Vestas Wind Systems A/S

Interim financial report First quarter 2014

Wind. It means the world to us.™

Contents

Press and analyst information meeting

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

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

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

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

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

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Summary

Outlook for 2014 maintained. Revenue, earnings and free cash flow increased compared to the first quarter of 2013. Focus on Profitable Growth for Vestas remains.

In the first quarter of 2014, Vestas generated revenue of EUR 1,283m – an increase of 17 per cent to the year-earlier period. EBIT before special items increased by EUR 148m to EUR 40m due to improved project margins, higher revenue, lower fixed capacity costs and lower depreciation. The EBIT margin before special items was 3.1 per cent and the free cash flow increased by EUR 36m to EUR (24)m compared to the first quarter of 2013. During the last 12 months, Vestas has generated a free cash flow of EUR 1,045m.

The intake of firm and unconditional wind turbine orders was 1,188 MW in the first quarter of 2014. The value of the wind turbine backlog amounted to EUR 6.9bn at 31 March 2014. In addition to the wind turbine order backlog, Vestas had service agreements with contractual future revenue of EUR 6.9bn at the end of March 2014. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 13.8bn – an improvement of EUR 1.4bn compared to the year-earlier period.

On 1 April 2014, MHI Vestas Offshore Wind, the joint venture between Vestas and Mitsubishi Heavy Industries Ltd., became operational.

Group President & CEO Anders Runevad said: "*As we expected, first quarter showed improvements in all major areas. This is a result of a lot of hard work from my colleagues and we remain focused on executing on our strategy, Profitable Growth for Vestas.*"

Q1 at a glance (against Q1 2013)

+ 84%	*Vestas had an order intake of 1,188 MW* *- an increase of 84 per cent*
+ 83%	*Vestas produced and shipped 1,124 MW* *- an increase of 83 per cent*
+ 21%	*Vestas delivered wind power systems with an aggregate capacity of 988 MW* *- an increase of 21 per cent*
+ 17%	*Vestas generated revenue of EUR 1,283m* *- an increase of 17 per cent*
+ 4%	*Service revenue amounted to EUR 225m* *- an increase of 4 per cent*
+ EUR 148m	*EBIT before special items amounted to EUR 40m* *- an increase of EUR 148m*
+ EUR 153m	*Net profit amounted to EUR 2m* *- an increase of EUR 153m*
+ EUR 36m	*Vestas realised a free cash flow of EUR (24)m* *- an increase of EUR 36m*
- 3%	*The number of employees at the end of the quarter was 16,610* *- a decrease of 3 per cent*
- 12% points	*Renewable energy amounted to 46 per cent of total energy consumption* *- a decrease of 12 percentage points*
+ 11%	*Incidence of lost time injuries per one million working hours was 2.0* *- an increase of 11 per cent*

Highlights for the Group

mEUR	Q1 2014[1)]	Q1 2013[1)]	FY 2013
Financial highlights			
Income statement			
Revenue	1,283	1,096	6,084
Gross profit	184	58	896
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) before special items	128	(12)	610
Operating profit/(loss) (EBIT) before special items	40	(108)	211
Profit/(loss) before financial income and expenses, depreciation and amortisation (EBITDA) after special items	135	(24)	530
Operating profit/(loss) (EBIT) after special items	27	(122)	102
Profit/(loss) of net financial items	(25)	(29)	(138)
Profit/(loss) before tax	2	(151)	(36)
Net profit/(loss)	2	(151)	(82)
Balance sheet			
Balance sheet total	6,192	6,355	5,640
Equity	1,921	1,489	1,524
Provisions	381	356	388
Average interest-bearing position (net)	216	(1,108)	(862)
Net working capital	(570)	197	(596)
Investments in property, plant and equipment	22	7	73
Cash flow statement			
Cash flow from operating activities	42	(23)	1,248
Cash flow from investing activities	(66)	(37)	(239)
Free cash flow	(24)	(60)	1,009
Cash flow from financing activities	421	(309)	(1,150)
Change in cash at bank and in hand less current portion of bank debt	397	(369)	(141)
Financial ratios[2)]			
Financial ratios			
Gross margin (%)	14.3	5.3	14.7
EBITDA margin before special items (%)	10.0	(1.1)	10.0
EBIT margin before special items (%)	3.1	(9.9)	3.5
EBITDA margin after special items (%)	10.5	(2.2)	8.7
EBIT margin after special items (%)	2.1	(11.1)	1.7
Return on invested capital (ROIC) (%) before special items[3)]	14.5	2.1	7.7
Solvency ratio (%)	31.0	23.4	27.0
Net working capital as percentage of revenue (%)[4)]	(9.5)	3.2	(9.8)
Return on equity[3)] (%)	4.3	(49.1)	(5.2)
Gearing (%)	32.2	96.6	39.9
Share ratios			
Earnings per share[5)] (EUR)	0.3	(4.7)	(0.4)
Book value per share (EUR)	8.6	7.3	7.5
Price/book value (EUR)	3.3	0.9	2.9
Cash flow from operating activities per share (EUR)	0.2	(0.1)	6.1
Dividend per share (EUR)	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0
Share price at the end of the period (EUR)	28.5	6.2	21.5
Average number of shares	214,341,984	203,704,103	203,704,103
Number of shares at the end of the period	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).
3) 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.

	Q1 2014[1]	Q1 2013[1]	FY 2013
Operational key figures			
Order intake (mEUR)	1,042	671	5,821
Order intake (MW)	1,188	644	5,964
Order backlog – wind turbines (bnEUR)	6.9	7.0	6.8
Order backlog – service (bnEUR)	6.9	5.4	6.7
Produced and shipped wind turbines (MW)	1,124	613	4,513
Produced and shipped wind turbines (number)	463	286	2,025
Deliveries (MW)	988	819	4,862
Social and environmental key figures[2]			
Occupational health & safety			
Lost time injuries (number)	15	14	66
- of which fatal injuries (number)	0	0	1
Consumption of resources			
Consumption of energy (GWh)	138	166	586
- of which renewable energy (GWh)	63	96	325
- of which renewable electricity (GWh)	55	89	309
Consumption of fresh water (1,000 m^3)	79	99	512
Waste disposal			
Volume of waste (1,000 tonnes)	9	16	71
- of which collected for recycling (1,000 tonnes)	5	8	42
Emissions			
Direct emission of CO_2 (1,000 tonnes)	16	18	56
Indirect emission of CO_2 (1,000 tonnes)	8	12	44
Local community			
Environmental accidents (number)	0	0	0
Breaches of internal inspection conditions (number)	1	0	1
Employees			
Average number of employees	16,263	17,307	17,051
Number of employees at the end of the period	16,610	17,196	15,497
- of which outside Europe	6,324	6,397	5,861
Social and environmental indicators[2]			
Occupational health and safety			
Incidence of lost time injuries per one million working hours	2.0	1.8	2.1
Absence due to illness among hourly-paid employees (%)	2.8	2.6	2.5
Absence due to illness among salaried employees (%)	1.3	1.5	1.2
Products			
CO_2 savings over the lifetime on the MW produced and shipped (million tonnes of CO_2)	31	16	125
Utilisation of resources			
Renewable energy (%)	46	58	56
Renewable electricity for own activities (%)	100	121	100
Employees			
Women in Board of Directors[3] and Executive Management (%)	23	8	15
Women at management level (%)	17	17	17
Non-Danes at management level (%)	53	54	53

1) Neither audited nor reviewed.
2) Accounting policies for social and environmental key figures for the Group, see page 103-105 of the annual report 2013.
3) Only Board members elected by the general meeting are included.

Financial performance

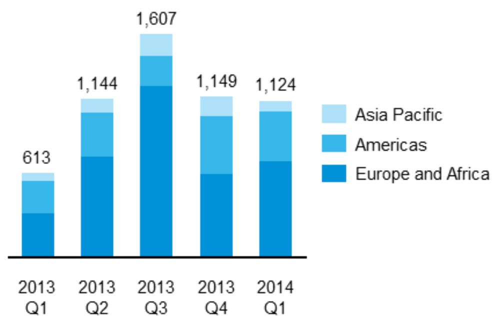
Order backlog and activities – wind turbines

The quarterly order intake was 1,188 MW, of which 49 per cent was announced. This is an improvement of 544 MW or 84 per cent compared to the first quarter of 2013.

The order backlog amounted to 7,574 MW at the end of March 2014. Europe and Africa accounted for 53 per cent and Americas and Asia Pacific accounted for 38 and 9 per cent, respectively. The value of the order backlog was EUR 6.9bn at the end of March 2014.

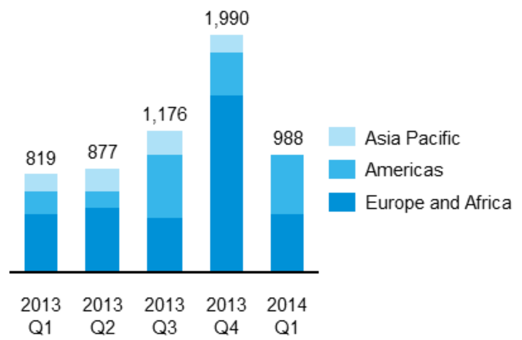
In the first quarter of 2014, Vestas produced and shipped wind turbines with an aggregate output of 1,124 MW (463 wind turbines) against 613 MW (286 wind turbines) in the first quarter of 2013.

Produced and shipped
MW



Final capacity delivered to the customers (transfer of risk – TOR) amounted to 988 MW; an increase of 21 per cent from the first quarter of 2013.

Deliveries (TOR*)
MW



*Transfer of risk

Overview as per Q1 2014
MW

	Europe and Africa	Americas	Asia Pacific	Total
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**

At the end of March 2014, wind turbine projects with a total output of 1,740 MW were under completion. This is reflected in the level of prepayments and inventories as a large share of these MW has not yet been recognised as revenue. The revenue recognition of these MW will take place when the projects are finally delivered to the customers.

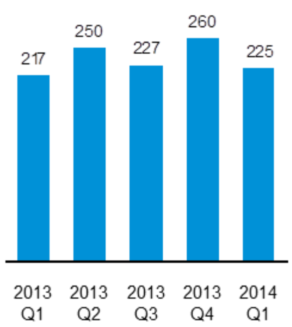
Order backlog and activities – service

At the end of March 2014, Vestas had service agreements with contractual future revenue of EUR 6.9bn – an increase of 28 per cent compared to the end of March 2013.

Service revenue amounted to EUR 225m in the first quarter of 2014 – an increase of 4 per cent compared to the first quarter of 2013. Even though revenue and earnings from the service business are far more stable than from the wind turbine business, the revenue and earnings generating activities in the different service contracts may vary from quarter to quarter.

In the first quarter of 2014, the EBIT margin before allocation of Group costs amounted to 26 per cent. The EBIT margin after allocation of Group costs was 18 per cent which is an increase of 3 percentage points compared to the first quarter of 2013, driven by a higher activity level and lower costs.

Service revenue
mEUR



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

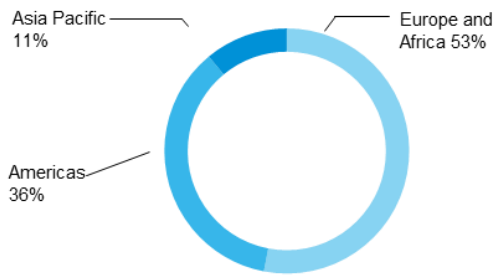
By the end of March 2014, Vestas has installed more than 61 GW in 73 countries. A high level of installed capacity and carefully planned service visits are key prerequisites for generating profit from the service business. Consequently, close monitoring of more than 25,000 wind turbines equivalent to more than 46 GW is one of the foundations of Vestas' service business' growth strategy.

50 per cent of the expiring service contracts were renewed during the first quarter of 2014. The lower-than-usual renewal rate is among other things due to a very low renewal rate in China and expiry of a couple of large contracts in the USA..

Income statement

In the first quarter of 2014, revenue amounted to EUR 1,283m; an increase of 17 per cent compared to the year-earlier period.

Distribution of revenue Q1 2014
Percentage



The gross profit more than tripled compared to the first quarter of 2013 and the gross margin amounted to 14.3 per cent. The increase was primarily driven by better project margins and higher volume.

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

The EBITDA margin before special items amounted to 10.0 per cent – an increase of 11.1 percentage points compared to the first quarter of 2013.

EBIT before special items amounted to EUR 40m – an increase of EUR 148m from the first quarter of 2013. The EBIT margin before special items was 3.1 per cent. In addition to the above-mentioned, the EBIT result was positively impacted by lower fixed costs and lower depreciation.

In the first quarter of 2014, a total of EUR 13m was booked as special items of which EUR 22m relates to writedowns due to site simplification offset by EUR (9)m relating to adjustments to restructuring provided for in previous years.

EBIT after special items amounted to EUR 27m – an improvement of EUR 149m compared to the first quarter of 2013.

In the first quarter of 2014, net financial items amounted to EUR (25)m against EUR (29)m in the first quarter of 2013. Net financials were negatively impacted by fees related to closing of the old bank agreement, entering into the new banking agreement and currency adjustments.

The corporation tax expense amounted to EUR 0m in the first quarter of 2014 and the net result was EUR 2m – an improvement of EUR 153m compared to the first quarter of 2013.

Balance sheet

Vestas had total assets of EUR 6,192m at 31 March 2014, against EUR 6,355m the year before.

At the end of March 2014, Vestas had a net cash position of EUR 476m, representing an improvement of EUR 1,448m compared to the end of the first quarter of 2013. This was driven by the net working capital improvement during 2013 and the capital increase conducted in February 2014.

Assets and liabilities held for sale

The agreement of a joint venture with Mitsubishi Heavy Industries Ltd. (MHI) dedicated to offshore wind energy implies that all assets and liabilities of Vestas Offshore A/S and its subsidiaries as well as development costs incurred on the V164-8.0 MW turbine to be transferred as part of the agreement will be classified as held for sale. This is further explained on page 22 of this report.

Net working capital

At the end of March 2014, Vestas' net working capital amounted to EUR (570)m, which is a decrease of EUR 767m compared to the end of March 2013. The development is primarily driven by a lower level of inventories.

During the quarter, net working capital increased by EUR 26m. The small increase in the seasonally weak first quarter underlines the improved net working capital control.

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

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

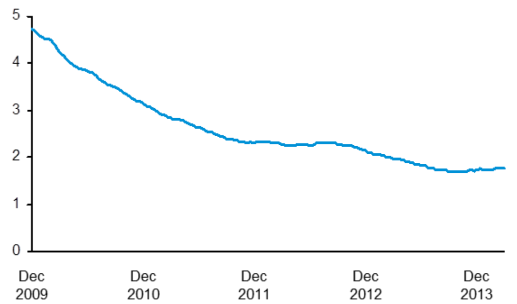
Warranty provisions

In the first quarter of 2014, warranty provisions amounted to EUR 25m, equivalent to 1.9 per cent of revenue. Warranty consumption amounted to EUR 28m – compared to EUR 17m in the first 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 March 2014, all the wind power plants where Vestas guaranteed the performance showed an average LPF of less than 2 per cent.

Lost Production Factor
Percentage



Data calculated across 18,548 Vestas wind turbines under full scope service.

Total equity

Vestas' equity amounted to EUR 1,921m at 31 March 2014; an increase of EUR 432m on 31 March 2013, primarily driven by the capital increase conducted in February 2014. Equity ratio increased by 7.6 percentage points to 31.0.

Cash flow and investments

In the first quarter of 2014, cash flow from operating activities increased by EUR 65m to EUR 42m compared to the first quarter of 2013 primarily driven by the improved earnings. Cash flow from investments amounted to EUR 66m, which is EUR 29m higher than the same period last year. This was primarily driven by investments in V110 moulds and capitalised technology investments in the V164-8.0 MW offshore turbine.

In the first quarter of 2014, the free cash flow increased by EUR 36m to EUR (24)m compared to the first quarter of 2013.

Over the last 12 months, Vestas has generated a free cash flow of EUR 1,045m.

Market development

Deliveries and wind turbine backlog per region
MW

	Europe and Africa	Americas	Asia Pacific	Total
Deliveries Q1 2014	499	483	6	**988**
Backlog as per 31 March 2014	4,026	2,903	645	**7,574**

Europe and Africa

The European market is still characterised by low activity in Southern Europe which is balanced by growth in some Northern and Eastern European markets. During the first quarter of 2014, Vestas has announced orders in Germany, Finland, Italy and Turkey – all with the new 3 MW wind turbines.

In the first quarter of 2014, Vestas delivered 499 MW to the markets in Europe and Africa and the order backlog amounted to 4,026 MW as of 31 March 2014.

Americas

Based on a strong foothold and a continued high market activity in the USA, Vestas has announced US orders of 292 MW in the first quarter of 2014. Part of this order intake came from the master supply agreements announced in the second half of 2013.

In the first quarter of 2014, Vestas delivered 483 MW to the markets in Americas and the order backlog amounted to 2,903 MW as of 31 March 2014.

Asia Pacific

In the first quarter of 2014, no orders were announced from the Asia Pacific region. Vestas delivered 6 MW to the markets in Asia Pacific and the order backlog amounted to 645 MW as of 31 March 2014.

Deliveries (TOR)
MW

	Q1 2014	Q1 2013	FY 2013
Germany	234	57	616
Belgium	58	-	134
United Kingdom	45	123	243
Sweden	29	120	235
Croatia	24	-	-
Turkey	24	6	36
Austria	21	-	35
Poland	20	38	301
France	18	24	257
Ukraine	18	15	111
Italy	6	39	199
South Africa	2	-	65
Finland	-	30	40
Denmark	-	18	233
Netherlands	-	9	21
Romania	-	4	324
Portugal	-	3	7
Switzerland	-	3	11
Ireland	-	-	68
Greece		-	19
Bulgaria	-	-	14
Czech Republic	-	-	2
Total Europe and Africa	**499**	**489**	**2,971**
USA	385	-	102
Brazil	58	90	334
Uruguay	25	2	28
Mexico	9	-	104
Canada	6	-	421
Chile	-	90	180
Nicaragua	-	-	40
Total Americas	**483**	**182**	**1,209**
China	6	47	434
Australia	-	93	168
India	-	8	80
Total Asia Pacific	**6**	**148**	**682**
TOTAL WORLD	**988**	**819**	**4,862**

Profitable Growth for Vestas

Strategic objectives

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

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

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

Upon completion of the two-year turnaround plan initiated by the end of 2011, Vestas has come a long way towards realising its vision. Costs have been significantly reduced, while divestments and outsourcing have made the manufacturing footprint lean and scalable without compromising quality or Vestas' global presence. Hence, building on the results achieved during the transformational turnaround period, Vestas has revised and updated its strategic focus areas, divided into four main areas:

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

Grow profitably in mature and emerging markets

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

In addition, Vestas expects to improve its regional competitiveness in markets like China and India by continuous cost and performance improvements.

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

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

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

In the first quarter of 2014, Vestas saw an increase in the order intake of 84 per cent compared to the first quarter of 2013. The increase was primarily driven by orders in the USA.

Capture full potential of the service business

Having installed an accumulated amount of more than 61 GW of wind power – a significantly higher amount than the closest competitor – Vestas has a unique platform from which to grow its service business, which is already today the largest in the wind power industry.

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

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

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

Due to its size and global presence, Vestas is well-positioned to offer its customers the most effective service at the lowest cost, and the ambition is to grow the service business by more than 30 per cent mid-term.

In order to strengthen the focus on the service business and enhance the service organisation, Vestas has appointed a new head of service reporting to the CEO.

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

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

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

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

Improve operational excellence
Cost savings remain a priority for Vestas, and Vestas will continue its journey towards lower costs through further site simplification, shared service centres and increased efficiency by leveraging on the scale of its operations. In the first quarter of 2014, Vestas announced the closure of one office building in Aarhus, Denmark, as part of its site simplification programme.

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

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

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

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

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

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

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

Dividend policy and priorities for excess cash allocation
Vestas has the following priorities for excess cash:

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

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

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

Social and environmental performance

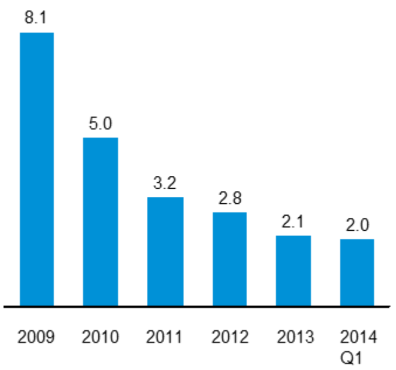
Employees

During the first three months of 2014, Vestas increased the number of employees by 1,113 mainly driven by the ramp up at the factories in the USA. Vestas will continue to scale the organisation according to, among other things, the expected activity level.

Safety

The number of lost time injuries increased slightly from 14 in the first quarter of 2013 to 15 in the first quarter of 2014. Similarly, the incidence of lost time injuries increased from 1.8 in the first quarter of 2013 to 2.0 in the first quarter of 2014.

Incidence of lost time injuries
Per one million working hours



Environmental performance

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

Renewable energy
Percentage of total energy consumption

Outlook 2014

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

Vestas still expects to achieve an EBIT margin before special items of minimum 5 per cent with the service earnings remaining stable.

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

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

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

Outlook 2014

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

Capital Markets Day 2014

Vestas is hosting a Capital Markets Day for analysts, investors and the media on 12 June 2014 at its headquarters in Aarhus, Denmark. On 13 June 2014, analysts, investors and the media are also invited to join a site tour including visits to the test site in Oesterild, Denmark (V164-8.0 MW turbine), as well as to Vestas' blades and nacelles production facilities.

The full programme including information on logistics, registration, etc. is available at vestas.com/investor.

Registration no later than on 28 May 2014.

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.

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.

Decreasing governmental support for wind power

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

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

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

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

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

Entering new markets

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

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

These risks include:

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

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

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

Introduction of new products

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

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

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

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

Consolidated accounts – 1 January-31 March 2014

Condensed consolidated income statement

mEUR

	Q1 2014	Q1 2013
Revenue	**1,283**	**1,096**
Cost of sales	(1,099)	(1,038)
Gross profit	**184**	**58**
Research and development costs	(53)	(62)
Distribution expenses	(38)	(43)
Administrative expenses	(53)	(61)
Operating profit/(loss) before special items	**40**	**(108)**
Special items	(13)	(14)
Operating profit/(loss) after special items	**27**	**(122)**
Income from investments in associates	0	0
Net financial items	(25)	(29)
Profit/(loss) before tax	**2**	**(151)**
Corporation tax	0	0
Net profit/(loss) for the period	**2**	**(151)**
Earnings per share (EPS)		
Earnings per share for the period (EUR), basic	0.01	(0.74)
Earnings per share for the period (EUR), diluted	0.01	(0.74)

Condensed consolidated statement of comprehensive income

mEUR

	Q1 2014	Q1 2013
Profit/(loss) for the period	**2**	**(151)**
Items to be reclassified to the income statement when specific conditions are met:		
Exchange rate adjustments relating to foreign entities	(4)	19
Fair value adjustments of derivative financial instruments for the period	(1)	(3)
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	(21)	0
Tax on derivative financial instruments and other comprehensive income	6	1
Other comprehensive income after tax for the period	(20)	17
Total comprehensive income for the period	**(18)**	**(134)**

Condensed consolidated balance sheet – Assets

mEUR

	31 March 2014	31 March 2013	31 December 2013
Goodwill	215	216	215
Completed development projects	330	440	331
Software	40	57	42
Development projects in progress	136	279	153
Total intangible assets	**721**	**992**	**741**
Land and buildings	723	784	803
Plant and machinery	207	217	219
Other fixtures, fittings, tools and equipment	138	200	151
Property, plant and equipment in progress	62	64	48
Total property, plant and equipment	**1,130**	**1,265**	**1,221**
Investments in associates	1	1	1
Other receivables	34	32	34
Deferred tax	185	146	155
Total other non-current assets	**220**	**179**	**190**
Total non-current assets	**2,071**	**2,436**	**2,152**
Inventories	1,542	2,151	1,425
Trade receivables	559	637	626
Construction contracts in progress	101	55	47
Other receivables	412	410	307
Corporation tax	55	63	57
Cash at bank and in hand	1,094	467	694
Total current assets	**3,763**	**3,783**	**3,156**
Non-current assets held for sale	358	136	332
TOTAL ASSETS	**6,192**	**6,355**	**5,640**

Condensed consolidated balance sheet – Equity and liabilities

mEUR

	31 March 2014	31 March 2013	31 December 2013
Share capital	30	27	27
Other reserves	(30)	22	(10)
Retained earnings	1,921	1,440	1,507
Total equity	**1,921**	**1,489**	**1,524**
Deferred tax	21	17	21
Provisions	196	176	200
Pension obligations	2	2	2
Financial debts	611	1,149	604
Total non-current liabilities	**830**	**1,344**	**827**
Prepayments from customers	1.564	1,815	1,568
Construction contracts in progress	2	47	12
Trade payables	1.059	883	832
Provisions	162	161	165
Financial debts	7	290	4
Other liabilities	397	311	426
Corporation tax	45	15	39
Total current liabilities	**3,236**	**3,522**	**3,046**
Liabilities directly associated with non-current assets held for sale	205	0	243
Total liabilities	**4,271**	**4,866**	**4,116**
TOTAL EQUITY AND LIABILITIES	**6,192**	**6,355**	**5,640**

Condensed consolidated statement of changes in equity – 3 months 2014

mEUR

	Share capital	Translation reserve	Cash flow hedging reserve	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	-	(4)	(16)	(20)	2	(18)
Capital increase	3	-	-	-	439	442
Costs of capital increase	-	-	-	-	(10)	(10)
Acquisition of treasury shares	-	-	-	-	(18)	(18)
Share based payments	-	-	-	-	1	1
Equity at 31 March 2014	**30**	**(50)**	**20**	**(30)**	**1,921**	**1,921**

Condensed consolidated statement of changes in equity – 3 months 2013

mEUR

	Share capital	Translation reserve	Cash flow hedging reserve	Total other reserves	Retained earnings	Total
Equity at 1 January 2013	**27**	**7**	**(2)**	**5**	**1,590**	**1,622**
Total comprehensive income for the period	-	19	(2)	17	(151)	(134)
Share based payments	-	-	-	-	1	1
Equity at 31 March 2013	**27**	**26**	**(4)**	**22**	**1,440**	**1,489**

Condensed consolidated cash flow statement

mEUR

	Q1 2014	Q1 2013
Profit/(loss) for the period	2	(151)
Adjustments for non-cash transactions	100	143
Corporation tax paid	(14)	(20)
Net interest	(20)	(31)
Cash flow from operating activities before change in net working capital	68	(59)
Change in net working capital	(26)	36
Cash flow from operating activities	**42**	**(23)**
Net investment in intangible assets	(44)	(29)
Net investment in property, plant and equipment	(22)	(7)
Other		(1)
Cash flow from investing activities	**(66)**	**(37)**
Free cash flow	**(24)**	**(60)**
Capital increase	432	0
Acquisition of treasury shares	(18)	0
Repayment of financial debts	0	(309)
Raising of financial debts	7	0
Cash flow from financing activities	**421**	**(309)**
Change in cash at bank and in hand less current portion of bank debt	**397**	**(369)**
Cash at bank and in hand less current portion of bank debt at 1 January	690	847
Exchange rate adjustments of cash at bank and in hand	0	(12)
Cash at bank and in hand less current portion of bank debt at 31 March	**1,087**	**466**
The amount can be specified as follows:		
Cash at bank and in hand without disposal restrictions	998	463
Cash at bank and in hand with disposal restrictions	96	4
Total cash at bank and in hand	1,094	467
Current portion of bank debt	(7)	(1)
	1,087	**466**

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.

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 for 2013.

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

Special items
In the first quarter of 2014, a total of EUR 13m was booked as special items of which EUR 22m relates to writedowns due to site simplication offset by EUR (9)m relating to adjustments to restructuring provided for in previous years.

Assets and liabilities held for sale
On 6 March 2014, as part of its site simplification project, Vestas announced its plans to sell one of its office facilities in Aarhus, Denmark.

Offshore joint venture
As part of the agreement to enter into a joint venture with MHI, as per 1 April 2014, Vestas' wholly owned subsidiary, Vestas Offshore A/S and its subsidiaries was transferred to the new joint venture named MHI Vestas Offshore Wind. All assets and liabilities of Vestas Offshore A/S and its subsidiaries as well as development costs incurred on the V164-8.0 MW turbine to be transferred as part of the transaction, has been classified as a disposal group held for sale.

A gain on the joint venture transaction of around EUR 50m will be booked as a special item in the second quarter of 2014.

The table below specifies assets and liabilities classified as held for sale for both the joint venture and the office facility in Aarhus, Denmark:

Non-current assets held for sale/disposal group
mEUR

Non-current assets:	
Development projects in progress	264
Other non-current assets*)	50
	314
Current assets:	
Inventories	40
Receivables	3
Corporation tax	1
	44
Total assets	**358**
Current liabilities:	
Prepayments from customers	154
Trade and other payables	18
Other payables	33
	205
Total liabilities	**205**

*) Includes assets held for sale relating to the office facilities in Aarhus, Denmark.

Overview per quarter 2014

MW

	Europe and Africa	Americas	Asia Pacific	Total
Q1				
Under completion, 1 January 2014	853	690	61	1,604
Delivered (TOR) to customers during the period	(499)	(483)	(6)	(988)
Produced and shipped during the period	681	365	78	1,124
Under completion, 31 March 2014	**1,035**	**572**	**133**	**1,740**

Warranty provisions

mEUR

	31 March 2014	31 March 2013	31 December 2013
Warranty provisions, 1 January	307	274	274
Exchange rate adjustments	0	0	0
Provisions for the period	25	23	117
Warranty provisions consumed during the period	(28)	(17)	(84)
Adjustments relating to the change in discounting of warranty provisions	0	0	0
Warranty provisions	**304**	**280**	**307**
The provisions are expected to be payable as follows:			
< 1 year	136	135	137
> 1 year	168	145	170

Segment information

mEUR

	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Service	Total reportable segments
Q1 2014						
External revenue	542	388	111	17	225	**1,283**
Internal revenue	106	43	3	779	0	**931**
Total segment revenue	**648**	**431**	**114**	**796**	**225**	**2,214**
Reportable segments' operating results (EBIT)[1)]	(30)	25	(3)	94	41	**127**
Total assets	**1,529**	**454**	**259**	**1,477**	**349**	**4,068**
Q1 2013						
External revenue	474	239	162	4	217	**1,096**
Internal revenue	110	16	3	452	0	**581**
Total segment revenue	**584**	**255**	**165**	**456**	**217**	**1,677**
Reportable segments' operating results (EBIT)	(16)	(21)	5	85	32	**85**
Total assets	**1,123**	**1,207**	**300**	**1,746**	**416**	**4,792**

Reconciliation	**Q1 2014**	**Q1 2013**
Reportable segments' EBIT	127	85
Unallocated net expenses[2)]	(100)	(207)
Consolidated operating profit (EBIT)	**27**	**(122)**

1) Service EBIT of EUR 41m is after allocation of Group costs of EUR 17m. Before allocation of Group costs, service EBIT amounts to EUR 58m (2013: EUR 52m).
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.

Company announcements from Vestas Wind Systems A/S

Disclosed during the first quarter of 2014

06.01.2014	01	Vestas upgrades free cash flow expectations for 2013 to approx EUR 1bn
03.02.2014	02	Issue of up to 20,370,410 new shares
03.02.2014	03	Agreement on new five-year credit facility of EUR 850m
03.02.2014	04	Annual report 2013 – Revenue, EBIT and free cash flow above expectations
04.02.2014	05	Share capital increase of DKK 20,370,410 will be completed
10.02.2014	06	Registration of share capital increase of nominally DKK 20,370,410 completed
18.02.2014	07	Information in the market regarding an offshore project
28.02.2014	08	Disclosure requirement regarding share capital and number of votes as per 28 February 2014
28.02.2014	09	Vestas and Mitsubishi offshore joint venture receives approval from competition authorities
05.03.2014	10	Vestas receives 72.6 MW order in Germany
07.03.2014	11	Vestas receives 99 MW order in Finland
24.03.2014	12	Vestas Wind Systems A/S' Annual General Meeting on 24 March 2014
28.03.2014	13	Share-based incentive programme 2014
28.03.2014	14	Vestas receives 98 MW order in North America
31.03.2014	15	Signing and completion of new five-year revolving credit facility of EUR 1bn

Disclosed during the second quarter of 2014

01.04.2014	16	Vestas receives 194 MW order in the USA
01.04.2014	17	MHI Vestas Offshore Wind now operational
01.05.2014	18	Information in the market regarding 148 MW project in the USA
02.05.2014	19	Vestas receives 63 MW order in the Philippines

Management's statement

The Executive Management and the Board of Directors have today discussed and approved the interim financial report of Vestas Wind Systems A/S for the period 1 January to 31 March 2014.

The interim financial report has been prepared in accordance with IAS 34 on interim financial reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion the interim financial report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2014 and of the results of the Group's operations and cash flow for the period 1 January to 31 March 2014.

Further, in our opinion the management report gives a true and fair review of the development in the Group's operations and financial matters, the results of the Group's operations for the period and the Group's financial position as a whole and describes the significant risks and uncertainties pertaining to the Group.

Aarhus, Denmark, 9 May 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 Hvid Thomsen

Knud Bjarne Hansen

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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