note 12 - Contingent assets and liabilities

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

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

Some of these disputes concern significant amounts and uncertainties.

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

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

Note 13 - Significant events after the reporting period

On 3 October 2014, Vestas announced that delivery of a 254 MW project to the customer CPFL Renováveis in Brazil has been cancelled. The cancellation relates to changes to local Brazilian legislation which occurred after the contract was agreed. As CPFL and Vestas have been unable to agree on the consequences of those specific legislative changes, CPFL and Vestas have amicably agreed to the cancellation of the project.

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

Management's statement

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

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

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

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

Aarhus, Denmark, 7 November 2014

Executive Management

Anders Runevad
Group President & CEO

Marika Fredriksson
Executive Vice President & CFO

Anders Vedel
Executive Vice President & CTO

Jean-Marc Lechêne
Executive Vice President & COO

Juan Araluce
Executive Vice President & CSO

Board of Directors

Bert Nordberg
Chairman

Lars Josefsson
Deputy Chairman

Carsten Bjerg

Eija Pitkänen

Henrik Andersen

Henry Sténson

Jørn Ankær Thomsen

Kim Bredo Rahbek

Kim Hvid Thomsen

Lykke Friis

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

Disclaimer and cautionary statement

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

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. There are a number of factors that could affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks; (e) legislative, fiscal and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components from suppliers and vendors; and (m) customer readiness and ability to accept delivery and installation of products and transfer of risk.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2013 (available at vestas.com/investor) and these factors should also be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

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