



Annual report 2008

WIND IS COMPETITIVE

VESTAS HAS REDUCED THE COST
OF WIND POWER SIGNIFICANTLY,
MAKING IT FINANCIALLY SOUND TO
INCREASE MODERN ENERGY'S SHARE
OF THE WORLD'S ENERGY MIX.

Vestas annual report 2008

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This annual report is available in Danish and English.
In case of doubt, the Danish version shall apply.

Shaping the future

In 2006, Vestas defined a goal of putting wind power at the top of the global energy agenda. Since then, the EU has resolved that 20 per cent of all energy must come from renewable sources by 2020. China has defined a target of 15 per cent, and the newly appointed US President intends to create a new green economy. In other words, Vestas' Wind, Oil and Gas vision of sourcing at least 10 per cent of the electricity from modern energy by 2020 is becoming a reality, and the UN 2009 climate summit in Copenhagen in December will further consolidate Vestas' strong growth outlook.

Recently, many renewable energy types are being developed and improved, but only modern energy is currently able to offer a commercially viable solution to the huge political, economic and climate-related challenges we are facing. Modern energy creates local jobs of all types and, by extension, local economic growth, and Vestas dedicates its investments to new production and R&D facilities around the world.

However, two prerequisites are required to be in place before the political objectives can be accomplished; substantial amounts need to be invested in modern transmission grids that can ef-

fectively switch from one type of energy to another, and the politicians need to decide where to build wind power plants. Offshore is only a very small part of the answer as it is currently twice as expensive as building onshore solutions, and even if the will and ability to pay were present, the industry does not have the required offshore installation capacity. The great majority of the wind turbines must therefore be installed onshore; that would serve the interests of the consumers, the tax payers and not least the climate and be consistent with industry capabilities.

Wind turbines generate green power, but Vestas also aims to make production and maintenance of the turbines as green as possible. By pursuing a manufacturing process that pays the greatest possible attention to the environment, among other things through energy efficient installations, Vestas intends to consolidate its position as No. 1 in Modern Energy.

In the near future, the costs of new construction work will go up, but owing to lower energy consumption and a reduced consumption of the Earth's scarce resources, the additional costs will quickly be recovered. An increasingly environmentally compatible production is a prerequisite to be able to compete financially



as well as in terms of reputation. To Vestas, the lowest Cost of Energy therefore also means the lowest cost to nature, the environment, local communities and society in general.

The financial crisis is leaving a footprint, and some wind power projects have been postponed while others are discontinued altogether because funding has become too expensive or impossible to raise. That will change, and the crisis does not alter the fact that a wind farm generates a predictable cash flow.

However, the financial crisis has sharpened the market's critical senses, and a wind turbine is no longer just a wind turbine. Quality and the manufacturer's financial and high-technological performance are key benchmarks, and in this respect, Vestas enjoys a strong position; our 30-year track record, a global organisation, a stronger balance sheet than ever before, 24-hour monitoring of more than 11,500 wind turbines, enhanced uptime for our turbines and sophisticated siting models are merely some of the qualities that make Vestas No. 1 in Modern Energy. Furthermore, we have the industry's broadest product range to which we have now added the new V112-3.0 MW turbine and soon we will also add a V100-1.8 MW turbine.

In other words: Vestas has never been in better shape.

Vestas intends to build the world's strongest energy brand – and the preconditions to do so are in place; political support is growing stronger by the day, the wind turbine has become an icon of the future, and there has never been greater awareness of the necessity of a dramatic change in the way we use the Earth's resources.

Because of the financial crisis, 2009 will not turn out quite the way we originally planned, but the remaining months and days of the year will still provide ample opportunity for our colleagues to demonstrate the capabilities of our organisation.

Bent Erik Carlsen
Chairman of the
Board of Directors

Ditlev Engel
President and CEO



Financial highlights for the Group

mEUR	2008	2007	2006	2005	2004
HIGHLIGHTS					
Income statement					
Revenue	6,035	4,861	3,854	3,583	2,363
Gross profit	1,179	825	461	84	120
Profit before financial income and expenses, depreciation and amortisation (EBITDA)	803	579	328	9	64
Operating profit/(loss) (EBIT)	668	443	201	(116)	(49)
Profit/(loss) of financial items	46	0	(40)	(42)	(41)
Profit/(loss) before tax	714	443	161	(158)	(89)
Profit/(loss) for the year	511	291	111	(192)	(61)
Balance sheet					
Balance sheet total	5,308	4,296	3,654	3,085	2,881
Equity	1,955	1,516	1,262	962	1,162
Provisions	274	305	265	239	181
Average interest-bearing position (net)	395	179	(299)	(560)	(625)
Net working capital	299	(68)	122	498	686
Investments in property, plant and equipment	509	265	153	95	89
Cash flow statement					
Cash flow from operating activities	277	701	598	148	(30)
Cash flow from investing activities	(680)	(317)	(144)	(137)	(201)
Cash flow from financing activities	(91)	(54)	(101)	(46)	458
Change in cash at bank and in hand less current portion of bank debt	(494)	330	353	(35)	227
Employees					
Average number of employees	17,924	13,820	11,334	10,300	9,449
Number of employees at the end of the year	20,829	15,305	12,309	10,618	9,594
RATIOS					
Financial ratios¹⁾					
Gross margin (%)	19.5	17.0	12.0	2.4	5.1
EBITDA margin (%)	13.3	11.9	8.5	0.3	5.0
EBIT margin (%)	11.1	9.1	5.2	(3.2)	(2.1)
Return on invested capital (ROIC) (%)	34.1	30.9	11.9	(13.2)	(3.8)
Solvency ratio (%)	36.8	35.3	34.5	31.2	40.3
Return on equity (%)	29.4	21.0	10.0	(18.1)	(6.9)
Gearing (%)	6.3	9.9	13.8	51.2	50.1
Share ratios¹⁾					
Earnings per share	2.8	1.6	0.6	(1.1)	(0.5)
Book value per share	10.6	8.2	6.8	5.5	6.6
Price / book value	3.9	9.0	4.7	2.5	1.3
P / E-value	14.8	47.1	52.8	(12.7)	(18.2)
Cash flow from operating activities per share	1.5	3.8	3.2	0.8	(0.2)
Dividend per share	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Share price 31 December (EUR)	40.7	74.0	32.0	13.9	8.8
Average number of shares	185,204,103	185,204,103	182,722,520	174,911,173	150,815,322
Number of shares at the end of the year	185,204,103	185,204,103	185,204,103	174,911,173	174,911,173

1) The key ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2005), see note 1 to the consolidated accounts.

Non-financial highlights for the Group

	Targets	2008	2007	2006	2005	2004
KEY FIGURES¹⁾						
Occupational health & safety						
Industrial injuries (number)		534	534	525	472	319
– of which fatal industrial injuries (number)		0	0	1	0	2
Products						
MW delivered		5,580	4,502	4,239	3,185	2,784
Utilisation of resources						
Consumption of metals (tonnes) ²⁾		187,478	170,505	164,413	143,170	90,732
Consumption of other raw materials, etc. (tonnes)		129,207	111,541	93,983	82,592	20,080
Consumption of energy (MWh)		458,296	372,037	330,106	227,907	121,212
– of which renewable energy (MWh)		172,800	139,983	124,841	118,603	35,805
– of which renewable electricity (MWh)		167,311	138,035	124,841	118,603	35,805
Consumption of water (m ³)		474,958	554,516	343,084	226,410	96,911
– of which water of non-drinking water quality (m ³)		103,066	14,809	14,954	0	0
Waste disposal³⁾						
Volume of waste (tonnes)		96,632	89,643	82,739	67,313	16,407
– of which collected for recycling (tonnes)		30,254	28,422	27,593	17,266	9,279
Emissions						
Emission of CO ₂ (tonnes)		41,832	32,798	28,396	18,406	N/C ⁴⁾
Local community						
Environmental accidents (number)		16	15	7	4	5
Breaches of internal inspection conditions (number)		5	5	6	5	1
INDICATORS¹⁾						
Occupational health and safety						
Incidence of industrial injuries per one million working hours ⁵⁾	5 ⁶⁾	24.5	31.6	36.5	46.7	42.5
– incidence of industrial injuries in the sales business units		23.2	36.4	41.8	60.7	48.9
– incidence of industrial injuries in production business units		25.3	29.3	34.2	42.6	39.8
Absence due to illness among hourly-paid employees (%)		3.3	3.6	3.2	4.1	3.5
Absence due to illness among salaried employees (%)		1.1	1.4	1.5	1.5	1.6
Products						
CO ₂ savings on the delivered MW (million tonnes of CO ₂) ⁷⁾		148	129	122	92	80
Annual CO ₂ savings on delivered MW (million tonnes of CO ₂) ⁷⁾		7	6	6	5	4
Utilisation of resources						
Renewable energy (%)	50 ⁸⁾	38	37	38	52	30
Renewable electricity for own activities (%)	> 90 ⁸⁾	68	66	68	75	52
Management system						
ISO 14001 (%)		100	80	76	75	57
OHSAS 18001 (%)		98	84	77	63	51

1) Accounting policies for non-financial highlights for the Group, see page 104. Comments on non-financial highlights for the Group, see page 100.

2) Metals represent a large proportion of Vestas' products and are the primary cause of Vestas' adverse environmental impact.

3) The volume of waste, including the volume of waste collected for recycling, is considered an important indicator of Vestas' environmental impact.

4) Not calculated (N/C) for the year.

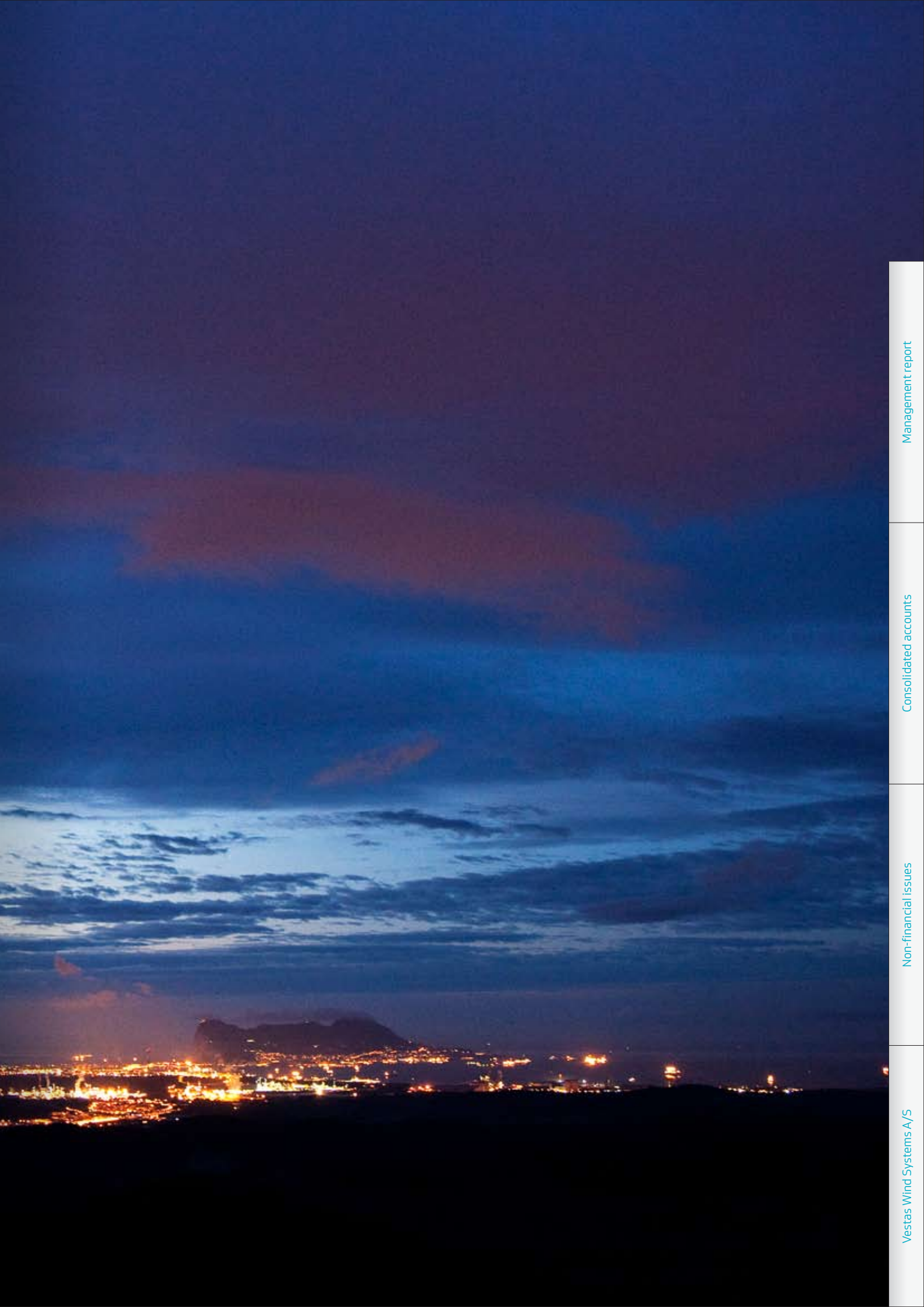
5) Please note that accounting policies will be changed as from 2009, see page 101.

6) Target for industrial injuries per one million working hours in 2012, according to current accounting policies for 2008.

7) The basis for the calculation of the CO₂ emission per kWh has changed from 546 grams of CO₂ per kWh to 505 grams CO₂ per kWh in 2008 due to updated source material, cf. IEA: "CO₂ emission from fuel consumption". Paris, 2008. If the basis for the calculation was the 2007 factor of 546 grams of CO₂ per kWh, the savings would have been 160 million tonnes of CO₂.

8) Target for renewable energy and renewable electricity for own activities in 2010.





Overview

GROUP PERFORMANCE IN 2008

Vestas continued to record growth in 2008, posting a 24 per cent increase in revenue to EUR 6.0bn. The Group reported an operating profit, EBIT, of EUR 668m, equivalent to an EBIT margin of 11.1 per cent. In 2007, the margin was 9.1 per cent.

The improvement was among other things due to better prices and contract terms as well as more efficient production, although production remains adversely affected by irregular supplies and failing component quality.

At the end of 2008, the Group's net working capital amounted to EUR 299m, or 5 per cent of full-year revenue. The relatively low level was due to prepayments from customers, which partly offset the capital tied up in buffer stocks and receivables.

Revenue

Accounting for 60 per cent of revenue, Europe was Vestas' largest market like it was in 2007. The Americas represented 26 per cent and Asia/Pacific 14 per cent. Political attention to modern energy sharpened in all markets in 2008, despite the credit squeeze. Modern energy is competitive, predictable, independent, fast and clean. Furthermore, modern energy creates local jobs of all kinds and economic growth, which is an extra benefit during an economic downturn.

Order backlog

From the end of 2007 to the end of 2008, Vestas' order backlog rose by EUR 0.4bn to EUR 5.2bn (4,806 MW). The order backlog was distributed on 135 customers. Europe accounted for 65 per cent of orders (3,131 MW), the Americas for 25 per cent (1,187 MW) and Asia/Pacific for 10 per cent (488 MW).

Employees

Vestas recruits employees under the "People before megawatt" principle. The aim of this principle is to ensure a high professional

level throughout the organisation before increasing the business volume. The extra costs incurred in the near term are intended to minimise costly errors in the longer term. In 2008, the number of employees rose by 5,524 persons to 20,829, of whom 15,507 work in Europe, 1,891 in the Americas and 3,431 in Asia/Pacific.

At the beginning of 2009, Vestas has more employees relative to the expected full-year revenue of EUR 7.2bn. However, the long-term growth potential is so strong that the Group for the present believes it to be financially prudent to retain the existing number of employees. The Group therefore adjusts its capacity by deferring a number of new employments. Going forward, the business volume will increase at a higher pace than the number of employees.

INVESTMENTS

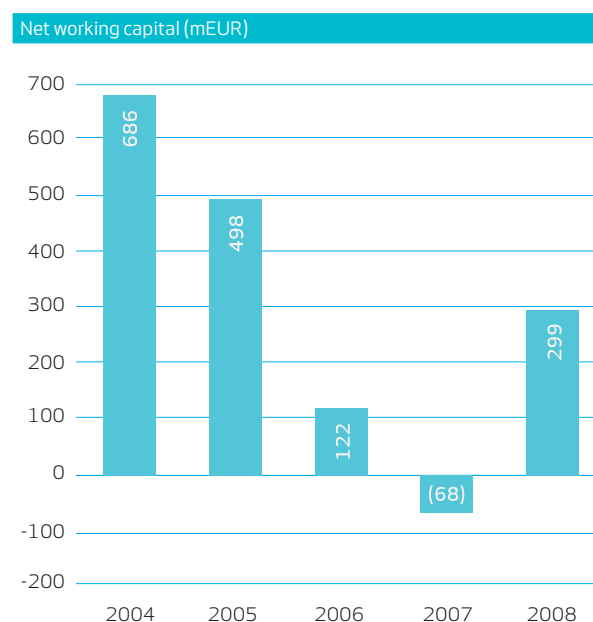
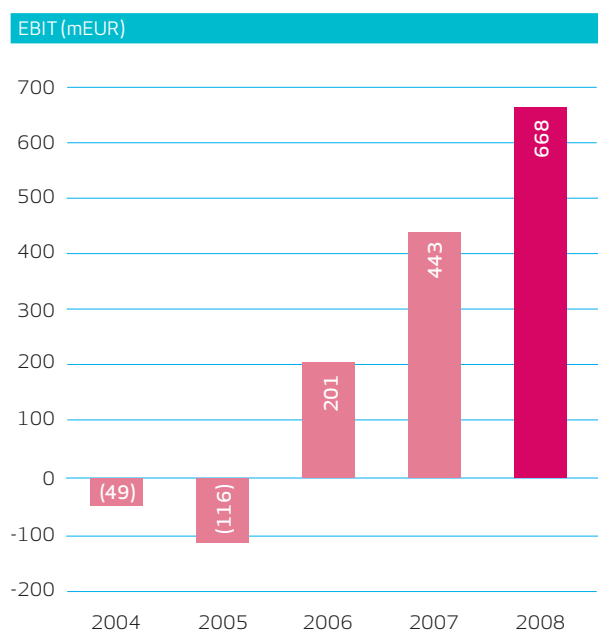
Vestas is expanding its operations thus ensuring that modern energy will account for at least 10 per cent of global electricity consumption by 2020. To meet this expectation, installed capacity must grow by an average of about 20 per cent per annum.

To retain its leadership position, in 2008 Vestas invested EUR 678m in new factories, development centres, etc. Investments in 2009 are projected at EUR 1.2bn. If the order intake does not improve before the publication of the first quarter 2009 results on 28 April, the investment level will be adjusted.

For the period 2005–2009, Vestas will make organic growth investments totalling EUR 2.5bn. The large expansions in China and the USA will increase the share of the Group's costs outside the euro zone and thus reduce sensitivity to fluctuations in the USD relative to EUR.

WARRANTY PROVISIONS

In 2008, Vestas made warranty provisions of EUR 240m, corresponding to 4.0 per cent of revenue, against 5.0 per cent in 2007.



Over the past three years, Vestas has launched a number of initiatives which are now starting to yield results in the form of higher component quality throughout the supply chain. The industry's most advanced test facilities were put into operation in 2008. The facilities help to ensure that new turbines and solutions are thoroughly tested before they are launched in the market. Intensive monitoring of more than 11,500 turbines or almost 20,000 MW facilitates preventive maintenance and component retrofitting, contributing to increase turbine uptime.

THE VESTAS SHARE

In 2008, the Vestas share was among the five most traded shares in the OMX Nordic 40 index and the most traded share on NASDAQ OMX Copenhagen. Turnover in the Vestas share accounted for 24 per cent of total turnover in the C20 index on NASDAQ OMX Copenhagen.

Ownership

At the end of 2008, international investors held an estimated 60 per cent of Vestas, against 65 per cent at the end of 2007. At the end of 2008, there were 112,417 registered shareholders in Vestas.

Dividend

The Board of Directors proposes to the Annual General Meeting that, based on the comprehensive investments and the need for strong capital resources, no dividend be paid out for 2008.



FOURTH QUARTER 2008

Revenue amounted to EUR 2,481m, which was higher than forecast. The EBIT margin increased to 15.4 per cent. Vestas shipped a total of 2,539 MW, with Europe accounting for 1,579 MW, the Americas for 388 MW and Asia/Pacific for 572 MW.

The Group generated a cash inflow from operations of EUR 104m, and net investments amounted to EUR 291m. The free cash flow amounted to EUR (214)m.

Operations are still affected by irregular component supplies and sub-standard component quality.

Group financial performance (mEUR)

	Q4 2008 ¹⁾	Q4 2007 ¹⁾	Full year 2008	Full year 2007
Revenue	2,481	1,884	6,035	4,861
EBIT	382	231	668	443
EBIT margin (%)	15.4	12.3	11.1	9.1
Profit	316	157	511	291
Net working capital	299	(68)	299	(68)
Net working capital (%)	-	-	5	(1)

1) The figures for Q4 2007 and Q4 2008 are unaudited.

Forecast for 2009 (mEUR)

Revenue	7,200
– of which service revenue	550
EBIT margin (%)	11–13
EBIT margin (%), service	15
Net financial items	(20)
Tax rate (%)	28
Net working capital (%)	max. 10
Investments	
– property, plant and equipment	1,000
– intangible assets	200

Green electricity must cover more than 90 per cent of Vestas' internal electricity consumption and 50 per cent of the total energy consumption in 2010.





2008 AT A GLANCE

- +18%** Vestas shipped a total of 3,250 turbines
– an increase of 18 per cent.
- +24%** Vestas shipped wind power systems with an aggregate capacity of 6,160 MW
– an increase of 24 per cent.
- +24%** Vestas realised a revenue of EUR 6.0bn.
– an increase of 24 per cent.
- +51%** The Group reported an EBIT of EUR 668m
– an increase of 51 per cent.
- +76%** Profit for the year after tax was EUR 511m
– an increase of 76 per cent.
- +36%** The number of employees rose to 20,829
– an increase of 36 per cent.
- 22%** The incidence of industrial injuries per one million working hours was reduced to 24.5
– a reduction of 22 per cent.

WIND IS PREDICTABLE

WIND IS RELIABLE AND THE PRICE
IS STABLE. 24/7 SURVEILLANCE OF
MODERN ENERGY FROM VESTAS
GIVES BUSINESS CASE CERTAINTY.

Management report

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Management report

NO. 1 IN MODERN ENERGY

Wind power is modern energy because it is financially competitive, predictable, independent, fast and clean. Based on its No. 1 in Modern Energy strategy, Vestas intends to build the world's strongest energy brand. To achieve that, Vestas must consolidate its market leadership position in a high-growth industry that is becoming increasingly competitive. Consistent with this strategy, Vestas aims to maintain growth at least on a level with that achieved in recent years, building a far more effective and substantially more profitable organisation over the coming years.

Being the leading player, Vestas will set the agenda in the industry and expand its position by outperforming in all disciplines and by significantly increasing the degree of professionalism in its relations with suppliers, customers and other stakeholders. Through technological improvements that make the wind turbines lighter, more robust and more efficient, Vestas aims to always have the lowest Cost of Energy consistent with its position as the No.1 in Modern Energy. Being a flexible and accessible business partner, Vestas offers Business Case Certainty to its customers by delivering as agreed.

No. 1 in Modern Energy is a more growth-focused and outward-looking strategy than The Will to Win strategy from May 2005, and the goal is for Vestas to be able to manufacture, ship and install 10,000 MW in 2010. This goal is supported by Vestas' financial strength at the end of 2008.

Vision

The Wind, Oil and Gas vision expresses Vestas' ambition of assuming leadership in the efforts to make wind an energy source on a par with fossil fuels. Modern energy currently accounts for less than 2 per cent of the world's electricity production. Vestas expects that modern energy will account for at least 10 per cent of global electricity production by 2020 if the political decisions to ensure the necessary power grid investments are made now. To achieve this ambition, almost 900,000 MW of wind power must be installed during the period until 2020, which translates into annual average growth in installed capacity of about 20 per cent.

Vestas' expectations are underpinned by a number of national and regional goals for the role played by wind power in the energy mix, including China's target of 100,000 MW of installed capacity by 2020 and the memorandum of understanding signed by Vestas and five other wind turbine manufacturers with the US Department of Energy in June 2008 with a view to jointly seeking to ensure that wind power will account for 20 per cent of US electricity consumption by 2030.

Security of energy supply is a priority issue for the new US President, and the EU has resolved to accomplish the goal of renewable energy accounting for 20 per cent of energy supply by 2020. Vestas is therefore making a dedicated effort to keep wind power at the top of the global energy agenda, as modern energy can increase the local energy supply anywhere in the world where there is ample wind while at the same time creating thousands of jobs and benefiting the environment.

Vestas' capacity will not reach its peak in 2010, so for many years to come, Vestas will invest in new capacity around the world, continuing to develop its organisation and sub-suppliers.

Mission

The Vestas mission, "Failure is not an option", expresses the organisation's commitment to optimising its work processes, to safety and products and to a structured follow-up on all errors.

Significant improvements in all links of the supply chain are a prerequisite for wind power to achieve its potential. Vestas is at the forefront of this initiative, using tools such as the Six Sigma quality system, which has been implemented at Vestas' own factories and at all of Vestas' principal suppliers. The objective of the initiative is to achieve even more efficient and reliable wind turbines. Full control and uniform processes are crucial in order to achieve the necessary quality improvements.

The mission is also mirrored in Vestas' systematic approach to risk management relative to its stakeholders, not least its suppliers and customers. All identified risks are included in the basis for decisions, allowing Vestas to make swift and precise fact-based decisions. A prerequisite for accomplishing this is disciplined data collection and clear priorities.

The willpower

Vestas is driven forward by its employees, whose willpower, imagination and ability to constantly develop the technology and the organisation have made Vestas the industry leader. This is physically expressed in the sculpture entitled the Willpower, which has been placed at a number of the Group's locations. Reaching for the sky, it symbolises the willpower and passion possessed by the employees. Vestas seeks to promote a culture characterised by independent initiatives and collaboration across professional and organisational boundaries and in which the dynamics and sense of responsibility that usually characterise a small company are retained.

The solid foundation of the sculpture also reflects the reliability, common sense and trustworthiness that is the cornerstone of all Vestas' activities.

Financial targets

At the launch of the No. 1 in Modern Energy strategy, Vestas retained its financial priorities from May 2005. However, revenue replaces market share as the bonus scheme for Vestas' employees should build on factors which the employees can influence themselves; they can affect revenue, but not the market share.

Vestas' financial priorities:

1. EBIT margin
2. Net working capital
3. Revenue

The order reflects Vestas' continued focus on profitability.

EBIT margin

Vestas improved its EBIT margin also in 2008, continuing the streak that began in 2005. The Group reported an operating profit, EBIT, of EUR 668m in 2008, equivalent to an EBIT margin of 11.1 per cent, against 9.1 per cent in 2007. The improvement is due to better prices and contract terms as well as ever more efficient production. It was achieved in spite of substantially higher costs triggered by considerably higher cost prices and a massive capacity expansion, which is necessary to ensure that Vestas can accommodate future growth in demand.

Net working capital

At the end of 2008, the Group's net working capital amounted to EUR 299m. The relatively low level was due to prepayments from customers and was achieved in spite of the fact that the Group has built buffer stocks to prevent losses due to unstable supplies from sub-suppliers. The costs associated with building these buffer stocks are much lower than the cost of production disruptions that a lack of supplies would otherwise cause. The on-

47% The incidence of industrial injuries was reduced by 47% during the last three years to 24.5

going improvements of the supply chain will strengthen Vestas' earnings, reduce inventories and gradually release substantial amounts of capital to pursue further growth. Vestas does not expect any change in payment patterns for its orders.

Revenue and market share

Revenue in 2008 amounted to EUR 6,035m, an increase of EUR 1,174m, or 24 per cent, relative to 2007. In 2007, the market share was 23 per cent. The market share figures for 2008 are expected to be available from BTM Consult mid-March 2009.

MANAGEMENT FOCUS

Management's overall focus is on customers, colleagues, Cost of Energy and shareholders. Success in these areas is a prerequisite for Vestas to retain its leadership position in a high-growth industry that is witnessing growing competition from new players in Asia and from the established players in the USA and Europe.

Customers – Vestas is working intensively to increase turbine reliability and efficiency, which is the prerequisite for providing a high degree of predictability and, by extension, Business Case Certainty to its customers. The industry's most sophisticated test facilities and comprehensive monitoring systems contribute to ensuring the necessary progress, and in 2008 they resulted in substantial improvements within product development, service and turbine reliability. Vestas is also working hard to become a better and more flexible business partner through revised working procedures, more clear distribution of responsibilities and more unambiguous negotiation mandates. Vestas needs to improve communications and dialogue with its customers, especially in connection with ongoing turbine maintenance.

Colleagues – Over the course of four years, the number of employees has risen by 117 per cent, and coupled with growing demands for professional conduct, this entails large requirements for processes and for each individual employee. Therefore, employee training is a key priority, and management development and an uncompromising approach to safety anchored throughout the organisation rank high on the agenda. Safety is always given top priority, and Vestas' ultimate goal is to avoid industrial injuries altogether. To that end, Vestas seeks to build a world-class safety culture across the organisation, among other things through training, improved documentation and instructions, optimising physical conditions and initiatives aimed at promoting prudent safety behaviour.

Finally, Vestas constantly seeks to develop as an attractive workplace in order to retain its employees and attract new ones all around the world.

Cost of Energy – In order to accomplish Vestas' vision of making wind power a source of energy on a par with oil and gas, the Cost of Energy must be reduced. More robust and more reliable wind turbines are a precondition for wind power to really compete with the fossil fuels that it complements. Furthermore, Vestas' huge investments in R&D centres around the world are intended to reduce the amount of material used per MWh produced to the benefit of the environment. Vestas aims to sustain the decline in cost of modern energy. Conversely, the price of fossil fuels is expected to rise, making wind turbines even more competitive and increasing their value to the wind turbine owners.

Shareholders – Vestas seeks to lift its profitability, and during the period 2005–2008 the Group significantly improved its financial position, both in terms of EBIT margin and cash flow – the main objective of The Will to Win strategy. The increase provides a

strong foundation for growth in the coming years to the benefit of shareholders. Vestas endeavours to ensure maximum openness towards its surroundings while paying due consideration to the company's competitiveness.

Safety

Vestas aims to build a world-class safety culture and in 2008, Vestas launched additional initiatives to support and accelerate the trend.

The ultimate goal consistent with the Vestas mission, Failure is not an option, is unambiguous: zero industrial injuries. The target for 2012 is to achieve incidence of five industrial injuries or less per one million working hours. This ambitious target will require dedicated management of safety efforts across the players of the industry.

In 2008, the combined incidence of industrial injuries, measured as the number of industrial injuries per one million working hours, was reduced by 22 per cent, from 31.6 in 2007 to 24.5 in 2008. The short-term target for 2008 was to reduce the incidence rate to 15, and Vestas' management considers the improvements a step in the right direction, although the performance was far from satisfactory.

The incidence of industrial injuries has improved dramatically since 2005, dropping 47 per cent. A consistently improved incidence rate will strengthen Vestas' competitive power as its customers attach ever greater importance to safety.

Vestas is conducting a comprehensive training programme for its managers, focusing on their responsibilities and roles in relation to safety. All managers are responsible for building the safety culture at Vestas by taking the lead, and this is reflected in so-called "safety walks", which are audits focusing on safe conduct. These walks were introduced as part of the day-to-day management to demonstrate visible involvement in safety aspects and increase safety awareness throughout the Group.

The training programme started in 2007 and was completed for the sales and service units in 2008. All sales and service unit managers participated in the programme, and a total of 1,182 employees have completed the programme. The training programme continues in the production units and in Vestas Technology R&D, where it will be completed in 2009. In addition, the training programme is now mandatory for all new Vestas managers. In support of the programme, a safety coaching programme has been launched to help focus on, build knowledge about and achieve compliance with the safety targets defined for each individual location.

In 2007, the Board of Directors introduced a global bonus scheme for Vestas. To emphasise the priority given to safety and to promote a sound safety culture among all employees, an improvement of the incidence of industrial injuries is one of the criteria for most of the employees in the global bonus scheme.

In 2008, in-house safety principles were introduced to highlight Vestas' focus on safety:

- All industrial injuries can be prevented.
- Every hazard can be managed.
- Management is accountable for safety.
- People are the most important component in a safety effort.
- Working safely is a condition of employment at Vestas.

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- >> Vestas registers industrial injuries, near misses and environmental incidents in a global database, which ensures that improvements are made and preventive action is taken when developing new wind turbines and new manufacturing processes or when improving safety at the turbine sites.

All Vestas units, with the exception of the foundries in Magdeburg (Germany) and in Guldsmeshyttan and Lidköping (Sweden), were certified according to OHSAS 18001 in 2008. Vestas has worked systematically to improve occupational health and safety during the past ten years. New units will be ready for certification within six months of start-up.

Must-Win-Battles

In 2008, Vestas launched 12 strategic measures of change under the heading Must-Win-Battles with the aim of improving Vestas' competitive strength. The individual Must-Win-Battles are aimed at optimising product quality and reliability, reducing costs and improving relations with customers and suppliers. The 12 Must-Win-Battles will help to ensure improved earnings in 2009. The measures and the distinct improvements illustrate that there is still a vast potential for optimising Vestas' operations and that a dedicated effort can help to achieve that potential. As a result, Vestas retains and anchors the initiatives in the organisation on a permanent basis in the newly formed group staff function Vestas Excellence.

Customer dialogue

Customer satisfaction with the products and services offered by Vestas is pivotal to the Group's short-term and long-term success. As a result, a distinct improvement of the completely unacceptable levels of recent years' customer loyalty surveys is given very high priority throughout Vestas. For example, in 2008 a number of Vestas' Must-Win-Battles were aimed at supporting an improved relationship with customers in connection with sales, project installation and service as well as increasing turbine uptime. The Group's ongoing communications and dialogue with its customers also need to be substantially improved.

The most recent customer loyalty survey was conducted in January 2009. A total of 515 respondents, distributed among 381 customers, participated in the survey. The overall loyalty index was 52; an improvement from 46 in the previous survey, but still unsatisfactory and below Vestas' own target for the year of 60.

The target for the survey to be conducted in 2010 is a loyalty index of 65.

The customer loyalty index is included in the calculation of Vestas' global bonus scheme.

Suppliers

Vestas' supplier base must be capable of supplying components on time, in the right quality and at a competitive price, thereby contributing to reducing the Cost of Energy.

The Six Sigma system, which uses systematic data collection and treatment to minimise variations in production processes and the number of errors in the end product, is the most important tool in Vestas' quality improvement initiatives. Through "Supplier Quality", one of the 12 Must-Win-Battles, the system was rolled out to Vestas' own production units and the suppliers in 2008. Vestas maintains close relations with each supplier to ensure that the Sigma principles are implemented correctly. At the suppliers, the partners identify the measurable central specifications and processes that are crucial for product reliability, productivity

and performance. These parameters are monitored in an ongoing process and recorded in monthly scorecards to ensure the swift launch of improvement initiatives. Vestas has stationed some of its own people at the factories of many of its suppliers in order to be able to adjust the production processes early and cost-effectively.

The year-end 2008 target was 4 Sigma for key suppliers, including Vestas' own factories. This target was reached for the majority of Vestas' factories and the most important suppliers. 4 Sigma is a prerequisite for increasing the EBIT margin substantially after 2009, with 6 Sigma being the ultimate goal.

A number of initiatives were launched in 2008 to strengthen and professionalise relations with the individual suppliers as part of "Sourcing Excellence", one of the 12 Must-Win-Battles. Vestas implemented a joint sourcing strategy for its four production business units to help them ensure that future growth will not be limited by supply chain bottlenecks. Vestas encourages its many European suppliers to set up operations in the USA and especially in China, where a new local supplier base is expanding rapidly.

Efficiency improvements

Vestas aims to improve its competitive strength through higher productivity and better resource utilisation at all Vestas factories. "Production Excellence", another Must-Win-Battle at Vestas, involves the dedicated improvement of productivity through identification and elimination of loss in the form of defects and wasted time. This will help increase output per employee and per factory, allowing for improved earnings, falling prices of new capacity and lower Cost of Energy. Vestas has enhanced the opportunities for knowledge sharing and best practice dissemination by establishing a central function responsible for productivity improvements in all production units.

Building on Vestas' previous Lean and Six Sigma experience, the new work methods were rolled out to a number of Vestas' factories in 2008. Since a high degree of employee influence is crucial for achieving the intended progress, training of employees and managers at the factories is a priority area. In 2008, more than 2,500 employees attended training courses in the new work methods.

The initiatives yielded substantial local improvements; for example, one of the blade factories adopting the "Production Excellence" principles has increased its weekly production output by 45 per cent since the beginning of 2008, using the same number of employees. The new methods will be rolled out to all existing Vestas factories during 2009. At all future factories, operations will be planned according to the new principles from the onset of production.

The substantial local improvements in 2008 underline the fact that there is still a very large unexploited potential for boosting productivity at Vestas' existing factories. The administrative functions also offer a rationalisation potential.

Service

Achieving maximum uptime for Vestas' turbines and better resource utilisation in Vestas' growing service organisation is a prerequisite for operating a profitable service business and having satisfied customers. In 2008, two of Vestas' Must-Win-Battles, "Service Excellence" and "Mean Time Between Inspections", were dedicated to optimising operations in the service organisation and the general operations of the wind turbines. These efforts

led to massive improvements in 2008; the mean time between service inspections of each turbine doubled in 2008, allowing the service technicians to service twice as many turbines.

The progress is underpinned by Vestas' online monitoring of more than 11,500 turbines or almost 20,000 MW, which facilitates preventive retrofitting and repairs. The result is enhanced operations, more uptime and higher production output and thereby stronger earnings for Vestas' customers. Analyses of data from the turbines which combined represent the world's largest wind power plant, also provide input for design improvements of existing technology which, subject to service contracts concluded, is implemented in connection with upgrades of installed turbines if production output is hereby increased. All Vestas turbines shipped today are part of the pool of turbines being monitored.

In 2008, the Group launched the "Vestas Site Management Model", which provides the local service organisation with improved opportunities for planning service visits to each turbine, ensuring that the necessary resources are available at the turbine site, and pooling more assignments into each service visit.

Moreover, Vestas launched a new and more simple structure for service products in 2008. The initiative helps to ensure that Vestas can now offer uniform service products across boundaries and business units.

Finally, a new corporate business unit, Vestas Spare Parts & Repair, was set up at 1 January 2009. The unit has global responsibility for the supply of spare parts and component repairs. The new structure supports all of Vestas' operational service units and is expected to contribute to further operational improvements and an increase in customer satisfaction.

A more even distribution of shipments and revenue

Vestas is working to ensure a more even distribution of quarter-on-quarter activities as the present unbalanced distribution puts the organisation under excessive pressure during the final months of the year, restricting profitability. It is no longer customer considerations that make the second half-year more hectic than the first half. As the Group strengthens its supply chain, more balanced activities will follow, and profitability will rise.

Implementation of SAP

In 2006, Vestas embarked on a comprehensive change project that involves Vestas' sales and service units and group staff functions. The project integrates a number of systems into one Enterprise Resource Planning system, SAP, and by the end of 2008, the system had been rolled out in five business units and Vestas Wind Systems A/S, covering a total of 16 countries. Scheduled to be fully implemented in 2009, the system will create uniform business procedures and improve the basis for decisions at Vestas. The joint system will provide savings by way of enhanced management of resources and activities.

Group Government Relations

Group Government Relations is responsible for the Group's dialogue with politicians, public servants, trade organisations and NGOs all over the world and provides consultancy and information about wind power and its potential in specific markets, including not least the required regulatory framework. The function was strengthened in 2008, among other things through an expansion of the department in the USA and the opening of satellite departments in Australia and China with a view to intensifying contacts with the local political environments. Vestas also expects to set up departments in Spain and India in 2009.

In 2008, Vestas made efforts to ensure the necessary legal framework for wind power, including an extension of the PTC scheme in the USA and the recently adopted EU Directive on renewable energy.

Vestas' key position in the development of modern energy was underlined in 2008 by a number of meetings with and visits from government leaders and ministers from countries such as China, Brazil, Mexico, India, Russia, France, Australia and the USA. Vestas attended both the Republican and the Democratic party conventions ahead of the US Presidential election, communicating with both parties about the role of wind power in the future energy supply in the USA.

Finally, in 2008 Vestas became a member of a number of influential international organisations such as the World Economic Forum, the World Business Council for Sustainable Development and the International Advisory Panel on Energy under Singapore's Ministry of Trade and Industry.

BUSINESS DEVELOPMENT

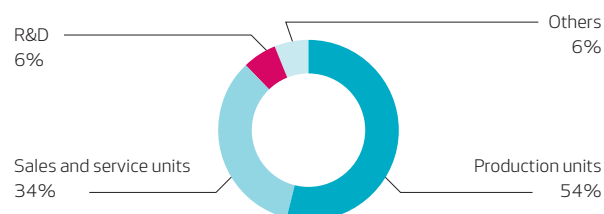
Employee development and recruitment

To accommodate the anticipated strong growth in business volume in the years ahead, Vestas must maintain a high professional standard in its efforts to recruit, retain and develop employees capable of matching the growing demands that Vestas is facing.

Vestas recruits employees under the "People before megawatt" principle. This means that new employees will be recruited before Vestas expands its business volume. This strategy is a commitment to ensuring flawless execution and more and more effective utilisation of all Vestas' facilities. At the end of the year, Vestas employed a total of 20,829 people, an increase of 5,524 relative to the end of 2007. Going forward, Vestas' headcount should rise at a lower rate than its business volume because of productivity improvements, economies of scale and improved turbine operations with more uptime.

Number of Vestas employees at 31 December 2008

	Europe	Americas	Asia/ Pacific	Total
Production units	9,083	411	1,672	11,166
Sales and service units	4,157	1,463	1,523	7,143
R&D	1,092	17	236	1,345
Others	1,175	0	0	1,175
Total	15,507	1,891	3,431	20,829



Vestas implemented joint, global People & Culture processes in 2008. These standardisation measures contribute to ensuring a uniform and high professional level in initiatives involving forecasting, employer branding, recruitment and employee retention. Performance & Development Dialogue, a new concept for manager/employee dialogue, was rolled out throughout the Vestas organisation in 2008. The dialogue is meant to strengthen the

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- >> professional development of each individual employee and ensure a clear insight into that employee's contribution to Vestas' overall targets.

Support for and development of existing and future managers is a priority area. To that end, Vestas established a number of procedures in 2008 to ensure a thorough and uniform evaluation of in-house candidates, while at the same time creating an in-house "pipeline" of future managers for the growth years that lie ahead.

Vestas aims to be an attractive workplace and conducted the annual employee satisfaction survey among all employees in November 2008. A total of 15,659 employees participated in the survey, equal to 86 per cent of Vestas' employees, and the outcome showed an overall improvement in employee satisfaction relative to the 2007 survey. In 2009, action plans will be launched throughout Vestas on local focus areas.

The majority of Vestas' employees have been covered by a global bonus scheme since 1 January 2008. The bonus scheme builds on a large number of targets; 70 per cent depends on Vestas' announced targets for EBIT margin, net working capital, customer loyalty and market share. The latter target will be replaced by revenue from 2009 onwards. The remaining 30 per cent depends on the performance of each individual employee's business unit and as from 2009, the results from the individual factories and sales units are also included in the programme. The parameters include production stability, order intake, cost performance, Cost of Energy and incidence of industrial injuries. The programme contributes to consolidating Vestas' performance-based corporate culture. For 2009, the maximum amount to be disbursed is EUR 134m. The bonus calculation is based on national legislation and is subject to local adjustments.

Organisational changes

Uniform procedures and a clear division of responsibilities throughout the organisation are prerequisites for achieving the growth target effectively and without a corresponding increase in costs. Against this background, Vestas is implementing a number of changes that will lead to identical structures in the sales and production business units.

As of 1 January 2009, China, which offers a huge growth potential as Vestas' third largest market in 2008, was hived off as an independent sales business unit from Vestas Asia Pacific, which will henceforth be responsible for the South Korean market. Vestas subsequently has seven sales business units, four production business units and three corporate business units, including the new Vestas Spare Parts & Repair, which supports the Group's sharpened focus on the service business. The presidents of the new business units all serve as members of the Vestas Government.

In addition, a number of cross-organisational functions are brought under one roof in the group staff function, Vestas Excellence. This function builds on the initiatives that were launched with the 12 Must-Win-Battles and will carry out similar initiatives in the future. The intention is for Vestas Excellence to help ensure that Vestas increases its quality, productivity and profitability in spite of strongly growing business volumes, revenues and employee headcount. By eliminating silo thinking and optimising cross-organisational collaboration, Vestas aims to improve its earnings.

Finally, Vestas intensifies its day-to-day customer focus through the establishment of a Customer Advisory Board with representatives from the sales and production business units, Vestas

Technology R&D and the Executive Management. A similar Cost of Energy Board is to support technology priorities and development to help achieve the lowest Cost of Energy. The two boards will represent the daily pivot point for Vestas' development.

The organisational initiatives aimed at streamlining Vestas for growth must be completed by the end of 2009, in order for Vestas to multiply its revenue in the years until 2020.

Knowledge resources

It is crucial for Vestas to be able to identify, formalise and develop knowledge resources in all parts of the organisation, including knowledge about customers, technology and employee competencies.

In 2008, the effort was intensified in order to analyse, optimise and implement uniform, global business procedures. A joint strategy for business procedures will help to improve the basis for reconciling business procedures with Vestas' overall strategy. A joint process organisation and culture minimises the silo mentality and helps to ensure better utilisation of Vestas' combined knowledge resources.

Outside the Group, Vestas has in recent years intensified collaborations with a number of educational institutions all around the world and currently stays in close contact with leading R&D institutions that directly or indirectly have an impact on the future development of wind power.

Quality management

To ensure that its products and processes consistently live up to the quality standards defined, Vestas undertakes a thorough and uniform quality control of development, production, installation and service procedures. Vestas' quality organisation handles the maintenance and expansion of a quality system which helps to identify any products that do not meet the applicable quality requirements, to rectify possible errors and to initiate preventive measures. The system also helps to provide updated documentation of the procedures.

Safety is a top priority at Vestas, and therefore the in-house product safety standards are regularly assessed so that Vestas develops products that minimise the risk of accidents in connection with production, transport, installation, service and dismantling.

Internal audits are conducted to ensure that every part of the organisation complies with the quality requirements. As a minimum, all locations must be audited every three years.

Patents

In 2008, Vestas once again substantially increased its development investments, strengthening its efforts to protect the large number of technologies and innovations developed by Vestas. As a result of these efforts, in 2008 Vestas increased its patenting activities relative to the preceding years. Since 2005, Vestas has increased the number of annual patent applications tenfold to 153 in 2008. The high level of patenting is expected to continue in the years ahead. The patents help ensure operational freedom and long-term business development opportunities in a high-technology race.

In November 2008, Vestas announced that, even though Vestas had successfully challenged the validity of the patents of Enercon GmbH, Mr Aloys Wobben, an agreement had been entered into with Enercon GmbH, Mr Aloys Wobben, among other things for

the purpose of settling all present legal disputes on a worldwide basis. One result of the agreement is that the cases in the UK, the Netherlands, Ireland and Canada, in which Mr Aloys Wobben has claimed that Vestas' technology infringes certain of his grid connection patents, have been withdrawn with the legal effect that the decisions already handed down will stand.

Development facilities

Being a technology company, Vestas invests heavily in facilities and employees capable of enhancing turbine reliability and efficiency and minimising the environmental footprint. At the end of 2008, Vestas employed 1,345 people in the development of high-technology wind power plants. This is an increase in the number of employees of 58 per cent since year-end 2007.

Vestas constantly expands its global presence to ensure access to highly specialised labour. In the third quarter of 2008, Vestas inaugurated the industry's largest R&D centre. Located in Aarhus (Denmark), the centre unites a number of test and development facilities in a unique innovation environment, which provides optimum conditions for integrated product development and cross-disciplinary collaboration with customers and suppliers. Following an extension of the facilities, the centre will house more than 900 people in 2010.

In November 2008, Vestas officially opened its R&D centre in Singapore. The centre will continue to grow and is expected to employ 150 engineers by the end of 2009. In 2012, the staff will have doubled to more than 300 engineers. In addition, the development office in Chennai (India) was expanded from 19 employees at the beginning of 2008 to 125 at the end of the year.

In 2008, Vestas announced that another two R&D centres will be established in the UK and the USA, respectively. On the Isle of Wight (UK), Vestas will build a new blade technology centre adjacent to the existing blade factory. The centre will engage in blade design and provide facilities for testing the world's longest wind turbine blades. The centre is expected to become operational in the second quarter of 2010. In early 2009, Vestas established a research centre in Houston, Texas (USA), and the centre is expected to be fully operational in 2010. Being the energy capital of the USA, Houston was selected because it gives Vestas access to highly qualified labour in an international energy environment.

In December 2008, Vestas announced the establishment of a new R&D office in Boston, Massachusetts (USA). The office will take over key employees from ePower LLC, a local business with three decades of experience in motor and generator technology.

Finally, Vestas' new facilities in Brighton, Colorado (USA) will also be housing employees from Vestas Technology R&D.

Technological leadership is a prerequisite for retaining the position as No. 1 in Modern Energy, always offering its customers the lowest Cost of Energy and the greatest Business Case Certainty. Vestas will invest the resources necessary to remain No. 1 in Modern Energy.

New production facilities

In 2010 Vestas will, together with its suppliers, be able to manufacture, ship and install 10,000 MW. This means that, in 2008–2010, Vestas will expand its capacity by the same volume of MW as in the preceding 20 years or more. At the end of 2008, Vestas was in the process of building factories in the USA, China and Spain.

CODE OF CONDUCT

As an international business, Vestas operates across cultural, political and religious boundaries and intends in every endeavour to be a trustworthy business partner acting in an ethically and socially responsible manner. Vestas' intention is for the Group's activities all around the world to comply not only with local legislation, but also with Vestas' own standards for safety, the environment, ethics and social responsibility. With this approach, in a number of countries Vestas sets higher standards than those prescribed by local legislation.

Vestas' policies for a number of areas are summarised and harmonised in a Code of Conduct. A number of the policies build on existing Vestas standards. Vestas does not tolerate discrimination and recruits and promotes employees exclusively on the basis of their skills and competencies, with no regard to nationality, sex, race, creed or political conviction. A number of initiatives support the implementation and understanding of the policies, including e-learning and other training initiatives.

Moreover, through collaboration with business partners, Vestas seeks to disseminate awareness and understanding of the Group's norms so as to improve conditions throughout the value chain in respect of bribery and corruption, safety, the environment, human rights, health on the labour market and business ethics.

In 2007, Vestas established a whistleblower system to ensure that no information is suppressed or remains undisclosed by providing easy access for employees, suppliers and other stakeholders to report any incidence of neglect, illegal acts or acts that are contrary to Vestas' policies and guidelines.

Vestas' standards and goals build on recognised framework agreements established by international organisations such as the UN, ILO and OECD.



- >> At the presentation of its first-quarter results for 2008, Vestas announced the opening of a new factory in Hohhot, Inner Mongolia (China). The factory is to manufacture kW turbines for the Chinese market and will deliver its first turbines in the second quarter of 2009. Vestas is also building a foundry in Xuzhou, Jiangsu province (China). The foundry is expected to be fully commissioned in the spring of 2010.

On the same occasion, Vestas announced the opening of the world's largest tower factory in Pueblo, Colorado (USA). In 2010, the factory will have an annual processing capacity of 200,000 tonnes of steel, corresponding to about 900 towers.

At the presentation of the interim report for the second quarter of 2008, Vestas announced the opening of a new blade factory near Brighton, Colorado (USA). The factory is expected to manufacture blades from the first half of 2010 and will more than double Vestas' annual production capacity in the USA to 4,000 blades.

At the same time, Vestas announced that it will build a nacelle assembly factory, also in Brighton, Colorado, with an annual capacity of 1,400 nacelles. Vestas also announced an extension of its generator and machining facilities in Tianjin (China) and the nacelle assembly factory in León (Spain).

Total investments in organic growth, including R&D facilities, will amount to EUR 2.5bn for the period 2005–2009. The long-term

goal is to supply the USA from the USA, Europe from Europe and Asia from Asia.

Production facility in Scotland

As Vestas' tower factory in Campbeltown (Scotland) was not originally dimensioned for manufacturing the products increasingly in demand in the wind turbine market, Vestas investigated the opportunity for transferring the facilities to a third party in 2008. Vestas expects this to be implemented during the first quarter of 2009.

Relocation of headquarters

In October 2008, Vestas announced that its headquarters will be relocated from Randers to Aarhus (Denmark) by 2011 at the latest. Vestas believes that Aarhus can offer the facilities required to attract and retain the right Danish and foreign employees. The new headquarters will be built next to Vestas Technology R&D's new development centre. Vestas Offshore, Vestas People & Culture and the global IT function will continue to use the facilities in Randers.

ENVIRONMENT

The production of electricity from wind emits neither CO₂, NO_x or SO_x, nor does it involve any consumption of water. The No. 1 in Modern Energy must be as green as it gets in terms of manufacturing wind turbines, as a reduced consumption of the Earth's scarce resources will increase Vestas' competitive strength.



80% of a V90-3.0 MW turbine can be recycled

During its 20 years of operation, a V90-3.0 MW onshore turbine will save the environment from approx 124,500 tonnes of CO₂ compared with average electricity production in the world. This corresponds to the annual average volume of CO₂ emitted by 11,400 persons in the industrialised world.¹⁾ A Vestas turbine is energy-neutral after approx seven months and generates approx 30–35 times as much energy during 20 years of operation as is consumed for production, transportation, installation, service, dismantling and disposal of the turbine.

The energy consumption controlled by Vestas itself accounts for about 12 per cent of the total energy consumption for turbine production, transportation, installation, dismantling and disposal. The most energy-intensive part of a wind turbine's lifetime involves metal extraction and processing, which account for about 50 per cent of the total energy consumption. The most effective way of reducing energy and raw material consumption is therefore to increase the turbines' output in relation to raw material consumption. The more MWh generated per kilogramme of turbine, the lower the impact on the environment, climate, Earth's resources and Vestas' local communities.

Today, 80 per cent of a V90-3.0 MW turbine can be recycled. Wind turbine parts that cannot always be recycled include fibreglass, electronic components and plastic parts. Other environmental impacts comprise the visual impression of wind turbines in the countryside and the impact on animals and plants. These impacts can be substantially reduced through meticulous planning of wind turbine locations.

As the world's leading manufacturer of wind turbines, Vestas seeks to minimise the negative impact on the environment through its own activities, and the introduction of environmental management is an important tool in that regard. Vestas achieved its first ISO 14001 certification in 2000, and in 2008, all units in Vestas were certified according to the same standard. New units will be ready for certification within six months of operation.

In 2008, Vestas resolved to scale up its environmental efforts. In order to reduce its CO₂ emission, Vestas has defined a new car policy, and a new building policy will be introduced. Moreover, Vestas has introduced a renewable electricity policy, which stipulates that all purchases of electricity must henceforth be from renewable energy sources, subject to availability.

By 2010 these initiatives will have led to an increase in the share of renewable energy to 50 per cent and an increase in the share of renewable electricity to more than 90 per cent. In 2008, the share of renewable energy was 38 per cent and the share of renewable electricity was 68 per cent.

A large share of Vestas' energy consumption can be linked to buildings, including heating and cooling thereof. The green building policy defines requirements on the use of specific energy-saving technologies such as building insulation and systems for controlling heating, cooling, lighting, etc. Furthermore, the policy defines requirements on the use of specific renewable energy sources such as solar power units, soil heat, biomass heating, etc. In total, the additional investment in green technologies in Vestas' buildings is expected to increase the cost of the buildings by about 5–10 per cent in the short term, but longer term the lower energy and water consumption will provide Vestas will substantial cost savings.

The green car policy specifies that all new cars, which Vestas buys or leases must be environmentally friendly. Diesel vehicles with

particle filters is currently the preferred choice. Compared with a similar petrol-driven car, a diesel car emits significantly less CO₂.

Vestas also supports the development of other technologies that may contribute to exploiting the potential of modern energy, including hydrogen technology that allows for storing excess production of electricity from wind turbines.

RISK MANAGEMENT

In 2008, Vestas continued to improve its risk management process for critical business procedures. Internal reporting of the Group's most significant identified risks is part of Vestas' management information and forms part of the ongoing reporting to the Vestas Government.

Vestas' Group Finance & Operations department offers support to all Vestas units and works proactively with anchoring risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks.

In 2008, Vestas established a programme dedicated to reducing risks in relation to operations in the production units. Furthermore, a global insurance programme has been established, which in addition to the compulsory insurance policies includes insurance which from a business perspective is considered appropriate. The precautions have resulted in noticeable improvements in the company and the overall risk management process. Vestas will reduce its insurance premiums as a result of these efforts.

Supplier risks

Due to earlier collaboration problems with a number of suppliers, Vestas has attached great importance to streamlining and improving relations with its suppliers. Many of the initiatives launched are now starting to yield results.

The growth forecast for the next many years continues to put the supply chain under pressure. Vestas seeks to reduce this risk by entering into long-term framework agreements and by cultivating new business partners who have the necessary technical qualifications and aspirations. Moreover, Vestas has formed close alliances to the effect that the suppliers increasingly take part in development initiatives, and Vestas must have at least two suppliers of all components. This applies to all key components with the exception of the V90-3.0 MW gearbox.

The ever-closer collaboration with its suppliers allows Vestas to regularly follow up on their financial situation. To date, the credit squeeze has not given rise to any problems that prevent the suppliers from meeting their obligations towards Vestas.

Vestas is currently a party to a number of collaboration agreements, which may be terminated in case there is a change in ownership or control with the company.

Product risks

Lack of reliability in several of Vestas' products previously led to major warranty provisions, and Vestas has in recent years spent significant resources on improving its products and enhancing their reliability. This work involves design, production, installation and regular maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitive strength of the products and to improve supplier earnings.

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- >> In the first quarter of 2007, Vestas temporarily discontinued selling the V90-3.0 MW offshore wind turbine due to gearbox issues. On 1 May 2008, the turbine was once again made available for sales after thorough testing of the new solutions.

Sales risks

In all wind power projects with a value of EUR 15m or more, contractual conditions, including prices, delivery, logistics and warranties, are reviewed by Vestas' Contract Review Board, in which the Executive Management is represented. Since the spring of 2005, the Contract Review Board has worked in close collaboration with Vestas' sales units to ensure terms and conditions that include a satisfactory balance between risks and prices.

As a result of Vestas' revised risk profile, the share represented by supply-only orders have risen in recent years. The share of supply-only orders is also expected to rise in 2009. According to these orders, Vestas is only responsible for delivering turbines, and is not involved in their installation, foundations and other infrastructure which may involve significant and unknown risks. It should be emphasised that Vestas has no preference for supply-only orders, but merely wishes to achieve a satisfactory balance between risks and price.

Vestas pursues the strategy of building close customer relations through a high level of innovation and service. Vestas does not wish to rely on any single customer or market, although doing so may provide additional earnings in the short term. Revenue in 2008 was distributed among 228 customers. Longer term, consolidation among Vestas' customers will most likely lead to reduced diversification.

Exchange rate risks

The business activities of Vestas involve exchange rate risks linked to the purchase and sale of goods and services outside the euro zone. Vestas pursues a policy of hedging exchange rate risks as soon as a commitment in foreign currency is agreed. However, this applies only to net exposure in each individual currency. Exchange rate risks are primarily hedged through foreign exchange forward contracts. Exchange rate adjustment of investments in overseas subsidiaries and associated companies abroad is taken directly to shareholders' equity. Vestas believes that continuous exchange rate hedging of such long-term investments is not the optimal solution with regard to balancing total risk against total cost.

Vestas' expansion in the USA and China will increase the Group's costs outside the euro zone. In combination with a higher degree of sourcing from countries whose currencies are not linked to the EUR, the investments in the USA and China ensure an improved currency mix between income and expenses, making Vestas less sensitive to fluctuations in currencies such as the USD relative to EUR. Most of Vestas' production units and sub-suppliers are currently located in the euro zone. At the end of 2008, 74 per cent of the employees and 79 per cent of the non-current assets were located in the euro zone. Revenue generated outside the euro zone represented 40 per cent of total revenue in 2008 compared with 42 per cent in 2007.

Interest rate risk

Vestas' primary interest rate risk consists of interest rate fluctuations, which may influence the Group's debt and lease obligations. Managing the interest risks involves the monitoring of duration and maximum interest rate risk on Vestas' net debts. Vestas uses hedging instruments to limit interest rate risks. The average net interest-bearing position was EUR 395m in 2008,

against EUR 179m in 2007. The net interest-bearing position at the end of 2008 was EUR 40m.

Tax risks

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

Credit risks

The credit squeeze has sharpened Vestas' focus on customers' ability to pay. In addition, Vestas is exposed to credit risks in connection with delivering products to customers in certain countries. Developments in the customer portfolio towards a greater proportion of large, international enterprises will reduce this risk. Receivables are typically hedged by payment guarantees.

The use of financial instruments involves a risk that the counterparty may not be able to meet his obligations at maturity. Vestas minimises this risk by only using financial institutions with high credit ratings. The banks must have a long-term credit rating from Standard & Poor's (A), Moody's (A2) or Fitch (A). Furthermore, Vestas has in-house limits as to the size of the Group's balance with a single bank.

To date, Vestas has not experienced a financial business partner who was unable to honour the contracts entered into.

Liquidity risks

Vestas' Treasury department is in charge of ensuring that substantial capital resources are in place at all times through a combination of liquidity management and non-committed and committed credit facilities. Vestas manages its liquidity risk through cash pool systems in various currencies and by using short-term overdraft facilities in a number of financial institutions. Vestas expects to be able to finance its organic growth through cash flows from operations.

Commodity risks

To minimise the potential impact and reduce risks in connection with fluctuations in prices of commodities such as steel, copper and carbon fibre, Vestas has entered into long-term agreements with fixed prices covering parts of Vestas' needs. Where possible, Vestas also uses hedging instruments, specifically in connection with procuring copper and nickel. In general, however, Vestas seeks to incorporate commodity price developments into its sales contracts. The final project price typically depends on developments in a number of key parameters, especially commodity prices. Where a customer seeks certainty for the final price of a wind turbine, this is reflected in a premium that compensates Vestas for the risk undertaken.

VESTAS' FINANCIAL PERFORMANCE

Level of activity

In 2008, Vestas shipped wind power systems with an aggregate capacity of 6,160 MW, an increase of 24 per cent, on 2007. Vestas shipped a total of 3,250 turbines, of which 1,734 had a capacity of 2 MW or more. The order intake for the year was 6,019 MW, against 5,613 MW in 2007. Announced orders accounted for 75 per cent of the order intake in 2008.

The backlog of firm and unconditional orders stood at EUR 5.2bn (4,806 MW) at the end of the year, an increase of 8 per cent (9 per cent measured in MW) compared with year-end 2007.

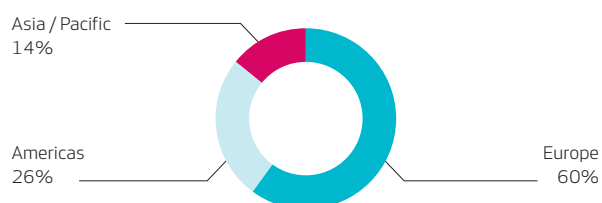
Income statement

Revenue

The Group recorded revenue in 2008 of EUR 6,035m, an increase of 24 per cent, relative to 2007. Europe accounted for 60 per cent of revenue, the Americas for 26 per cent and Asia/Pacific for 14 per cent of revenue. Energy companies and utilities accounted for 45 per cent of revenue.

Distribution of revenue 2008 (mEUR)

Europe	3,607
Americas	1,565
Asia/Pacific	863
Total	6,035



Gross profit

The gross profit amounted to EUR 1,179m in 2008, against EUR 825m in 2007. The profit translates into a gross margin of 19.5 per cent. The gross margin was 17.0 per cent in 2007, and the improvement is the result of better prices and conditions as well as more efficient production.

Operating profit

The Group reported an operating profit, EBIT, of EUR 668m, equivalent to an EBIT margin of 11.1 per cent. The operating profit was EUR 225m higher than in 2007, when the EBIT margin was 9.1 per cent. In May 2005, an EBIT margin of at least 10 per cent in 2008 was defined as the most important financial target in The Will to Win strategy. The net working capital target of 20-25 per cent was also accomplished. The original target of a market share of at least 35 per cent in 2008 will not be reached.

Financial items and tax

Financial items in 2008 represented an income of EUR 46m, an increase of EUR 46m relative to 2007.

Tax for the year amounted to EUR 203m, resulting in an effective tax rate for Vestas of 28 per cent. Deferred tax assets amounted to EUR 63m at the end of 2008. Tax matters are specified in notes 10, 15 and 20 to the consolidated accounts.

Balance sheet

Non-current assets

Vestas' non-current assets amounted to EUR 1,763m at the end of 2008, an increase of EUR 450m relative to 2007. The increase was due to investments in new factories and facilities as well as in intangible assets.

Inventories

Inventories amounted to EUR 1,612m at the end of the year, an increase of EUR 505m relative to year-end 2007, which was

MW delivered

	2008	2007
Europe		
Spain	650	551
Germany	449	419
Italy	376	378
France	253	139
The Netherlands	242	156
Greece	152	56
Turkey	150	41
Sweden	120	59
United Kingdom	82	114
Poland	48	39
Croatia	42	0
Hungary	37	2
Portugal	36	14
Denmark	22	8
Austria	14	14
Belgium	10	0
Bulgaria	9	14
Ireland	9	61
The Czech Republic	6	6
Lithuania	0	16
Total Europe	2,707	2,087

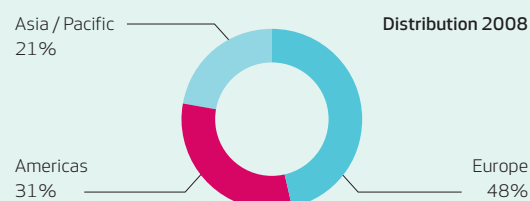
Americas

USA	1,345	1,288
Canada	285	110
Brazil	79	0
Uruguay	10	0
Chile	0	18
Total Americas	1,719	1,416

Asia/Pacific

China	596	458
India	162	150
Australia	159	75
Japan	80	97
Taiwan	76	30
South Korea	73	38
Philippines	8	0
New Zealand	0	151
Total Asia/Pacific	1,154	999

Total world	5,580	4,502
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- >> attributable primarily to the retention and expansion of buffer stocks in Vestas' production units. The buffer stocks are intended to prevent disruptions in the production flow in case of irregular supplies from sub-suppliers. The need for buffer stocks is expected to decline as a result of the present economic situation.

Trade receivables

Trade receivables amounted to EUR 938m at the end of 2008, an increase of EUR 278m relative to the end of 2007.

Construction contracts

Construction contracts is the description used for projects currently being installed, for which the total project has not finally been transferred to the customer. At the end of 2008, these contracts represented a net amount of EUR (901)m.

Provisions

In 2008, Vestas made warranty provisions of EUR 240m, which corresponds to 4.0 per cent of annual revenue. The level is lower than in 2007, when provisions represented 5.0 per cent of annual revenue. Vestas makes provisions for all costs associated with turbine repairs. Any reimbursement from suppliers is not offset unless a written agreement has been made with the supplier in this respect. Warranty provisions cover possible costs for remedy and other costs relative to specific agreements.

The reliability and robustness of Vestas' turbines is improved in an ongoing process as a result of higher investments in monitoring of existing turbines and the development and thorough testing of new products. Longer term, this development will substantially reduce the need for and use of warranty provisions. For 2009, warranty provisions are expected to amount to 3–4 per cent of revenue. At the end of 2008, total warranty provisions amounted to EUR 183m.

Changes in equity

Vestas' equity at 31 December 2008 amounted to EUR 1,955m, against EUR 1,516m at the end of 2007.

Vestas has defined a long-term solvency ratio target of at least 40 per cent. At 31 December 2008, the solvency ratio was 37 per cent.

Cash flow and investments

Vestas generated a cash inflow from operations of EUR 277m in 2008 compared with an inflow of EUR 701m in 2007.

Cash flows before changes in working capital rose from EUR 511m in 2007 to EUR 644m in 2008.

Investing activities generated a cash outflow of EUR (680)m. The main investments in 2008 were in new production facilities.

Investing activities generated a cash flow of EUR (91)m.

OUTLOOK FOR 2009

Vestas' current organisation and cost base are geared to a level of activity more than 15 per cent higher than the revenue guidance of EUR 7.2bn, of which service revenue represents EUR 550m.

Vestas has at present no plans to reduce the number of employees since the long-term growth prospects for Vestas remain strong. As the rate of utilisation of the organisation in 2009 is lower than originally planned, many new employments have for the time being been postponed, but these are expected to be resumed as soon as demand increases.

As a result, the EBIT margin is expected to rise to just 11–13 per cent in 2009. The service business is expected to reach an EBIT margin of 15 per cent. Net working capital is expected to represent a maximum of 10 per cent of annual revenue by the end of 2009. The level of activity and revenue in 2009 are expected to be more evenly distributed throughout the year than in 2008.

Total investments are expected to amount to EUR 1.2bn, of which EUR 1bn will be invested in property, plant and equipment, primarily in the previously announced factories in the USA, Spain and China and the R&D centres in Denmark and the UK.

The above expectations for investments are subject to Vestas experiencing an improvement in the order intake up till the first quarter 2009 reporting on 28 April. In case this does not materialise, the investment programme will be adjusted accordingly, and the general cost level will be further reduced.

Financial items are expected to amount to EUR (20)m, and the tax rate is forecast at 28 per cent. Warranty provisions are expected to amount to 3–4 per cent of revenue in 2009 owing to improved turbine reliability.

The number of providers and sub-suppliers, especially from China, will grow, leading to intensified competition in all links of the value chain going forward.

Other than the aforementioned, the most important risk factors include additional warranty provisions, transport costs, disruptions in production and in relation to wind turbine installation as well as potential patent disputes.

EVENTS AFTER THE BALANCE SHEET DATE

Orders

In 2009, Vestas has announced large orders for supply of wind turbines with a total capacity of more than 250 MW. Vestas' company announcements and press releases regarding these orders are available at vestas.com/investor.

Fraud case in Spain

In January, Vestas announced that a fraud case had been initiated against employees at the time and former employees of Vestas Edica S.A.U. (Spain). The investigation of the case has been handed over to the Spanish authorities.

- 1) The calculation is based on the following assumptions: CO₂ emissions per kWh at the most efficient coal-fired unit in the world are 790 grams of CO₂ per kWh, and emission per person is set at 10.9 tonnes, cf. OECD/IEA: "Fuel-fired Power generation". Paris, 2007.



Corporate governance

In 2008, Vestas generated revenue of EUR 6.0bn, and has increased its number of employees since 2004 from 9,594 to 20,829, across 27 countries. In light of this development and the challenges that Vestas is facing, it is important for the Group to have clear management guidelines.

The Board of Directors and Executive Management of Vestas believe that corporate governance initiatives should be a constant process and address the principles of corporate governance in an ongoing process with due consideration to current legislation, practices and recommendations. Such evaluation includes a review of the company's business concept, business procedures, goals, organisation, capital position, stakeholder relations, risks and the exercise of control.

The Group is managed by Vestas' management in a financially, socially and environmentally responsible manner, and through open and direct communications with its owners and the capital markets, these stakeholders are provided with an insight of the Group.

MANAGEMENT STRUCTURE

Vestas Wind Systems A/S is a Danish limited liability company and the parent company of the Vestas Group. The management of the company and the Group is governed by the company's Articles of Association, the Danish Public Companies Act and other applicable Danish rules and regulations.

The Articles of Association do not contain any special provisions concerning amendments to the Articles of Association. Accordingly, the usual provisions of articles 78 and 79 of the Danish Public Companies Act apply in this respect.

General Meeting

The General Meeting is the supreme management body of Vestas Wind Systems A/S and is the supreme authority in all company matters, subject to the limits laid down by Danish legislation and the company's Articles of Association.

The General Meeting is held at least once a year and is convened by no less than eight days' and no more than four weeks' notice, cf. article 4 of the Articles of Association. Information about the Annual General Meeting in 2009, see "Shareholders and the stock exchange" on page 119.

Vestas' share capital consists of one share class with 185,204,103 shares. All shares carry an equal number of votes, and there are no voting restrictions or other restrictions on shareholders' right to exert their influence. Accordingly, all shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, vote and speak at general meetings.

Board of Directors

In connection with the Annual General Meeting, the shareholders elect a Board of Directors and appoint the external auditor(s). Board members elected by the General Meeting may be recommended for election by the shareholders or by the Board of Directors. When proposing candidates for Board membership, the Board of Directors strives to ensure that the Board of Directors:

- is able to act independently of special interests;
- represents a balance between continuity and renewal;
- matches the company's situation; and
- has sector insight and the commercial and financial skills required to allow the Board of Directors to perform its tasks in the best possible manner.

Board members elected by the General Meeting are elected for terms of one year. Pursuant to Danish legislation, a number of employee representatives are elected for terms of four years. The four existing representatives joined the Board of Directors in 2008, and their election term runs until 2012. A description of the Danish system concerning employee representatives is available at vestas.com/investor.

The Board of Directors currently consists of 11 members, of which seven are elected by the General Meeting and four are elected by and among the employees.

The Board of Directors deals with the overall management of the company, including appointing the Executive Management, laying down guidelines for and exercising control of the work performed by the Executive Management, ensuring responsible organisation of the company's business, defining the company's business concept and strategy and evaluating the adequacy of the company's capital contingency programme.

All Board members elected by the General Meeting, except Jørn Ankær Thomsen, who is associated with one of the law firms that provides legal advice to the company, are considered independent of the company. Moreover, the employee representatives cannot be considered independent members due to their employment with the Vestas Group.

In 2008, the Board of Directors held a total of seven meetings, and a two-day strategy seminar.

In addition, the Board of Directors goes on an annual trip to visit some of Vestas' facilities and hold meetings with decision-making officials of the country in question.

In 2008, the Board of Directors visited Vestas' facilities in Tianjin (China), and Vestas' new factory in Hohhot, Inner Mongolia (China). During the visit, the Board of Directors held meetings with the governor of Inner Mongolia and the mayor of Tianjin.

Board committees

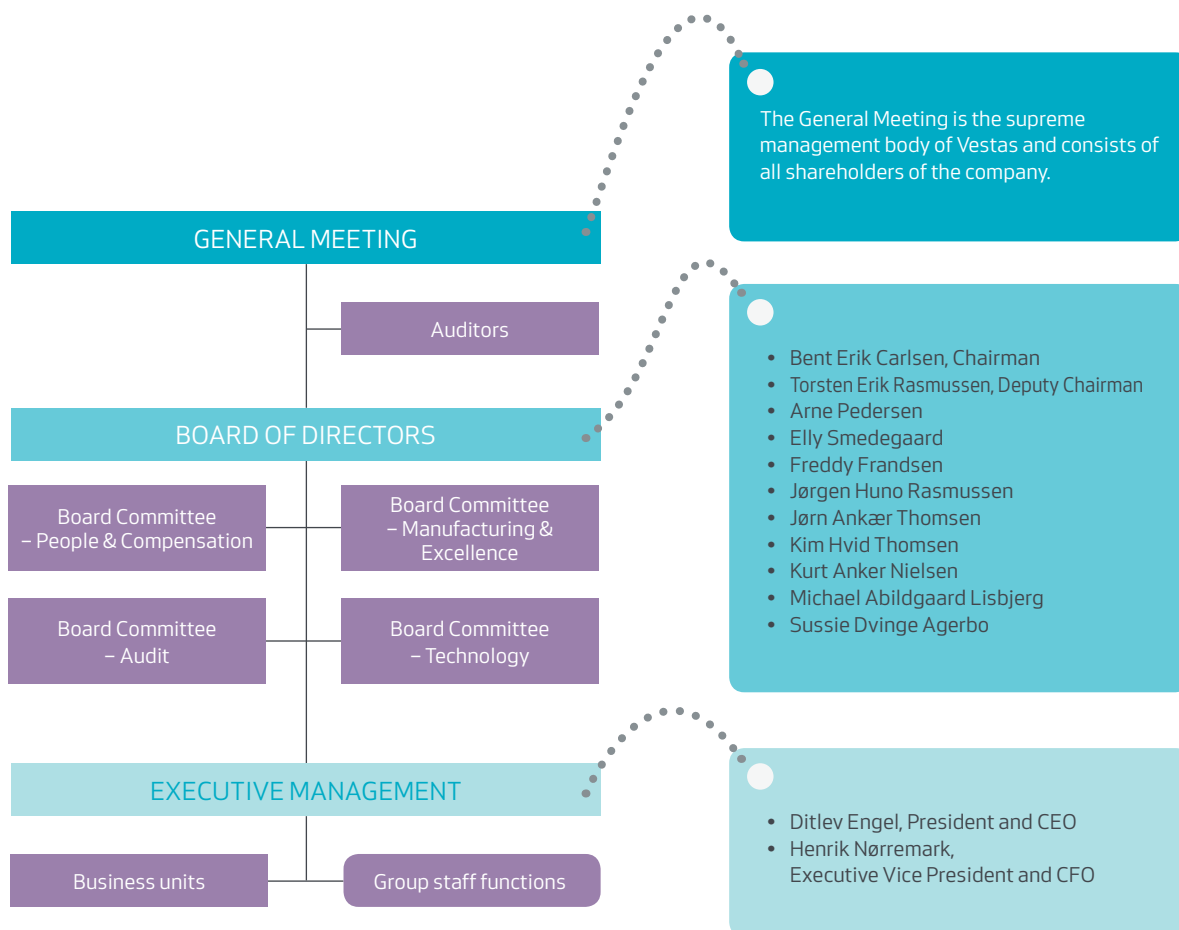
The purpose of Vestas' Board committees is to prepare decisions and recommendations for evaluation and approval by the entire Board of Directors. The committees are not authorised to make independent decisions; instead they report and make recommendations to the combined Board of Directors.

In 2008, there were three Board committees; a Technology Committee, a Remuneration Committee and an Audit Committee.

In 2009, the Board of Directors intends to change a few of the committee focus areas and has resolved to set up a new Board committee.

The People & Compensation Committee (formerly the Remuneration Committee) supports the Board in assessments concerning salaries, remuneration and bonuses. The committee is to focus especially on overall People & Culture topics. In 2008, the committee held seven meetings.

The Audit Committee assists the Board in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing and the need for an internal audit function. In 2008, the committee held seven meetings.



Auditors

- Auditors of the company**
- PricewaterhouseCoopers
 - KPMG

Board Committees

People & Compensation Committee

- Bent Erik Carlsen, Chairman
- Jørn Ankær Thomsen
- Torsten Erik Rasmussen

Audit Committee

- Kurt Anker Nielsen, Chairman
- Arne Pedersen
- Freddy Frandsen

Manufacturing & Excellence Committee

- Freddy Frandsen, Chairman
- Arne Pedersen
- Kim Hvid Thomsen

Technology Committee¹⁾

Business units

Presidents for the business units

- Anders Søe-Jensen, Vestas Offshore
- Bjarne Ravn Sørensen, Vestas Control Systems
- Finn Strøm Madsen, Vestas Technology R&D
- Hans Jørn Rieks, Vestas Central Europe
- Jens Søby, Vestas Americas
- Juan Araluce, Vestas Mediterranean
- Klaus Steen Mortensen, Vestas Northern Europe
- Knud Bjarne Hansen, Vestas Towers
- Lars Andersen, Vestas China²⁾
- Ole Borup Jakobsen, Vestas Blades
- Phil Jones, Vestas Spare Parts & Repair²⁾
- Roald Steen Jakobsen, Vestas People & Culture
- Sean Sutton³⁾, Vestas Asia Pacific
- Søren Husted, Vestas Nacelles

Group staff functions

Senior Vice Presidents for the Group staff functions

- Henrik Hald Hellmuth, Group Treasury
- Jan Pilgaard, Group Finance & Operations
- Jørgen Peter Nielsen, Contract Review
- Morten Albæk, Group Marketing & Customer Insight²⁾
- Peter Brun, Group Government Relations
- Peter Wenzel Kruse, Group Communications
- Torben Bonde, Group IT
- Tommy Rabek Nielsen³⁾, Forecasting & Planning²⁾
- Vestas Excellence²⁾

- 1) To be established in 2009.
 2) Established in 2009.
 3) To take up the position in 2009.

>>

- >> The Manufacturing & Excellence Committee (formerly the Technology Committee) supports the Board in the evaluation of technical matters. The committee also supports the Board in matters concerning production, including the ongoing improvements that Vestas Excellence is involved in. In 2008, the committee held seven meetings.

In order to reflect the general management's focus on customers, colleagues, Cost of Energy and shareholders, in 2009, Vestas will set up a fourth Board committee dealing with technology development. The objective of the Technology Committee is to assist the Board in the evaluation of technological matters, IPR strategy and product development plans.

Each of the four committees consists of three members elected for terms of one year by and among the Board members.

The chairman of each committee is appointed by the Board for terms of one year, and the election usually takes place at the Board meeting held immediately after the General Meeting. The committees hold the necessary annual number of meetings. At the request of the committees, other members of management may also participate in these meetings.

Executive Management

The Executive Management consists of Ditlev Engel, President and CEO, and Henrik Nørremark, Executive Vice President and CFO, who are responsible for the day-to-day management of the company, observing the guidelines and recommendations issued by the Board of Directors. The Executive Management is also responsible for presenting proposals for the company's overall objective, strategies and action plans as well as proposals for the overall operating, investment, financing and liquidity budgets to the Board of Directors.

Business units

At 1 January 2009, the Vestas Group has a total of 14 business units, all of which report directly to the Executive Management of Vestas. The presidents of the individual business units are responsible for the overall and day-to-day management of their specific business areas.

Each business unit has a board of directors, whose objective is to ensure collaboration across the Group. Each board consists of three to seven members and includes members of the Executive Management of Vestas Wind Systems A/S and a number of employees of the business units in which the employees have decided to exercise their right to elect employee representatives.

Vestas Government

The Vestas Government consists of the Executive Management and the presidents of the 14 business units.

The Vestas Government holds a conference call every Wednesday and government meetings once every quarter with personal attendance. Once every year, Vestas arranges a strategy seminar attended by the Board of Directors and all government members. The Government is responsible for ensuring the implementation of Vestas' strategy as defined by the Board of Directors in collaboration with the Executive Management.

Group staff functions

The nine Senior Vice Presidents of Vestas' group staff functions all report directly to the Executive Management of Vestas and are responsible for the overall and day-to-day management of their specific staff functions.

The organisational changes scheduled to be carried out in 2009 are described in "Management report", page 20.

REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

Board members receive a fixed annual remuneration. For 2008, directors' total remuneration amounted to EUR 0.8m, including fees to the Board members who are members of one of the Board committees. No special fees have been paid.

The Board of Directors is not comprised by any incentive programme (share option programme, bonus scheme or similar) or by Vestas' pension scheme, and in case of a takeover, the directors will not receive any compensation.

The Executive Management is remunerated with a competitive compensation package comprising of three elements: a fixed salary, a bonus and an option scheme.

The fixed salary is based on a market level, bonus is based on the annual results and the option scheme has focus on employee retention and long-term value creation for the shareholders.

For 2008, the Executive Management received a total remuneration of EUR 1.9m, and EUR 0.7m was expensed as share-based payment, cf. note 6 to the consolidated accounts.

The service contracts for the members of the Executive Management contain notices of termination that are normal for executives in Danish companies. The members of the Executive Management will not receive any compensation in the event of termination in connection with a change of ownership of the company's voting majority or if the company is dissolved through a merger or demerger, but their notice of termination will, however, be changed from 24 to 36 months.

Incentive programme

A share option programme for the Executive Management and selected executives has been established for the financial years 2007 to 2009.

The programme was established in 2007. The total value of the option scheme amounted to EUR 1.2m at the time of establishment, calculated on the basis of the Black-Scholes model. The exercise price has been fixed at DKK 380.50, equivalent to the closing price on 15 May 2007.

The incentive programme established in 2006 comprised the Executive Management, the Vestas Government and other selected executives. All options awarded in 2006 have expired, and 56,448 options were awarded in 2007. Options awarded in 2007 can be exercised from 2010 to 2012.

DANISH CORPORATE GOVERNANCE RECOMMENDATIONS

Vestas' shares are listed on NASDAQ OMX Copenhagen. As a result, Vestas complies with the rules applying to companies listed on NASDAQ OMX Copenhagen, which include a national code on corporate governance.

Pursuant to clause 4.3 of the "Rules for issuers of Shares – NASDAQ OMX Copenhagen", Danish companies must include a statement on how they address the "Recommendations for corporate governance" based on the "comply or explain" principle.

The recommendations specify that it is equally legitimate to provide an explanation or to comply with a specific recommenda-

tion, as the key issue is to create transparency in corporate governance matters.

The recommendations are divided into eight main sections, and further information on Vestas' position on each individual recommendation is provided at vestas.com/investor.

Vestas follows all the recommendations, except for the following:

Recommendation on assessment process for the board

The Board of Directors has defined an evaluation procedure to ensure that, each year, the Board of Directors is given the opportunity to assess work methods and the performance of the Board of Directors and the individual Board members. The assessment is carried out by the chairman, and the results are discussed by the entire Board.

Once every year, the Chairman and Deputy Chairman of the Board and the President and CEO evaluate the work performed by the Board and the collaboration between the Board of Directors and the Executive Management.

Recommendation on remuneration policy

The Board of Directors finds that the information contained in the annual report on remuneration and the process involved in the General Meeting's approval of the remuneration paid to the Board

of Directors represents a fair balance between the need for openness about remuneration paid to the Board of Directors and the Executive Management and the need to ensure confidentiality about compensation to individual members.

Against this background, the company's annual report will not include a detailed account of the remuneration policy and the principles for individual compensation.

Recommendation on openness about remuneration

Disclosures about the total remuneration to members of the Board of Directors and the Executive Management, respectively, are provided in note 6 to the consolidated accounts. The Board of Directors finds that this information is adequate for the shareholders to assess the compensation level for members of both the Board and the Executive Management. Against this background, the annual report will not include any information about the compensation paid to each individual member.

Details about the management's option programme and shareholdings and changes thereto during the year are disclosed in note 31 to the consolidated accounts.

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COMPETENCIES AND FIDUCIARY POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors have informed the company of the following competencies and fiduciary positions in Danish and foreign companies and organisations.

Bent Erik Carlsen (b. 1945), Chairman

Director,
B. Carlsen Shipping ApS (Denmark) 2008 –.
Member of the Board since September 1996.

Competencies

Education

1972	B. Com. (marketing), Copenhagen Business School (Denmark)
1978	B. Com. (management accounting), Copenhagen Business School (Denmark)
–	Various management courses INSEAD (Denmark)

Former positions

1969–1972	Sales Manager, Colon Emballage A/S (Denmark)
1972–1979	Managing Director, Eurocard Denmark A/S (Denmark)
1979–1981	Managing Director, Winther & Heide Eftf. A/S (Denmark)
1981–1983	Member of the European Management, Air Liquide (France)
1983–1988	Managing Director, Aktieselskabet Dansk Ilt- & Brintfabrik (Denmark)
1988–1990	Managing Director, Fro Saldatura S.A. (Italy)
1990–1992	Managing Director, L'Air Liquide Belge sa-nv (Belgium)
1992–1999	Managing Director, Hede Nielsen A/S (Denmark)
1999–2002	Managing Director, Air Liquide Scandinavia (Denmark)
2002–2008	Group Executive Vice President A.P.Møller-Mærsk A/S (Denmark)

Fiduciary positions

Chairman of the Boards of: Maersk Container Industry (China),
Maersk Container Industry A/S (Denmark) and Rosti A/S
(Denmark).

Deputy Chairman of the Board of: Dansk Supermarked A/S
(Denmark).

Member of the Boards of: F. Salling A/S (Denmark), F. Salling
Holding A/S (Denmark), Investeringsforeningen Valueinvest
Danmark (Denmark), Norfolk Holding B.V. (The Netherlands) and
Svitzer A/S (Denmark).

Positions of trust

Chairman of: Vestas Wind Systems A/S' People & Compensation
Committee (Denmark).

Independency

Complies with the Committee on Corporate Governance's
definition of independency.¹⁾



Torsten Erik Rasmussen (b. 1944), Deputy Chairman

Managing Director and CEO,
Morgan Management ApS (Denmark) 1997 –.
Member of the Board since January 1998.

Competencies

Education

- 1961–1964 Commercial education,
Dalhoff Larsen & Horneman A/S (Denmark)
- 1964–1966 Military service, Royal Danish Life Guards (Denmark)
and discharged as First lieutenant (R) 1967
- 1972 MBA, IMEDE, Lausanne (Switzerland)
- 1985 International Senior Managers' Program,
Harvard Business School (USA)

Former positions

- 1967–1971 Department Manager and later Director,
Northern Soft- & Hardwood Co. Ltd. (Congo)
- 1973 Management Assistant,
LEGO System A/S (Denmark)
- 1973–1975 Finance Director, LEGOLAND A/S (Denmark)
- 1975–1977 Logistics Manager, LEGO System A/S (Denmark)
- 1977 Vice President, logistics,
LEGO System A/S (Denmark)
- 1978–1980 President and CEO,
LEGO Overseas A/S (Denmark)
- 1981–1997 Executive Vice President, Operations and member
of the Group Management, LEGO A/S (Denmark)

Fiduciary positions

Chairman of the Boards of: Ball ApS (Denmark), Ball Holding ApS (Denmark), Ball Invest ApS (Denmark), CPD Invest ApS (Denmark), EBP Holding A/S (Denmark) and EVO Invest A/S (Denmark).

Deputy Chairman of the Boards of: A/S Det Østasiatiske Kompagni (Denmark), Oase Outdoors ApS (Denmark), Outdoor Holding A/S (Denmark) and TK Development A/S (Denmark).

Member of the Boards of: Acadia Pharmaceuticals A/S (Denmark), Acadia Pharmaceuticals Inc. (USA), Coloplast A/S (Denmark), ECCO (Thailand) Co. Ltd. (Thailand), ECCO (Xiamen) Co. Ltd. (China), ECCO Sko A/S (Denmark), ECCO Slovakia a.s. (Slovakia), Ecco!et Portugal (Portugal), Morgan Invest ApS (Denmark), NatImmune A/S (Denmark), PT ECCO Indonesia (Indonesia), Schur International Holding A/S (Denmark), Vola A/S (Denmark) and Vola Holding A/S (Denmark).

Positions of trust

Member of: Vestas Wind Systems A/S' People & Compensation Committee (Denmark).

Independency

Complies with the Committee on Corporate Governance's definition of independency.¹⁾

Arne Pedersen (b. 1946)

Managing Director,
Homasit A/S (Denmark) 2008 –.
Member of the Board since April 1995.

Competencies

Education

- 1967 Engineering worker,
Assens Sukkerfabrik A/S (Denmark)
- 1971 Production Engineer,
Engineering College of Odense (Denmark)
- 1976 B. Com. (organisation),
Aarhus School of Business (Denmark)

Former positions

- 1972–1973 Personal Planner,
Århus Bogtrykkerie A/S (Denmark)
- 1973–1977 Project Manager,
Novopan Træindustri A/S (Denmark)
- 1977–1980 Project Manager, Joran Bor A/S (Denmark)
- 1980–1985 Managing Director, Svendborg Avis A/S
– Fyns Amtsavis (Denmark)
- 1985–1993 Managing Director, Nordfab A/S (Denmark)
- 1993–1998 Managing Director, Århus Flydedok A/S (Denmark)
- 1998–2004 Managing Director,
Bladt Industries A/S (Denmark)
- 2004–2007 President and CEO, SIPCO Surface Protection Inc. (USA)

Fiduciary positions

Chairman of the Boards of: AROS Maritime A/S (Denmark), DanTruck A/S (Denmark), DTH Holding ApS (Denmark), EMH og P&S DOK og Leasing Aktieselskab (Denmark), Marstal Værft A/S (Denmark), Petersen og Sørensen Motorværksted A/S (Denmark), Petersen og Sørensen Reparationsværksted A/S (Denmark) and Targit A/S (Denmark).

Member of the Boards of: Devitech ApS (Denmark), Homasit A/S (Denmark), Muehlhan A/S (Denmark) and Muehlhan Norway AS (Norway).

Positions of trust

Chairman of: the Danish Maritime Association (Denmark) and the Industrial Occupational Health Committee (Denmark).

Member of: CESA - the European Shipyard Association (Belgium), the General Council of the Confederation of Danish Industries (Denmark) and Vestas Wind Systems A/S' Audit Committee and Manufacturing & Excellence Committee (Denmark).

Independency

Complies with the Committee on Corporate Governance's definition of independency¹⁾, and complies with the Danish audit law's definition of audit committee members' independency²⁾.





Elly Smedegaard (b. 1955)

Service assistant,
Vestas Wind Systems A/S (Denmark) 1999 –
Elected by company employees.
Member of the Board since April 2008.

Competencies

Education

1973 Dental nurse (Denmark).

Former positions

1974 Shop assistant, Lem El (Denmark)
Shop assistant, Stop (Denmark)
1980–1983 Host, Ølstrup parish community centre (Denmark)
1983–1985 Dental nurse, Tandlægerne i Nygade (Denmark)
Dental nurse, Tandlæge Bidstrup (Denmark)
1986 Host, Ølstrup parish community centre (Denmark)
1987–1990 Office manager, Sommerland Vest (Denmark)
1991–1993 Dental nurse, Tandlægerne i Nygade (Denmark)
1993–1994 Office manager, Sommerland Vest (Denmark)
1995–1996 Kitchen assistant, ROFI-Centret Ringkøbing (Denmark)
Kitchen assistant, Vedersø Mejerikro (Denmark)
1997–1998 Office manager, Troldeparken Sommerland Vest (Denmark)
1998–1999 Kitchen assistant, ROFI-Centret Ringkøbing (Denmark)

Independency

Does not comply with the Committee on Corporate Governance's definition of independency¹⁾ due to employment with Vestas.

Freddy Frandsen (b. 1944)

Director.
Member of the Board since April 2004.

Competencies

Education

1967 Electronic Engineer,
Engineering College of Aarhus (Denmark)
– Various management courses INSEAD (Denmark)

Former positions

1967–1973 Engineer, Industry Department,
Bruun & Sørensen A/S (Denmark)
1973–1987 Divisional Director, Skako A/S (Denmark)
1987–1989 Managing Director,
Kverneland-Danmark A/S (Denmark)
1989–1993 Managing Director, Pedershaab A/S (Denmark)
1993–2005 Managing Director,
Aalborg Industries A/S (Denmark)

Fiduciary positions

Chairman of the Board of: Hans Følsgaard A/S (Denmark).

Member of the Boards of: Aktieselskabet af 1. november 1998 (Denmark), Anpartsselskabet af 8. februar 2005 (Denmark), Odense Staalskibsværft A/S (Denmark), Polaris Invest II ApS (Denmark), Polaris Management A/S (Denmark), Svejsemaskinfabrikken Migatronik A/S (Denmark) and Aalborg University (Denmark).

Positions of trust:

Chairman of: The non-profit foundation: Utzon Foundation (Denmark) and Vestas Wind Systems A/S' Manufacturing & Excellence Committee.

Member of: Følsgaard Fonden (Denmark), Nordsøen Forskerpark/ Ocenarium (Denmark) and Vestas Wind Systems A/S' Audit Committee.

Independency

Complies with the Committee on Corporate Governance's definition of independency¹⁾, and complies with the Danish audit law's definition of audit committee members' independency²⁾.



Jørgen Huno Rasmussen (b. 1952)

President and CEO,
FLSmidth & Co. A/S (Denmark) 2004 –.
Member of the Board since January 1998.

Competencies

Education

1976	MSc engineering (civil), the Technical University (Denmark)
1977	B. Com. (organisation), Copenhagen Business School (Denmark)
1980	Lich.tech., the Technical University (Denmark)

Former positions

1979–1982	Project Manager, A. Jespersen & Søn A/S (Denmark)
1982–1983	Manager, Industrial Construction, Chr. Islef & Co. A/S (Denmark)
1983–1986	Department Manager, H. Hoffmann & Sønner A/S (Denmark)
1986–1988	Director of International Operations, H. Hoffmann & Sønner A/S, (Denmark)
1988–2003	Managing Director, Hoffmann A/S (Denmark)
2000–2003	Director and member of the Group Management, Veidekke ASA (Norway)

Fiduciary positions

Chairman of the Boards of: Aktieselskabet af 1. januar 1990, Valby (Denmark), FFE Invest A/S (Denmark), FLS miljø A/S (Denmark), FLS Plast A/S (Denmark), FLSmidth Dorr-Oliver Eimco Denmark ApS (Denmark), FLSmidth Finans A/S (Denmark), FLSmidth Inc. (USA), FLSmidth Ltd. (India), FLSmidth Materials Handling A/S (Denmark), FLSmidth Minerals Holding ApS (Denmark), FLSmidth Minerals Inc. (USA) and SLF Romer XV ApS (Denmark).

Deputy Chairman of the Boards of: Cembrit Holding A/S (Denmark) and Scion DTU A/S (Denmark).

Member of the Board of: LFI A/S (Denmark).

Positions of trust

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

Independency

Complies with the Committee on Corporate Governance's definition of independency.¹⁾

Jørn Ankær Thomsen (b. 1945)

Attorney at Law and partner,
Gorissen Federspiel Kierkegaard (Denmark) 1976 –.
Member of the Board since April 2004.

Competencies

Education

1970	Master of Law, University of Copenhagen (Denmark)
------	---

Former positions

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

Fiduciary positions

Chairman of the Boards of: Aida A/S (Denmark), Aktieselskabet af 26. november 1984 (Denmark), Aktieselskabet Schouw & Co. (Denmark), Carlsen Byggecenter Løgten A/S (Denmark), Carlsen Supermarked Løgten A/S (Denmark), Danish Industrial Equipment A/S (Denmark), Danske Invest Management A/S (Denmark), DB 2001 A/S (Denmark), Den Professionelle Forening Danske Invest Institutional (Denmark), F.M.J. A/S (Denmark), Fibertex A/S (Denmark), Fåmandsforeningen Danske Invest Institutional (Denmark), GAM Holding A/S (Denmark), GAM Wood A/S (Denmark), Givesco A/S (Denmark), Investeringsforeningen Danske Invest (Denmark), Investeringsforeningen Danske Invest AlmenBolid (Denmark), Investeringsforeningen Danske Invest Select (Denmark), Investeringsforeningen Profil Invest (Denmark), K.E. Mathiasen A/S (Denmark), Kildebjerg Ry A/S (Denmark), Krone Erhvervsinvestering A/S (Denmark), Krone Kapital A/S (Denmark), Løgten Midt A/S (Denmark), Martin Professional A/S (Denmark), Ortopædisk Hospital Aarhus A/S (Denmark), Pipeline Biotech A/S (Denmark), Placeringsforeningen Profil Invest (Denmark), Schouw Finans A/S (Denmark), Specialforeningen Danske Invest (Denmark), Søndergaard Give A/S (Denmark) and Th. C. Carlsen, Løgten A/S (Denmark).

Member of the Boards of: A/S P. Grene (Denmark), ASM Foods AB (Sweden), Biomar Group A/S (Denmark), Carletti A/S (Denmark), Dan Cake A/S (Denmark), Ejendomsselskabet Blomstervej 16 A/S (Denmark), GFK Holding ApS (Denmark), GFKJURA 883 A/S (Denmark), Givesco Bakery A/S (Denmark), Krone Kapital I A/S (Denmark), Krone Kapital II A/S (Denmark) and Krone Kapital III A/S (Denmark).

Positions of trust

Member of: Jens Eskildsen og hustru Mary Antonie Eskildsen memorial foundation (Denmark), Købmand Th. C. Carlsens Memorial foundation (Denmark), Otto Mønstedts Kollegium (Denmark) and Vestas Wind Systems A/S' People & Compensation Committee.

Independency

Does not comply with the Committee on Corporate Governance's definition of independency¹⁾ due to connection to one of the law firms acting as consultant to the company. >>



Kim Hvid Thomsen (b. 1963)

Senior Shop Steward,
Vestas Machining A/S (Denmark) 1985 –.
Elected by group employees.
Member of the Board since May 1996.

Competencies

Education

1984 Industry technician (Denmark)

Former positions

1981–1984 Industry technician trainee,
Tim Maskinfabrik (Denmark)
1985 Industry technician K.P. Komponenter (Denmark)

Fiduciary positions

Deputy Chairman of the Board of: Metal Skjern-Ringkøbing
(Denmark).

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

Positions of trust:

Member of: Vestas Wind Systems A/S' Manufacturing &
Excellence Committee (Denmark).

Independency

Does not comply with the Committee on Corporate Governance's
definition of independency¹⁾ due to employment with Vestas.

Kurt Anker Nielsen (b. 1945)

Director.
Member of the Board since April 2006.

Competencies

Education

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

Former positions

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

Fiduciary positions

Chairman of the Board of: Reliance A/S (Denmark).

Deputy Chairman of the Board of: Novozymes A/S (Denmark).

Member of the Boards of: Lifecycle Pharma A/S (Denmark),
Novo Nordisk A/S (Denmark), StatoilHydro ASA (Norway) and
ZymoGenetics Inc. (USA).

Positions of trust

Chairman of: LifeCycle Pharma A/S' Audit Committee (Denmark),
Novo Nordisk A/S' Audit Committee (Denmark), Novozymes A/S'
Audit Committee (Denmark), StatoilHydro ASA's Audit Committee
(Norway), Vestas Wind Systems A/S' Audit Committee (Denmark)
and ZymoGenetics Inc's Audit Committee (USA).

Member of: Novo Nordisk Fonden (Denmark).

Independency

Complies with the Committee on Corporate Governance's
definition of independency.¹⁾ Complies with the Danish audit
law's definition of audit committee members' independency²⁾ and
demand for qualifications within financial accounting.



Michael Abildgaard Lisbjerg (b. 1974)

Skilled Worker – Production,
Vestas Assembly A/S (Denmark) 2001 –.
Elected by group employees.
Member of the Board since April 2008.

Competencies

Education

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

Former positions

1999–2001 Nordisk Dæk Import A/S (Denmark)

Independency

Does not comply with the Committee on Corporate Governance's
definition of independency¹⁾ due to employment with Vestas.

Sussie Dvinge Agerbo (b. 1970)

People & Culture employee,
Vestas Wind Systems A/S (Denmark) 1990 –.
Elected by company employees.
Member of the Board since November 2005.

Competencies

Education

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

Independency

Does not comply with the Committee on Corporate Governance's
definition of independency¹⁾ due to employment with Vestas. >>

1) The Committee on Corporate Governance's definition of independency is
available at vestas.com/investor.
2) The Danish audit law's definition of audit members' independency is available
at vestas.com/investor.

COMPETENCIES AND FIDUCIARY POSITIONS OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT

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





Ditlev Engel (b. 1964)

President and CEO,
Vestas Wind Systems A/S (Denmark) 2005 –
Member of the Executive Management since May 2005.

Competencies

Education

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

Former positions

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

Positions of trust

Member of: The General Council of the Confederation of Danish Industries (Denmark), the Industrial Policy Committee of the Confederation of Danish Industries (Denmark) and the International Advisory Panel (IAP) on Energy from the Singaporean Ministry of Trade and Industry (Singapore).

Henrik Nørremark (b. 1966)

Executive Vice President and CFO.
Vestas Wind Systems A/S (Denmark) 1993 –
Member of the Executive Management since March 2004.

Competencies

Education

- | | |
|------|---|
| 1991 | Diploma in Business Economics,
Herning Business School (Denmark) |
|------|---|

Former positions

- | | |
|-----------|---|
| 1986–1991 | Auditor with Krøyer Pedersen (Denmark) |
| 1991–1993 | Financial Controller at Wind Turbine Maintenance Corporation (Denmark) |
| 1993–1994 | Financial Controller at Vestas Wind Systems A/S (Denmark) |
| 1994–1995 | Financial Controller at Vestas – American Wind Technology, Inc. (Denmark) |
| 1995–1999 | Group Financial Controller at Vestas Wind Systems A/S (Denmark) |
| 1999–2004 | Managing Director of Vestas – American Wind Technology, Inc. (USA) |

>>

PRESIDENTS OF THE GROUP'S BUSINESS UNITS



Anders Sørensen, Vestas Offshore and Bjarne Ravn Sørensen, Vestas Control Systems



Finn Strøm Madsen, Vestas Technology R&D and Hans Jørn Rieks, Vestas Central Europe



Jens Søby, Vestas Americas and Juan Araluze, Vestas Mediterranean



Klaus Steen Mortensen, Vestas Northern Europe, Knud Bjarne Hansen, Vestas Towers and Lars Andersen, Vestas China



Ole Borup Jakobsen, Vestas Blades and Phil Jones, Vestas Spare Parts & Repair



Roald Steen Jakobsen, Vestas People & Culture, Sean Sutton (to take up the position in 2009), Vestas Asia Pacific and Søren Husted, Vestas Nacelles

WIND IS INDEPENDENT

MODERN ENERGY IS LOCAL POWER
WHICH REDUCES THE DEPENDENCE
ON FOREIGN ENERGY. WIND IS FREE.

Consolidated accounts

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CONSOLIDATED INCOME STATEMENT 1 JANUARY – 31 DECEMBER

mEUR	Note	2008	2007
Revenue	3, 4	6,035	4,861
Cost of sales	5, 6	(4,856)	(4,036)
Gross profit		1,179	825
Research and development costs	5, 6, 7	(119)	(124)
Selling and distribution expenses	5, 6	(181)	(99)
Administrative expenses	5, 6	(211)	(159)
Operating profit		668	443
Income from investments in associates	14	0	0
Financial income	8	66	19
Financial expenses	9	(20)	(19)
Profit before tax		714	443
Corporation tax	10	(203)	(152)
Profit for the year		511	291
Distributed as follows:			
Shareholders in Vestas Wind Systems A/S		511	291
Minority interests		0	0
		511	291
Earnings per share (EPS)	11		
Earnings per share (EUR)		2.77	1.58
Earnings per share (EUR), diluted		2.76	1.57

CONSOLIDATED BALANCE SHEET 31 DECEMBER – ASSETS

mEUR	Note	2008	2007
Goodwill		320	320
Completed development projects		60	48
Software		62	34
Development projects in progress		202	105
Total intangible assets	12	644	507
Land and buildings		433	261
Plant and machinery		159	143
Other fixtures and fittings, tools and equipment		167	116
Property, plant and equipment in progress		271	118
Total property, plant and equipment	13	1,030	638
Investments in associates	14	1	1
Other receivables	19	25	13
Deferred tax	15	63	154
Total other non-current assets		89	168
Total non-current assets		1,763	1,313
Inventories	16	1,612	1,107
Trade receivables	17	938	660
Construction contracts in progress	18	482	260
Other receivables	19	181	157
Corporation tax	20	49	35
Investments		121	0
Cash at bank and in hand	29	162	764
Total current assets		3,545	2,983
Total assets		5,308	4,296

CONSOLIDATED BALANCE SHEET 31 DECEMBER – EQUITY AND LIABILITIES

mEUR	Note	2008	2007
Share capital	21	25	25
Other reserves		(78)	(3)
Retained earnings		2,008	1,494
Shareholders in Vestas Wind Systems A/S' share of equity		1,955	1,516
Minority interests		0	0
Total equity		1,955	1,516
Deferred tax	15	9	3
Provisions	22	85	107
Pension obligations	23	2	2
Financial debts	24	14	125
Total non-current liabilities		110	237
Prepayments from customers		106	82
Construction contracts in progress	18	1,383	1,010
Trade payables		1,030	889
Provisions	22	178	193
Financial debts	24	109	25
Other liabilities	25	395	271
Corporation tax	20	42	73
Total current liabilities		3,243	2,543
Total liabilities		3,353	2,780
Total equity and liabilities		5,308	4,296

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JANUARY – 31 DECEMBER

2008 mEUR	Share capital	Other reserves		Retained earnings	Total	Minority interests	Total
		Translation reserve	Cash flow hedging reserve				
Equity at 1 January	25	(7)	4	1,494	1,516	0	1,516
Exchange rate adjustment from conversion to EUR	0	0	0	0	0	0	0
Exchange rate adjustments relating to foreign entities	0	(43)	0	0	(43)	0	(43)
Reversal of fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	0	0	(4)	0	(4)	0	(4)
Fair value adjustments of derivative financial instruments	0	0	(38)	0	(38)	0	(38)
Tax on changes in equity	0	0	10	0	10	0	10
Net gains and losses recognised directly in equity	0	(43)	(32)	0	(75)	0	(75)
Profit for the year	0	0	0	511	511	0	511
Total recognised income and expenses	0	(43)	(32)	511	436	0	436
Share based payments	0	0	0	3	3	0	3
Acquisition of treasury shares	0	0	0	0	0	0	0
Other changes in equity	0	0	0	3	3	0	3
Equity at 31 December	25	(50)	(28)	2,008	1,955	0	1,955

Refer to the parent company's Statement of Changes in Equity on page 111 for information about which reserves are available for distribution. For proposed distribution of profit refer to the parent company's annual accounts on page 109.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JANUARY – 31 DECEMBER

2007 mio. EUR	Share capital	Other reserves		Retained earnings	Total	Minority interests	Total
		Translation reserve	Cash flow hedging reserve				
Equity at 1 January	25	3	3	1,231	1,262	0	1,262
Exchange rate adjustment from conversion to EUR	0	0	0	0	0	0	0
Exchange rate adjustments relating to foreign entities	0	(10)	0	0	(10)	0	(10)
Reversal of fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	0	0	(3)	0	(3)	0	(3)
Fair value adjustments of derivative financial instruments	0	0	4	0	4	0	4
Tax on changes in equity	0	0	0	(1)	(1)	0	(1)
Net gains and losses recognised directly in equity	0	(10)	1	(1)	(10)	0	(10)
Profit for the year	0	0	0	291	291	0	291
Total recognised income and expenses	0	(10)	1	290	281	0	281
Share based payments	0	0	0	3	3	0	3
Acquisition of treasury shares	0	0	0	(30)	(30)	0	(30)
Other changes in equity	0	0	0	(27)	(27)	0	(27)
Equity at 31 December	25	(7)	4	1,494	1,516	0	1,516

CONSOLIDATED CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

mEUR	Note	2008	2007
Profit for the year		511	291
Adjustments for non-cash transactions	26	258	348
Interest received etc.		32	19
Interest paid etc.		(9)	(19)
Corporation tax paid		(148)	(128)
Cash flow from operating activities before change in working capital		644	511
Change in working capital	27	(367)	190
Cash flow from operating activities		277	701
Purchase of intangible assets		(169)	(82)
Purchase of property, plant and equipment		(509)	(265)
Purchase of other non-current assets		(12)	0
Acquisition of enterprises	28	0	0
Disposal of property, plant and equipment		10	30
Disposal of other non-current assets		0	0
Cash flow from investing activities		(680)	(317)
Acquisition of treasury shares		0	(30)
Repayment of non-current liabilities		(91)	(24)
Raising of non-current liabilities		0	0
Cash flow from financing activities		(91)	(54)
Change in cash at bank and in hand less current portion of bank debt		(494)	330
Cash at bank and in hand less current portion of bank debt at 1 January		763	443
Exchange rate adjustments of cash at bank and in hand		(50)	(10)
Cash at bank and in hand less current portion of bank debt at 31 December		219	763
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		150	750
Cash at bank and in hand with disposal restrictions	29	12	14
Investments		121	0
Total cash at bank and in hand		283	764
Current portion of bank debt	24	(64)	(1)
		219	763

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1 GROUP ACCOUNTING POLICIES

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

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

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

Basis of preparation

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

Non-current assets and groups of assets held for sale are measured at the lower of carrying amount prior to the reclassification and fair value less costs to sell.

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

The accounting policies remain unchanged from the previous year.

The annual report is presented in EUR million.

Implementation of new International Financial Reporting Standards, etc.

With effect from 1 January 2008, the Vestas Group has implemented amendments to IFRS 7 and IAS 39 Financial Instruments as well as IFRIC 11 and 14.

The amendments have not affected recognition and measurement, and accordingly the Group's accounting policies are unchanged from last year. The new standards and interpretations have not resulted to changes to the note disclosures.

The new standards and interpretations do not affect earnings per share and diluted earnings per share.

The description of new standards and interpretations that are not yet effective has been included in note 39 to the consolidated accounts.

Consolidated accounts and business combinations

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

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

An overview of Group companies is provided on pages 94–95.

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

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

On purchase of new enterprises, the acquisition method of accounting is applied. Cost is measured as consideration paid with addition of the fair value of equity instruments issued plus expenses directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed upon a business combination are initially measured at fair value at the time of acquisition. Any positive differences between cost and fair value of the Group's share of the identifiable net assets acquired are recognised as goodwill.

Newly acquired, sold or wound-up enterprises are recognised in the consolidated income statement from the time of acquisition or until the time of disposal. Comparative figures are not restated for newly acquired, sold or wound-up enterprises. However, comparative figures in the income statement are restated in respect of discontinued operations.

Goodwill from acquired enterprises may, due to changes to the measurement of net assets, be adjusted for a period of up to one year following the date of acquisition where goodwill has been determined on a provisional basis at first recognition. Subsequently, goodwill is adjusted only as a result of changes in estimates of conditional consideration and the realisation of deferred tax assets of acquired enterprises which were not recognised at the time of acquisition.

Profits or losses on disposal or winding up of subsidiaries are calculated as the difference between the sales sum or proceeds from winding up and the carrying amount of net assets at the time of sale, including goodwill and estimated expenses to sell or wind up. Profit or losses are recognised in the income statement.

The assets, liabilities and transactions of subsidiaries are recognised fully in the consolidated accounts. Minority interests' shares of profit for the year and of equity of subsidiaries that are not fully owned are included in the Group's profit for the year and equity, respectively, but are shown separately.

Translation policies

Functional currency and presentation currency

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

Translation into presentation currency

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

Translation of transactions and amounts

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

Translation of group enterprises

On recognition in the consolidated accounts of foreign enterprises with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for

the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised directly in equity under the separate translation reserve.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognised directly in equity in the consolidated accounts. Similarly, exchange gains and losses on the part of loans and derivative financial instruments entered into in order to hedge the net investment in foreign enterprises with another functional currency than the presentation currency of the Group, which effectively hedge against corresponding exchange gains/losses on the net investment in the enterprise, are recognised directly in equity under a separate translation reserve in the consolidated accounts.

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

On disposal of foreign entities, in full or in part, or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised directly in and attributable to equity, is recognised in the income statement at the same time as any profit or loss on the disposal.

Derivative financial instruments

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off only where the enterprise has the right and intention to settle several financial instruments on a net basis.

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

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

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

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

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of net investments in foreign subsidiaries or associates and effectively hedge against exchange adjustments in these enterprises, are recognised directly in equity under the cash flow hedging reserve.

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

Segment information

The Group's primary segment is the geographical segment. The Group only has one activity, which is the manufacturing, sale and service of wind turbines and wind power systems, and therefore the secondary segment reporting is disclosed directly in the income statement, balance sheet and cash flow statement.

Geographical segment reporting is based on the Group's return and risks. Reporting is based on the geographical location of customers.

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

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

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

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

Segment liabilities comprise segment operating liabilities, including trade payables and other payables.

Unallocated items primarily comprise income and expenses relating to the Group's administrative functions, financial income and expenses and corporation tax as well as related assets and liabilities.

Share-based payments

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

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

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

The fair value of the options granted is estimated using an option pricing model (Black-Scholes). In determining fair value, terms and conditions relating to the share options granted are taken into account.

Government grants

Government grants comprise grants for investments, research and development projects, etc. Grants are recognised when there is reasonable certainty that they will be received.

Grants for investments and capitalised development projects are set off against the cost of the assets to which the grants relate. Other grants are recognised in development costs in the income statement so as to offset the expenses for which they compensate. >>

>> Income statement

Revenue

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

Contracts to deliver large wind power systems with a high degree of customisation are recognised in revenue as the systems are constructed based on the stage of completion of the individual contract (turnkey and supply-and-installation projects). Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered. Sale of individual wind turbines and small wind power systems based on standard solutions (supply-only projects) as well as spare parts sales are recognised in the income statement provided that the risk has been transferred to the buyer prior to the year end, and provided that the income can be measured reliably and is expected to be received.

Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power systems sold, are recognised in the income statement over the term of the agreement as the agreed services are provided.

Cost of sales

Cost of sales, including warranty costs, comprise the expenses incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect expenses such as salaries, rental and lease expenses as well as depreciation of production facilities.

Furthermore, provisions for losses on construction contracts are recognised.

Research and development costs

Research and development costs comprise development costs that do not qualify for capitalisation, as well as amortisation of and impairment losses on capitalised development costs.

Selling and distribution expenses

Selling and distribution expenses comprise expenses incurred for the sale and distribution of products sold during the year as well as for sales campaigns, etc. carried out during the year. Also included are, expenses relating to sales staff, advertising and exhibitions and depreciation are recognised.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Income from investments in associates

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

Financial income and expenses

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

The ineffective part of hedging activities is included in financial income and expenses.

Corporation tax

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

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

Balance sheet

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units. Identification of cash-generating units is based on management structure and internal financial management. Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated are the Group's geographical segments, see "Segment information".

The carrying amount of goodwill is tested at least annually for impairment, together with the other non-current assets of the cash-generating unit to which goodwill has been allocated, and if the recoverable amount is lower than the carrying amount, goodwill is written down to its lower recoverable amount in the income statement.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the enterprise or the activity (cash-generating unit) to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in a separate line in the income statement.

Development projects and software

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

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

Following completion of the development work, development projects are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3-5 years. The basis of amortisation is calculated net of any impairment losses.

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

Patents and licences included in development projects are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised over the patent period or term of agreement, the life of the development project or the estimated useful life, whichever is shorter. The basis of amortisation is calculated net of any impairment losses.

Software is measured at cost less accumulated amortisation and impairment losses. Cost includes both direct internal and external expenses. Software is amortised on a straight-line basis over 5 years. The

NOTES TO THE CONSOLIDATED ACCOUNTS

basis of amortisation is calculated net of any impairment losses.

Borrowing costs are recognised as expenses in the financial year in which they are incurred.

Intangible assets with an indefinite useful life are, however, not amortised, but are tested annually for impairment.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for materials, components, sub-suppliers and labour. Estimated expenses for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is broken down into separate components which are depreciated separately.

The cost of assets held under finance leases is calculated at the lower of the fair value of the leased asset and the net present value of the future minimum lease payments computed by applying the interest rate implicit in the lease or an approximated value thereof as the discount rate.

Subsequent expenses, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that the expenses incurred will result in future economic benefits to the Group. The carrying amount of the replaced components is derecognised in the balance sheet and recognised in the income statement. All other expenses incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Borrowing costs are recognised as expenses in the financial year in which they are incurred.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings, including installations.....	25–40 years
Plant and machinery.....	3–10 years
Power-operated tools of own construction and newly manufactured test and exhibition turbines.....	3–5 years
Other fixtures and fittings, tools and equipment.....	3–5 years

Land is not depreciated.

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change of accounting estimate.

Depreciation is recognised in the income statement as cost of sales, research and development costs, selling and distribution expenses as well as administrative expenses to the extent that depreciation is not included in the cost of assets of own construction.

Leases

For accounting purposes, lease obligations are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives in accordance with the periods listed above. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straight-line basis in the income statement over the lease term.

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the year of acquisition. Similarly, development projects in progress are tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill has been allocated, and if the recoverable amount is lower than the carrying amount, goodwill is written down to its lower recoverable amount in the income statement. Impairment losses on goodwill are recognised in a separate line in the income statement.

Deferred tax assets relating to tax loss carry-forwards are reviewed on an annual basis and are only recognised when it is probable that they will be utilised in future periods.

The carrying amounts of other non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in use. Value in use is calculated as the net present value of expected future net cash flows from the asset or the cash-generating unit to which the asset has been allocated.

Any impairment loss is recognised where the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in cost of sales, research and development costs, selling and distribution expenses and administrative expenses, respectively. Impairment losses on goodwill are presented in a separate line in the income statement.

Impairment losses on goodwill are not reversed. Impairment losses on other assets are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation/amortisation had the asset not been impaired.

Investments in associates

Investments in associates are measured in the balance sheet at the proportionate share of the net asset value of the associates calculated under the Group's accounting policies with deduction or addition of a proportionate share of unrealised intercompany profits and losses and with addition of the carrying amount of goodwill.

Associates with negative net asset values are measured at EUR 0. Any legal or constructive obligation of the Group to cover the negative balance of the associate is recognised in provisions.

Receivables from associates are measured at amortised cost. Provisions are made for bad debts.

Inventories

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

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

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NOTES TO THE CONSOLIDATED ACCOUNTS

- >> The cost of work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise the cost of materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process together with costs of factory administration and management.

The NRV of inventories is measured at sales price less costs of completion and sales expenses incurred. NRV is determined taking into account marketability, obsolescence and development in the expected selling price.

Trade receivables

Trade receivables and other receivables are measured at amortised cost. Provisions are made for bad debts.

Prepayments recognised as assets comprise prepaid expenses concerning subsequent financial years and are measured at cost.

Construction contracts in progress

Construction contracts in progress comprises agreements to deliver large wind power systems with a high degree of customisation (turnkey and supply-and-installation projects).

Construction contract in progress are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. Construction contracts are characterised by the wind power systems delivered being customised to a high degree. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the income statement.

The value of self-constructed components is recognised in "Construction contracts in progress" upon delivery of the components to the specific wind power systems construction site.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered.

Prepayments from customers are recognised as liabilities.

A construction contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Construction contracts in progress for which interim billings and expected losses exceed the selling price is recognised as a liability.

Expenses relating to sales work and the securing of contracts are recognised in the income statement as incurred.

Investments

Shares and bonds included in the Group's trading portfolio are recognised under current assets at the trade date and are measured at fair value corresponding to the market price for quoted securities. Changes in fair value are recognised in the income statement as financial income or financial expense.

Equity

Treasury shares

Purchase and sales sums as well as dividends relating to treasury shares are recognised directly in retained earnings in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares.

Proceeds from the sale of treasury shares and the issuing of new shares in Vestas Wind Systems A/S relating to the exercise of share options or employee shares are recognised directly in equity.

Dividend

A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The dividend distribution proposed for the year is disclosed as a separate equity item.

Interim dividend is recognised as a liability at the time of resolution.

Translation reserve

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

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

Cash flow hedging reserve

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

The cash flow hedging reserve also includes fair value adjustments of interest rate swaps, outstanding at the balance sheet date, entered into to hedge against the interest rate risks on loans with floating interest rates.

Corporation tax and deferred tax

Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes, office premises and other items – apart from business acquisitions – where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in other non-current assets at the value at which the asset is expected to be realised, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment are made to deferred tax to take account of the elimination of unrealised intercompany profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement except for items recognised directly in equity.

Provisions

Provisions are recognised when - in consequence of an event that has occurred before or on the balance sheet date – the company has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

Provisions are measured at Management's best estimate of the expenses required to settle the obligation. Discounting is applied where relevant.

NOTES TO THE CONSOLIDATED ACCOUNTS

Warranty provisions are recognised systematically and comprise warranty obligations made in respect of delivered wind turbines and wind power systems based on experience. At the start of the warranty period, calculated provisions are made for each type of wind turbine and are reduced over the warranty period as warranty costs are incurred. Subsequently, periodic reviews are performed based on an overall assessment of the need for provisions.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected by no later than the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquired enterprise are recognised in goodwill only where a restructuring obligation relating to the acquired enterprise exists at the time of acquisition.

A provision for loss-making contracts is made where the expected benefits to the Group from the contract are lower than the unavoidable costs of meeting obligations under the contract (loss-making contracts). Expected losses on construction contracts in progress are, however, recognised in construction contracts in progress.

Pension obligations

Obligations relating to defined contribution plans where the Group continuously makes fixed pension contributions to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet in other payables.

For defined benefit plans, an annual actuarial calculation is made of the net present value of the future benefits under the defined benefit plan. Net present value is calculated based on assumptions of the future development in e.g. salary level, interest rates, inflation and mortality. The net present value is calculated only for benefits earned by employees from their employment to date with the Group. The actuarially calculated net present value less the fair value of any plan assets is recognised in the balance sheet in pension obligations in accordance with the corridor method.

In the income statement, the pension expense for the year is recognised based on the actuarial estimates and financial expectations at the beginning of the year. Furthermore, a share of the accumulated actuarial gains or losses at the beginning of the financial year is recognised if it exceeds the higher of 10 per cent of the pension obligations and 10 per cent of the fair value of the pension assets. The amount is recognised in the income statement over the employees' estimated average remaining period of employment with the Group. The non-recognised part of actuarial gains/losses is disclosed in the notes. Upon the change to IFRS, accumulated actuarial gains and losses were fully recognised in the opening balance sheet at 1 January 2005.

In the event of changes in benefits payable for employees' past services to the Group, a change is made to the actuarially calculated net present value, which is classified as past service cost. Past service cost is charged to the income statement immediately if the employees have already earned the right to the changed benefit. Otherwise, past service cost is recognised in the income statement over the period in which the employees earn the right to the changed benefit.

Where a pension plan constitutes a net asset, the asset is recognised only to the extent that it offsets non-recognised actuarial losses, future repayments from the plan, or if it will lead to a reduction in future contributions under the plan.

Other long-term staff benefits are similarly recognised by using an actuarial calculation, but without applying the corridor method. Accordingly, all actuarial gains and losses are recognised immediately in the income statement. Other long-term staff obligations include anniversary bonuses.

Financial debts

Loans from credit institutions, etc. are recognised initially at the fair value of the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in financial expenses in the income statement over the loan period.

Financial debts also include the capitalised remaining lease obligations on finance leases measured at amortised cost.

Prepayments from customers

Prepayments from customers recognised in liabilities are measured at cost and comprise prepayments received for wind turbines or wind power systems ordered but not yet delivered and service prepayments received in respect of wind turbines and wind power systems delivered.

Other debt

Other debts are measured at amortised cost.

Deferred income is measured at cost and comprises payments received in respect of income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows relating to acquired enterprises are recognised from the date of acquisition. Cash flows relating to enterprises disposed of are recognised until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions and changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from business acquisitions and sales and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately.

The establishment of finance leases are treated as non-cash transactions.

Cash flows from financing activities

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, acquisition of shares for treasury and sale of treasury shares together with distribution of dividends to shareholders.

Cash flows from finance lease assets are recognised as interest payments and repayments of debts.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and in hand and current bank debt.

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NOTES TO THE CONSOLIDATED ACCOUNTS

>> GLOSSARY

Financial ratios

EBIT margin: Profit/loss before income from associates, financial income and expenses and tax as a percentage of revenue.

EBITDA margin: Profit/loss before depreciation and amortisation, income from associates, financial income and expenses and tax as a percentage of revenue.

Gearing (%): Interest-bearing liabilities at year end divided by equity at year end.

Gross margin (%): Gross profit/loss as a percentage of revenue.

Return on equity (%): Profit/loss after tax for the year divided by average equity.

Return on invested capital (ROIC) (%): Operating profit/loss after tax (effective tax rate) as a percentage of average property, plant and equipment and intangible assets, inventories and receivables less non-interest bearing debt including provisions.

Solvency ratio (%): Equity at year end divided by total assets.

Share ratios

Book value per share: Equity at year end divided by the number of shares at year end.

Cash flow from operating activities per share: Cash flows from operating activities divided by average number of shares.

Dividend per share: Dividend percentage multiplied by the nominal value of the share.

Earnings per share (EPS): Profit/loss for the year divided by the average number of shares in circulation.

Payout ratio: Total dividend distribution divided by profit/loss for the year.

P/E ratio: The official closing price on the NASDAQ OMX Copenhagen divided by earnings per share for the year.

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

Terminology used in accounting policies

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IFRIC/SIC: International Financial Reporting Interpretations Committee/Standing Interpretations Committee



2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

When preparing the Annual Report of the Vestas Group, Management makes a number of accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are described below. The Group's accounting policies are described in detail in note 1 to the consolidated accounts.

Critical judgements

Use of percentage-of-completion method

Management performs critical accounting estimates in connection with income-recognition. Provided that certain criteria in respect of project complexity, etc. are met, revenue from projects in progress is recognised under the percentage-of-completion method corresponding to the selling price of the work performed based on the stage of completion (turnkey and supply-and-installation projects). Where projects do not qualify for recognition under the percentage-of-completion method, total revenue is not recognised until the point in time when the risk is transferred to the buyer (supply-only projects).

Delays, etc. may result in material timing deviations in the Group's revenue recognition, and thus earnings, compared to expectations.

Critical estimates

The calculation of the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions relating to future events.

The estimates and assumptions made are based on experience and other factors that Management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances, may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual amounts deviating from these estimates. Special risks of the Vestas Group have been described on page 23 of the Management report, and in the individual notes to the consolidated accounts.

It may be necessary to change estimates made previously due to changes in the assumptions on which the previous estimates were based or due to new knowledge or subsequent events.

Warranty provisions

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers.

In addition to the above, provisions are made for upgrades of turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments of previous estimates, upwards as well as downwards, in the light of factual information about population size, costs of repair and the timing of such repair.

It is estimated that 45–50 per cent of the warranty provisions made for the year relate to adjustments of estimates in previous years of provisions for serial faults, etc. Included in this is the cost of upgrades of turbines sold in previous year, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

Total warranty provisions of EUR 240m have been made in 2008, corresponding to 4.0 per cent of the Group's annual revenue.

For further information on warranty provisions and related product risks, reference is made to page 26 of the Management report and to note 22 to the consolidated accounts.

Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when a written agreement with the sub-supplier has been made.

The carrying amount of warranty provisions at 31 December 2008 is EUR 183m (2007: EUR 232m).

Impairment of assets

Goodwill

In the annual impairment test of goodwill, an estimate is made to determine how parts of the enterprise (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the enterprise in question.

The estimate of the future free net cash flows is based on budgets and business plans for the coming five years and on projections for subsequent years. Key parameters are revenue development, profit margin, proposed capital expenditure as well as growth expectations for the following years. Budgets and business plans for the coming five years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. Projections for years following the next five-year period are based on general expectations and risks.

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

For a description of the impairment test of intangible assets, refer to note 12 to the consolidated accounts.

The carrying value of goodwill at 31 December 2008 is EUR 320m (2007: EUR 320m).

Development projects

Finished development projects are reviewed on an annual basis to determine whether there is any indication of impairment. If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings as well as interest rate and risks.

The carrying value of development projects in progress and finished development projects at 31 December 2008 are EUR 262m (2007: EUR 153m).

Receivables

Receivables are measured at amortised cost less provisions for bad debts based on customers' inability to pay. If the ability to pay changes in future, further provisions may be required. Management makes analyses based on customers' expected ability to pay, historical data on payment patterns, doubtful debts, customer concentrations, customers' credit standing and security received as well as economic trends in the company's sales channels.

It is estimated that the provisions made are sufficient to meet bad debts. The financial uncertainty related to provisions for bad debts is considered limited.

NOTES TO THE CONSOLIDATED ACCOUNTS

The carrying value of receivables at 31 December 2008 is EUR 1,626m (2007: EUR 1,090m).

Deferred tax

The Vestas Group recognises deferred tax assets, including the tax value of tax loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future for set-off against future positive taxable income. The assessment is made on an annual basis and is based on budgets and business plans for the future years, including planned business initiatives.

The value of recognised deferred tax assets amounts to EUR 63m (2007: EUR 154m), of which EUR 14m (2007: EUR 20m) relates to tax loss carry-forwards. Of the total tax carry-forwards, EUR 10m is expected to be realised within 12 months, and EUR 4m is expected to be realised later than 12 months after the balance sheet date. The value of non-recognised tax assets (primarily tax loss carry-forwards) totals EUR 37m (2007: EUR 38m), which is not expected to be utilised in the foreseeable future.

For further description of the Group's tax assets, refer to note 15 to the consolidated accounts.



NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

3 SEGMENT INFORMATION

2008					
Geographical – primary segments	Europe	Americas	Asia/Pacific	Not allocated	Total
Segment results					
Revenue	3,607	1,565	863	0	6,035
Operating profit	502	133	33	0	668
Share of profit in associates	0	0	0	0	0
Financial items (net)	-	-	-	46	46
Profit before tax	-	-	-	-	714
Corporation tax	-	-	-	(203)	(203)
Profit for the year	-	-	-	-	511
Other segment items					
Depreciation and amortisation	99	23	13	0	135
Impairment losses (recognised in the income statement)	0	0	0	0	0
Warranty provisions for the year	144	62	34	0	240
Additions to property, plant and equipment and intangible assets	506	85	87	0	678
Total non-current assets	1,328	184	174	77	1,763
Total assets	3,285	894	720	409	5,308
Total liabilities	1,938	821	332	262	3,353
Geographical location of total assets	3,800	747	761	-	5,308
Geographical location of additions to property, plant and equipment and intangible assets	485	96	97	-	678

There is no significant revenue between segments and no significant non-cash transactions in the year.

2007					
Geographical – primary segments	Europe	Americas	Asia/Pacific	Not allocated	Total
Segment results					
Revenue	2,633	1,420	808	0	4,861
Operating profit	194	161	88	0	443
Share of profit in associates	0	0	0	0	0
Financial items (net)	-	-	-	0	0
Profit before tax	-	-	-	-	443
Corporation tax	-	-	-	(152)	(152)
Profit for the year	-	-	-	-	291
Other segment items					
Depreciation and amortisation	83	20	10	0	113
Impairment losses (recognised in the income statement)	25	0	0	0	25
Warranty provisions for the year	131	71	40	0	242
Additions to property, plant and equipment and intangible assets	255	57	35	0	347
Total non-current assets	898	143	105	167	1,313
Total assets	2,114	708	507	967	4,296
Total liabilities	1,387	743	354	296	2,780
Geographical location of total assets	3,265	498	533	-	4,296
Geographical location of additions to property, plant and equipment and intangible assets	264	40	43	-	347

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

4 REVENUE

	2008	2007
Sale of wind turbines and wind power systems	5,566	4,497
Sale of service	396	298
Other	73	66
	6,035	4,861
Sale of wind turbines and wind power systems are specified as follows:		
Revenue using percentage-of-completion method (turnkey and supply-and-installation projects)	3,620	3,039
Revenue using completed contract method (supply-only projects)	1,946	1,458
	5,566	4,497

5 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2008	2007
Amortisation, depreciation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets	32	29
Impairment losses, intangible assets	0	24
Depreciation, property, plant and equipment	103	84
Impairment losses, property, plant and equipment	0	1
	135	138
– and have been expensed as follows:		
Cost of sales	89	62
Research and development costs	29	58
Selling and distribution expenses	1	7
Administrative expenses	16	11
	135	138

Impairment losses, included in R&D costs in the income statement in 2007, mainly relate to development projects in progress, where parts of the technology, will not be used in the future to develop wind turbines as previously expected.

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

6 STAFF COSTS

	2008	2007
Staff costs are specified as follows:		
Wages and salaries, etc.	805	596
Share-based payment	3	3
Pension schemes	42	31
Other social security expenses	62	46
	912	676
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	1
Executive Management		
Wages and salaries, etc.	2	2
Share-based payment	1	1
	3	3
Other executives (Vestas Government)		
Wages and salaries, etc.	5	3
Share-based payment	2	2
Pension schemes	0	0
	7	5
Board of Directors and Executive Management are not covered by any pension schemes.		
Average number of employees	17,924	13,820
Number of employees 31 December	20,829	15,305

7 RESEARCH AND DEVELOPMENT COSTS

	2008	2007
Research and development costs expensed in the year are specified as follows:		
Research and development costs	228	127
Capitalised development projects	(133)	(53)
Amortisation of development projects	24	26
Impairment losses of development projects	0	24
	119	124

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

8 FINANCIAL INCOME

	2008	2007
Exchange rate adjustments	33	0
Investments (bonds)	1	0
Deposits and receivables:		
– Interest income	28	14
– Other financial income	4	2
Hedge ineffectiveness (cash flow hedge)	0	3
Hedge ineffectiveness (fair value hedge)	0	0
	66	19

9 FINANCIAL EXPENSES

	2008	2007
Exchange rate adjustments	0	4
Financial debts, which is measured at amortised cost:		
– Interest expenses	9	13
– Other financial expenses	0	2
Hedge ineffectiveness (cash flow hedge)	10	0
Hedge ineffectiveness (fair value hedge)	0	0
Change in discounting of provisions	1	0
	20	19

10 CORPORATION TAX

	2008	2007
Current tax on profit for the year	99	145
Deferred tax on profit for the year	105	5
Tax on profit for the year	204	150
Change in corporation tax rate	0	12
Adjustments relating to previous years (net)	(1)	(10)
Corporation tax in the consolidated income statement	203	152
Tax on entries in equity related to deferred tax	(10)	1
Tax on entries in equity	(10)	1
Total corporation tax for the year	193	153
Computation of effective tax rate:		
Corporation tax rate in Denmark	25%	25%
Adjustment relating to previous years	0%	(2%)
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	3%	9%
Non-tax deductible expenses	0%	0%
Non-taxable income	0%	0%
Provisions for tax loss carry-forwards	0%	(1%)
Change in corporation tax rate	0%	3%
Effective tax rate	28%	34%

Vestas Wind Systems A/S is jointly taxed with all its Danish subsidiaries. The current Danish corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes. Enterprises that utilise tax losses of other enterprises pay a joint tax contribution to the parent company corresponding to the tax value of the utilised tax losses, whereas enterprises whose tax losses are utilised by other enterprises receive a joint tax contribution from the parent company corresponding to the tax value of the utilised losses (full allocation). The jointly taxed enterprises have adopted the on-account taxation scheme.

11 EARNINGS PER SHARE (EPS)

	2008	2007
Profit for the year	511	291
Minorities share of profit for the year	0	0
Vestas Group's share of profit for the year	511	291
Weighted average number of ordinary shares	185,204,103	185,204,103
Weighted average number of treasury shares	(736,393)	(505,959)
Weighted average number of ordinary shares outstanding	184,467,710	184,698,144
Dilutive effect of outstanding options	626,385	467,316
Average number of shares outstanding including dilutive effect of options	185,094,095	185,165,460
Earnings per share (EPS)	2.77	1.58
Earnings per share (EPS-D), diluted	2.76	1.57

12 INTANGIBLE ASSETS

	Goodwill	Completed development projects	Software	Development projects in progress	Total
2008					
Cost at 1 January	320	203	40	105	668
Exchange rate adjustments	0	0	(1)	0	(1)
Additions	0	1	36	132	169
Disposals	0	(113)	0	0	(113)
Transfers	0	35	0	(35)	0
Cost at 31 December	320	126	75	202	723
Amortisation and impairment losses at 1 January	0	155	6	0	161
Exchange rate adjustments	0	0	(1)	0	(1)
Amortisation for the year	0	24	8	0	32
Impairment losses for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	0	(113)	0	0	(113)
Transfers	0	0	0	0	0
Amortisation and impairment losses at 31 December	0	66	13	0	79
Carrying amount at 31 December	320	60	62	202	644
Internally generated assets included above	0	60	61	202	323
Amortisation period		3-5 years	5 years		

	Goodwill	Completed development projects	Software	Development projects in progress	Total
2007					
Cost at 1 January	320	197	11	81	609
Exchange rate adjustments	0	1	0	0	1
Additions	0	0	29	53	82
Disposals	0	0	0	(24)	(24)
Transfers	0	5	0	(5)	0
Cost at 31 December	320	203	40	105	668
Amortisation and impairment losses at 1 January	0	128	3	0	131
Exchange rate adjustments	0	1	0	0	1
Amortisation for the year	0	26	3	0	29
Impairment losses for the year	0	0	0	24	24
Reversal of amortisation of disposals in the year	0	0	0	(24)	(24)
Transfers	0	0	0	0	0
Amortisation and impairment losses at 31 December	0	155	6	0	161
Carrying amount at 31 December	320	48	34	105	507
Internally generated assets included above	0	47	31	105	183
Amortisation period		3-5 years	5 years		

12 INTANGIBLE ASSETS (CONTINUED)**Goodwill**

At 31 December 2008, Management completed impairment testing of the carrying amount of goodwill. The impairment testing was done in Q4 based on the budgets and business plans approved by the Board of Directors and Executive Management as well as other assumptions adjusted, as required, to comply with IAS 36.

The main part of the carrying amount of goodwill in the Vestas Group arose in connection with the merger between Vestas Wind Systems A/S and NEG Micon A/S in 2004 when Vestas acquired NEG Micon A/S.

For the purpose of the impairment test, the carrying amount of goodwill at 1 January 2004 plus goodwill from subsequent acquisitions have been allocated to the cash flow generating units: Europe, Americas and Asia/Pacific. At 31 December 2008, goodwill of the three units amounted to EUR 229m, EUR 84m and EUR 7m, respectively.

When performing impairment tests of cash-generating units, the recoverable amount (value in use) calculated as the discounted value of expected future cash flows is compared to the carrying amount of each of the cash-generating units.

Expected future cash flows are based on budgets and business plans for the next five years.

For all segments, the key parameters are revenue, EBIT, working capital investments, capital investments in progress and contracted as well as growth assumptions.

The revenue growth rate from 2007 to 2008 was 24 per cent, and in the period 2004–2007 the average growth amounted to 28 per cent per year.

The growth rate used in the impairment model for the years after 2010 is 2.5 per cent, which, to be prudent, is significantly lower than the expected growth rate.

At 31 December 2008, the net working capital as a percentage of revenue amounted to 5 per cent. In the period 2004–2007 the net working capital as a percentage of revenue moved from 29 to (1) per cent. It is Vestas' expectation that the net working capital going forward will not exceed 10 per cent of revenue, which has been included in the impairment test.

Budgets and business plans for the next five years are based on Vestas' investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and recognised in the expected future cash flows. The first five years are based on the strategy "No. 1 in Modern Energy" approved by Management. Projections for year six onwards are based on general market expectations and risks.

The terminal value after the five years is determined taking into account general growth expectations for the segments in question.

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

	Discount rates before tax (%)		Growth in terminal period (%)	
	2008	2007	2008	2007
Europe	16.1	16.8	2.5	2.5
Americas	16.9	16.6	2.5	2.5
Asia/Pacific	17.8	17.8	2.5	2.5

It is Management's assessment that probable changes to the fundamental assumptions will not result in the carrying amount of goodwill exceeding the recoverable amount in any of the segments.

Development projects

Recognised completed development projects and development projects in progress comprise development and testing of new wind turbines. The new wind turbines are expected to result in competitive advantages and thus a strengthening of the Group's market position.

The values of the development projects recognised have been compared to expected sales of the individual turbine types. This has not given rise to any value adjustment of the recognised value of development projects in 2008.

Software

Software comprises expenses for acquiring software licences and own development. The value of the recognised software has been compared to the expected value in use. No indicators of impairment have been identified.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
2008					
Cost at 1 January	330	306	193	118	947
Exchange rate adjustments	(4)	(11)	(4)	2	(17)
Additions	82	52	110	265	509
Disposals	(2)	(17)	(7)	(1)	(27)
Transfers	108	(6)	11	(113)	0
Cost at 31 December	514	324	303	271	1,412
Depreciation and impairment losses at 1 January	69	163	77	0	309
Exchange rate adjustments	(2)	(8)	(3)	0	(13)
Depreciation for the year	16	29	58	0	103
Impairment losses for the year	0	0	0	0	0
Reversal of depreciation of disposals in the year	(2)	(13)	(2)	0	(17)
Transfers	0	(6)	6	0	0
Depreciation and impairment losses at 31 December	81	165	136	0	382
Carrying amount at 31 December	433	159	167	271	1,030
Assets held under finance leases included above	0	1	4	0	5
Depreciation period	25–40 years	3–10 years	3–5 years		

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
2007					
Cost at 1 January	290	276	156	33	755
Exchange rate adjustments	(3)	(1)	(3)	(1)	(8)
Additions	43	41	65	116	265
Disposals	(9)	(25)	(31)	0	(65)
Transfers	9	15	6	(30)	0
Cost at 31 December	330	306	193	118	947
Depreciation and impairment losses at 1 January	60	148	57	0	265
Exchange rate adjustments	(1)	(1)	(1)	0	(3)
Depreciation for the year	12	28	44	0	84
Impairment losses for the year	1	0	0	0	1
Reversal of depreciation of disposals in the year	(3)	(12)	(23)	0	(38)
Transfers	0	0	0	0	0
Depreciation and impairment losses at 31 December	69	163	77	0	309
Carrying amount at 31 December	261	143	116	118	638
Assets held under finance leases included above	20	1	7	0	28
Depreciation period	25–40 years	3–10 years	3–5 years		

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

14 INVESTMENTS IN ASSOCIATES

	2008	2007
Cost at 1 January	2	2
Exchange rate adjustments	0	0
Additions	0	1
Disposals	0	(1)
Disposals, disposals of companies	0	0
Cost at 31 December	2	2
Value adjustments at 1 January	(1)	(2)
Exchange rate adjustments	0	0
Share of profit	0	0
Dividend	0	0
Disposals	0	1
Value adjustments at 31 December	(1)	(1)
Carrying amount at 31 December	1	1
Summary accounting information concerning associates owned at 31 December:		
Revenue	2	1
Profit / (loss) for the year	0	0
Total assets	5	5
Total liabilities	2	2

15 DEFERRED TAX

	2008	2007
Deferred tax at 1 January (net)	151	159
Exchange rate adjustments	(6)	(4)
Deferred tax on profit for the year	(105)	(5)
Adjustment relating to previous years	4	14
Changes in corporation tax rate	0	(12)
Tax on entries in equity	10	(1)
Deferred tax at 31 December (net)	54	151
Tax base of tax loss carry-forwards (net)	14	20
Intangible assets	0	10
Property, plant and equipment	2	42
Current assets	12	40
Provisions	11	70
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	0	(28)
Other	24	0
Deferred tax assets	63	154
Intangible assets	34	0
Property, plant and equipment	(21)	4
Current assets	(26)	(2)
Provisions	(9)	0
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	26	0
Other	5	1
Provision for deferred tax	9	3
Deferred tax asset at 31 December (net)	54	151

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

15 DEFERRED TAX (CONTINUED)

No provision is made for deferred tax regarding undistributed earnings in subsidiaries, as the Group controls the release of the obligation.

If the earnings were to be distributed, this would release a current tax charge of EUR 20m for 2008 (2007: EUR 13m).

Deferred tax assets are recognised for tax loss carry-forwards corresponding to earnings that are likely to be generated in the future. The assessment has been made considering the ability to utilise tax-carry-forwards in previous years as well as future expectations. Of the total tax carry-forwards EUR 5m (2007: EUR 6m) are subject to expiry limits, however, these are all expected to be utilised within the set time limit. Deferred tax assets amounting to EUR 37m (2007: EUR 38m) have not been recognised in the balance sheet, as their utilisation is not assessed to be sufficiently certain.

Of the total deferred tax relating to tax-loss carry-forwards included in the deferred tax assets, an amount of EUR 0m (2007: EUR 0m) relates to Denmark. Of the tax-loss carry-forwards noted above EUR 0m (2007: EUR 0m) relates to Denmark.

16 INVENTORIES

	2008	2007
Raw materials and consumables	809	540
Work in progress	332	257
Finished goods	453	310
Prepayments for goods	18	0
	1,612	1,107
Cost of sales for the year, which is included in production costs	3,299	2,460
Write-downs of inventories in the year	21	23
Reversal of write-downs in the year	12	4

The reversal of write-downs in the year is due to goods sold at a higher value than the written down carrying amount.

17 TRADE RECEIVABLES

	2008	2007
Trade receivables	938	660
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	6	19
Write-downs in the year	0	3
Realised in the year	(6)	(12)
Reversals	0	(4)
Write-downs at 31 December	0	6
All trade receivables are expected to be received within 12 months.		
The age distribution of receivables is as follows:		
Not overdue	770	557
0–60 days overdue	136	68
61–120 days overdue	22	33
121–180 days overdue	9	2
More than 180 days overdue	1	0
	938	660

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

17 TRADE RECEIVABLES (CONTINUED)

Of the total write-downs of trade debtors of less than EUR 1m (2007: EUR 6m), that is based on an individual assessment of each receivable, less than EUR 1m (2007: EUR 6m) relates to companies in bankruptcy, while the remaining amount relates to companies with suspension of payments.

Trade receivables are mainly owed by companies within the energy sector. The credit risk is dependent on the development within this sector. Vestas does not have a single significant trade debtor nor are the trade receivables concentrated in specific countries material.

18 CONSTRUCTION CONTRACTS IN PROGRESS

	2008	2007
Sales value of construction contracts in progress	1,800	1,494
Progress billings	(2,701)	(2,244)
	(901)	(750)
– which are included as follows:		
Construction contracts in progress (assets)	482	260
Construction contracts in progress (liabilities)	(1,383)	(1,010)
	(901)	(750)
Retentions	18	18

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

19 OTHER RECEIVABLES

	2008	2007
Prepayments	33	20
Supplier claims	4	7
Other receivables	169	143
	206	170
– specified as follows::		
0–1 years	181	157
> 1 year	25	13
	206	170

Other receivables stated above principally comprise VAT and insurance receivables.

20 CORPORATION TAX

	2008	2007
Corporation tax at 1 January	(38)	(18)
Exchange rate adjustments	(1)	2
Corporation tax for the year	(99)	(145)
Adjustments relating to previous years	(3)	(5)
Corporation tax paid in the year	148	128
Corporation tax at 31 December	7	(38)
Corporation tax (assets)	49	35
Corporation tax (liabilities)	(42)	(73)
	7	(38)

21 SHARE CAPITAL

	2008	2007
The share capital comprises of 185,204,103 shares of DKK 1.00	185,204,103	185,204,103
Number of shares at 1 January	185,204,103	185,204,103
Capital increase	0	0
Number of shares at 31 December	185,204,103	185,204,103
Shares outstanding	184,467,710	184,467,710
Treasury shares	736,393	736,393
Number of shares at 31 December	185,204,103	185,204,103

The share capital was increased by 10,292,930 shares of DKK 1.00 in 2006 and by 69,907,207 shares of DKK 1.00 in 2004. Except for these increases, the share capital has been unchanged in the period 2004–2008.

All shares rank equally.

	2008 Number of shares	2007 Number of shares	2008 Nominal value (DKK)	2007 Nominal value (DKK)	2008 % of share capital	2007 % of share capital
Treasury shares at 1 January	736,393	138,422	736,393	138,422	0.5	0.1
Purchases	0	597,971	0	597,971	0.0	0.4
Treasury shares at 31 December	736,393	736,393	736,393	736,393	0.5	0.5

The Board of Directors has been authorised at the Annual General Meeting to allow Vestas Wind Systems A/S to acquire treasury shares amounting to a total nominal value of 10 per cent of the company's share capital during the period up until the next Annual General Meeting on 26 March 2009.

Vestas Wind Systems A/S has acquired treasury shares in 2007, at a nominal values of DKK 569k and DKK 28k at share prices of DKK 378.54 and DKK 357.90 respectively, corresponding to an acquisition sum of EUR 30m.

Treasury shares are acquired with a view to using them for the Group's share option programmes.

The share capital has been fully paid.

No dividend has been paid out in 2008 and 2007 relating to the financial years 2007 and 2006.

22 PROVISIONS

	2008	2007
Warranty provisions		
Warranty provisions at 1 January	232	205
Exchange rate adjustments	(2)	(1)
Warranty provisions for the year	240	242
Utilised warranty provisions during the year	(262)	(214)
Reversed warranty provisions during the year	(6)	0
Adjustment to previously recognised warranty provisions	(20)	0
Adjustments relating to the change in discounting of warranty provisions	1	0
Warranty provisions at 31 December	183	232
The warranty provisions are expected to be consumed as follows:		
0–1 year	128	154
>1 year	55	78
	182	232

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. Reference is made to page 26 of the Management report and note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

In addition to the above, provisions are made for upgrades to turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments, upwards as well as downwards, of previous estimates in light of factual information about population size, costs of repairs and the timing of such repairs.

It is estimated that 45–50 per cent of the warranty provisions made for the year relate to adjustments of estimates in previous years of provisions for serial faults, etc. included in this is the cost for upgrades of turbines sold in previous years, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

Product risks

Lack of reliability in several of Vestas' products has previously led to major warranty provisions, and in recent years Vestas has invested significant resources in improving the products and increasing their reliability. This work comprises design, production, installation and continuous maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitiveness of the Group's products and to improve supplier earnings.

In the first quarter of 2007, Vestas temporarily discontinued selling the V90-3.0 MW offshore wind turbine due to gearbox issues. On 1 May 2008, the turbine was once again made available for sales after thorough testing of the new solutions.

22 PROVISIONS (CONTINUED)

	2008	2007
Other provisions		
Other provisions at 1 January	68	54
Exchange rate adjustments	2	(1)
Other provisions for the year	52	35
Utilised other provisions during the year	(42)	(20)
Adjustment to previously recognised other provisions	0	0
Other provisions at 31 December	80	68
Other provisions include compensation regarding agreements made to purchase wind turbine parts which are not expected to be fulfilled in accordance with the contractually agreed parameters and provisions for onerous contracts. The provisions have been calculated based on Management's best estimate and are expected to be settled in 2013 at the latest.		
Other provisions are expected to be payable as follows:		
0-1 year	50	39
>1 year	30	29
	80	68
The provisions are expected to be payable as follows:		
0-1 year	178	193
>1 year	85	107
	263	300

23 PENSION OBLIGATIONS

The Vestas Group's entities have different pension schemes and severance programmes which have been adapted to the labour market variables of the individual countries. Approx 99 per cent of the Group's pension expenses relate to defined contribution plans, which includes no further obligations to the company other than the contributions paid.

The other plans are defined benefit plans, the majority of which have related plan assets in independent pension funds. The defined benefit plans will typically secure the employees covered by a pension based on final-salary.

Under **defined contribution** plans, an employer commits to paying a certain contribution (eg a fixed amount or a fixed percentage of their salary). Under a defined contribution plan the Group does not carry the risk relating to the future development in interest rate, inflation, mortality and disablement.

Under **defined benefit** plans, an employer commits to paying a certain benefit (eg a retirement benefit as a fixed amount or a fixed percentage of the employees final salary). Under a defined benefit plan the Group carries the risk relating to the future development in interest rate, inflation, mortality and disablement.

The pension obligation of Danish and some foreign entities are covered by insurance. Foreign entities whose obligations are not or only partly covered by insurance (defined benefit plans) calculate their obligations, using actuaries, at net present value at the balance sheet date. These pension plans are fully or partly covered through pension funds for the employees. In the consolidated accounts an amount of EUR 2m (2007: EUR 2m) has been recognised in liabilities in respect of the Group's obligations towards current and previous employees after deducting plan assets.

	2008	2007
The following amounts have been recognised in the consolidated income statement:		
Defined contribution plans	41	30
Defined benefit plans	1	1
	42	31
The cost has been recognised in the following items:		
Cost of sales	24	18
Research and development costs	4	3
Selling and distribution expenses	4	3
Administrative expenses	10	7
	42	31
Net present value of covered defined benefit plans	(7)	(8)
Net present value of uncovered defined benefit plans	(3)	(2)
Net present value of defined benefit plans	(10)	(10)
Fair value of plan assets	7	8
Surplus/(deficit) cover	(3)	(2)
Non-recognised actuarial (gains)/losses	1	0
Net obligation recognised in the balance sheet	(2)	(2)
Development in net present value of defined benefit plan obligations:		
Net present value of defined benefit plan obligations at 1 January	10	11
Exchange adjustments	0	0
Pension expenses relating to current financial year	0	0
Calculated interest on obligations	1	0
Actuarial gains/(losses)	0	0
Loss on reductions and fulfilment	0	0
Pension expenses relating to prior financial years	0	0
Pensions paid	(1)	(1)
Net present value of defined benefit plan obligations at 31 December	10	10

23 PENSION OBLIGATIONS (CONTINUED)

	2008	2007
Development in fair value of pension assets:		
Pension assets at 1 January	8	7
Exchange rate adjustments	0	0
Estimated return on plan assets	1	0
Actuarial gains/(losses)	(1)	1
Paid in by the Vestas Group	0	0
Pensions paid	(1)	0
Pension assets at 31 December	7	8
Pension expenses recognised in the income statement:		
Pension expenses relating to current financial year	1	1
Calculated interest on obligation	1	0
Estimated return on plan assets	0	0
Recognised actuarial (gain)/loss for the year	0	0
Pension expenses relating to prior financial years	0	0
Loss on reductions and fulfilment	0	0
Total recognised for defined benefit plans	2	1
Pension assets break down as follows:		
European shares	2	2
European bonds	4	4
Cash funds	1	2
	7	8
Return on pension assets:		
Estimated return on plan assets	1	0
Actual return on plan assets	0	1
Actuarial gain/(loss) on plan assets	(1)	1
The Group expects to pay less than EUR 1m to the defined benefit plan in 2009.		
The average assumptions underlying actuarial calculations at the balance sheet date are as follows:		
Discount rate (%)	5.3	4.7
Estimated return on pension funds (%)	6.3	5.7
Estimated rate of pay increase (%)	4.0	3.5
Estimated pension increase (%)	2.0	2.0

The estimated return on the plan assets has been determined based on the composition of the assets and general expectations with respect to economic trends.

	2008	2007	2006	2005	2004
Actuarially calculated pension obligations	(10)	(10)	(11)	(10)	-
Pension assets	7	8	7	7	-
Deficit cover	(3)	(2)	(4)	(3)	-
Changes to obligations based on experience	0	0	0	0	-
Changes to pension assets based on experience	0	0	0	0	-

There are no restrictions on the value of the pension assets which Vestas is allowed to invest in to meet the pension obligations. The pension assets include no Vestas shares, receivables from or any property leased by Vestas. All relevant assumptions relating to the actuarial calculations exclude immaterial costs.

24 FINANCIAL DEBTS

	2008	2007
Financial debts are recognised in the balance sheet as follows:		
Current liabilities		
Bank debt	64	1
Mortgage debt	3	8
Debt to credit institutions	42	16
	109	25
Non-current liabilities		
Mortgage debt	11	54
Debt to credit institutions	3	71
	14	125
1–5 years	7	79
> 5 years	7	46
Financial debts	123	150
Fair value	123	150
Nominal value	123	150

It is Group policy to endeavour and ensure an appropriate development in the financial ratios with a view, for example, to maintaining the Group's credit rating and to complying with the agreed minimum requirements in the Group's financing agreements.

The fair value is calculated as the present value of agreed cash flows using a current market-based interest rate.

Obligations relating to assets held under finance leases are included in mortgage debt and debt to credit institutions as follows:

	2008			2007		
	Minimum lease payment	Interest	Carrying amount	Minimum lease payment	Interest	Carrying amount
0–1 year	2	0	2	4	1	3
1–5 years	2	0	2	16	6	10
> 5 years	0	0	0	32	12	20
	4	0	4	52	19	33
Weighted effective interest rate at 31 December (%)			6.0			6.3

The fair value of financial debts amounts to EUR 4m (2007: EUR 33m).

The finance lease agreements of the Group mainly relate to service vans and run for up to 3 years after the balance sheet date.

The lease agreements will not result in any restrictions in relation to raising of other debts or dividend payments.

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

25 OTHER LIABILITIES

	2008	2007
Staff cost	103	68
Taxes and duties	131	105
Accruals	24	25
Other payables	137	73
	395	271

26 ADJUSTMENT FOR NON-CASH TRANSACTIONS

	2008	2007
Amortisation and depreciation for the year of intangible assets and property, plant and equipment, including gains and losses on sale of non-current assets	136	136
Share of profit in associates	0	0
Warranty provisions in the year (net)	(49)	29
Pension provisions in the year	0	(1)
Other provisions in the year	12	14
Exchange rate adjustment	(1)	15
Financial income	(66)	(19)
Financial expenses	20	19
Corporation tax for the year	203	152
Cost of share-based payments	3	3
Other adjustments	0	0
	258	348

27 CHANGE IN NET WORKING CAPITAL

	2008	2007
Change in inventories	(505)	(227)
Change in receivables	(524)	86
Change in prepayments from customers	397	166
Change in trade payables	141	82
Change in other liabilities	124	83
	(367)	190

28 ACQUISITION OF ENTERPRISES

	2008		2007	
	Fair value	Carrying amount prior to acquisition	Fair value	Carrying amount prior to acquisition
Other non-current assets	0	0	0	0
Total non-current assets	0	0	0	0
Trade receivables	0	0	1	1
Cash at bank and in hand	0	0	1	1
Other receivables	0	0	3	3
Total current assets	0	0	5	5
Total non-current liabilities	0	0	0	0
Trade payables	0	0	(2)	(2)
Other liabilities	0	0	(2)	(2)
Total current liabilities	0	0	(4)	(4)
Net assets	0	0	1	1
Goodwill	0		0	
Total purchase consideration:	0		1	
of which relate to cash and cash equivalents less bank debt	0		(1)	
Cash purchase consideration	0		0	
Share consideration	0		0	
Net cash purchase consideration	0		0	

On 10 March 2007, Vestas Asia Pacific A/S acquired 81.5 per cent stake in Vestas Wind Technology Japan Co. Ltd. The consideration for the acquisition amounted to EUR 0m. The effect of the acquired company on the result of Vestas amounted to less than EUR 1m. If the acquired company had transferred ownership at the beginning of the year, the effect would have been less than EUR 1m, while revenue would have increased by less than EUR 1m.

NOTES TO THE CONSOLIDATED ACCOUNTS (MEUR)

29 CASH AT BANK AND IN HAND

Cash at bank and in hand with disposal restrictions, EUR 12m (2007: EUR 14m), primarily consist of prepayments from customers regarding projects, and the amounts are released in line with the fulfilment of the related contractual obligations.

30 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

	2008	2007
Audit services:		
PricewaterhouseCoopers	2	3
KPMG	2	1
	4	4
Non-audit services:		
PricewaterhouseCoopers	2	1
KPMG	1	0
	3	1
	7	5

31 MANAGEMENT'S OPTION PROGRAMME AND SHAREHOLDINGS

Option programme

A share option programme was established in 2006 for the Executive Management, the Vestas Government and other selected executives of the Group, totalling 20 people. Options were granted based on the achievement of specified targets for 2006 and 2007. The market value, based on the Black-Scholes valuation model calculated at the date of grant/establishment of the programme, amounted to EUR 3m.

In 2007, a new option programme was introduced for the same members in the 2006 programme. The programme grants 580,080 options, which were valued, based on the Black-Scholes valuation model, on 15 May 2007 at a market value of EUR 1.2m. 155,102 of the options, valued at EUR 3m, were allocated to the Executive Management.

The members may exercise their options in specified periods and choose to purchase the company's shares at the relevant strike price depending on the programme. Exercise of the options can only occur in the periods where executives are allowed to trade shares in accordance with the Group's internal rules, being within the four weeks following the company announcement of the annual report and quarterly financial reports.

Options are allotted to members when the Board of Directors approves the final annual report for each year except for options allotted in 2007. The allotment for 2007 was on 15 May 2007 when the programme was announced. No options expired in 2008.

The share prices and the exercise prices are based on the closing share prices obtained from Bloomberg Financial Markets on 15 April 2006 and 15 May 2007, for the 2006 and 2007 programmes, respectively. The risk free interest rate is estimated as the effective interest rate on a Danish government bond with the same economic life, in this case two, five, six and seven-year bonds. The future volatility, which means movement in the shares' total yield, is calculated based on historic weekly closing share prices for a period of two and three years for the 2006 and 2007 programmes, respectively.

2006 programme

All the options allotted in 2006 lapsed. 56,448 options was the net allotted amount in 2007 with a value of EUR 1m at grant. The members of the scheme lose the right to the options, if they terminate their employment before the end of the vesting period. The options can be exercised between two and four years after they have been allotted. Options allotted in 2007 can be exercised from 2010 to 2012.

2007 programme

The options allotted to the members of the scheme for 2007, 2008 and 2009 is valued based on the equivalent of 60 per cent of their 2006 annual salary. For 2008 and 2009 members would only be allotted options if they are still employed when the Board of Directors approves the annual report for the respective years. 207,952 and 189,002 options were allotted in 2007 and 2008, respectively, leaving 183,126 options to be allotted for 2009.

The options can be exercised within two years when three years have elapsed after they have been allotted. This five-year period after the allotment of options is referred to as vesting period. The exercise of the options can only occur, if the members themselves have not terminated their employment at the time of the exercise. Options allotted in 2007 and 2008 can be exercised from 2010 to 2012 and 2012 to 2014, respectively. The members of the scheme lose the right to the options, if they terminate their employment before the end of each of the three allotments' vesting period. The participants must, for a period of three years after the exercise of the options hold shares equivalent to 50 per cent of the profit after tax gained on the exercise thereof.

The fair value at the grant date has been calculated under the Black-Scholes option pricing model adjusted for dilution of share capital based on the following assumptions:

	2007-programme	2006-programme
Share price at grant (DKK)	380.5	167.0
Volatility (%)	44	54
Exercise price (DKK)	380.5	147.6
Risk-free interest rate for options (%)	4.3	3.8
Annual dividend per share (DKK)	0	0
Years to expiry	5	5

31 MANAGEMENT'S OPTION PROGRAMME AND SHAREHOLDINGS (CONTINUED)

				Grant date			
	Group Executive Management pcs	Other executives pcs	Total pcs	Exercise price per option DKK	Fair value per option DKK	Total fair value tEUR	Total fair value tEUR
Outstanding at 1 January 2007							
Granted 2006 programme	26,538	79,662	106,200	147.6	89	1,268	6,187
Granted 2007 programme	155,102	424,978	580,080	380.5	152-165	12,311	24,869
Lapsed 2006 programme	(10,160)	(39,592)	(49,752)	147.6	89	(594)	(2,898)
Exercised	0	0	0	-	-	-	-
Expired	0	0	0	-	-	-	-
Outstanding at 31 December 2007	171,480	465,048	636,528			12,985	28,158
Outstanding at 1 January 2008	171,480	465,048	636,528			12,985	
Granted 2007 programme	0	0	0	-	-	-	-
Lapsed 2006 programme	0	(2,193)	(2,193)	147.6	89	(26)	-
Lapsed 2007 programme	0	(22,163)	(22,163)	380.5	152-165	(471)	-
Exercised	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-
Outstanding at 31 December 2008	171,480	440,692	612,172			12,488	12,617
Number of exercisable options at 31 December 2007	0	0	0				
Number of exercisable options at 31 December 2008	0	0	0				

Average remaining life of the options outstanding at 31 December 2008 is four years (2007: five years).

No options have been exercised in the year

Management's holdings of Vestas shares

The internal rules regarding the trading in Vestas shares for the Board of Directors, the Executive Management and certain employees only allow trading in the four weeks following the publication of the annual report and quarterly reports.

	Balance at 1 January	Purchased in the year	Sold in the year	Balance 31 December	Market value ^{*)} tEUR
The Board of Directors					
Bent Erik Carlsen	98,120	-	-	98,120	3,997
Torsten Erik Rasmussen	3,837	-	-	3,837	156
Arne Pedersen	2,960	-	-	2,960	121
Elly Smedegaard	0	-	-	0	0
Freddy Frandsen	3,653	-	-	3,653	149
Jørgen Huno Rasmussen	500	-	-	500	20
Jørn Ankær Thomsen	229,500	-	229,500	0	0
Kim Hvid Thomsen	2,463	194	-	2,657	108
Kurt Anker Nielsen	1,600	500	500	1,600	65
Michael Abildgaard Lisbjerg	0	150	-	150	6
Sussie Dvinge Agerbo	1,772	628	-	2,400	98
	344,405	1,472	230,000	115,877	4,720
Executive Management					
Ditlev Engel	224	-	-	224	9
Henrik Nørremark	3,213	-	-	3,213	131
	3,437	-	-	3,437	140

^{*)} The calculation of the year-end market value is based on the share price quoted on the NASDAQ OMX Copenhagen at the end of the year (DKK 303.50).

32 RELATED PARTY TRANSACTIONS

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

The related parties of the Vestas Group include the Board of Directors of the company, the Executive Management, and other executives (Vestas Government), together with close members of the family of these individuals. Furthermore, related parties include entities which are significantly influenced by the afore-mentioned individuals.

Transactions with the Board of Directors, Executive Management and other executives

Transactions with the Executive Management only consist of normal management remuneration, see note 6 to the consolidated accounts.

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

Purchase of normal legal services for EUR 1.9m at arm's length basis (2007: EUR 2.1m) from the law firm Gorrissen Federspiel Kierkegaard, where Jørn Ankær Thomsen is a partner. The outstanding balance payable to Gorrissen Federspiel Kierkegaard at 31 December 2008 amounted to EUR 0.1m (2007: EUR 0.3m).

Six people (2007: seven) covered by the definition of related parties have directly or indirectly full or part ownership of wind turbines where a company in the Vestas Group performs service work. These transactions, take place at arm's length and in total amounted to EUR 0.5m in 2008 (2007: EUR 0.5m). The outstanding amount of purchases from related parties at 31 December 2008 amounted to less than EUR 0.3m (2007: less than EUR 0.1m).

There have been no other transactions with any members of the Board of Directors and the Executive Management in Vestas Wind Systems A/S or other executives during the year.

With the exception of the Board members elected by the employees no members of the Board have been employed by the Group in 2008.

Transactions with associates and joint ventures

Related parties also include associates over whom Vestas Wind Systems A/S has control or significant influence.

The Vestas Group's associates and related shareholdings, are listed under "Group companies" on pages 94–95.

Outstanding balances with associates have resulted from standard business transactions regarding purchase and sale of goods and services. No interest is calculated on the outstanding balances and the transactions are entered into with the same trading conditions as for the Group's other customers and suppliers.

33 GOVERNMENT GRANTS

The Group has received a number of government grants, of which EUR 1m has been offset against incurred expenses (2007: less than EUR 1m) and less than EUR 1m has been offset against non-current assets (2007: EUR 2m).

34 MORTGAGES AND SECURITY

As security for the Group's mortgage loans, mortgage deeds registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment. Some of the Group's other property, plant and equipment has been placed as security.

Furthermore, the Group has issued mortgage deeds registered to the mortgagor and all-money mortgages which are secured on the aforementioned properties. These mortgage deeds registered to the mortgagor and all-money mortgages are all in the possession of the Group.

As security for credit facilities, the Group has given security in its cash at bank and in hand and other current assets.

	2008	2007
Total mortgage loans	14	62
Mortgage deeds and all-money mortgages:		
Nominal value of mortgage deeds and all-money mortgages	10	74
Carrying amount of pledged assets	21	193
Other security in assets:		
Nominal value of mortgage deeds and all-money mortgages	0	0
Carrying amount of pledged assets	0	0
Other mortgage deeds and all-money mortgages in the possession of the Group	113	52
Security for credit facilities:		
Security of cash at bank and in hand and other current financial assets	0	86
Carrying amount	0	86
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Letters of credit	14	2
Bank guarantees	250	471
	264	473

35 CONTRACTUAL OBLIGATIONS

	2008	2007
The minimum lease obligations relating to operating leases fall due:		
0–1 year	49	20
1–5 years	68	46
> 5 years	72	62

Operating leases comprise irrevocable operating leases regarding buildings and vehicles. The main obligation relates to buildings in Germany and runs for up to 24 years after the balance sheet date. The lease agreements will not result in any restrictions in relation to raising of other debts or payment of dividends.

Costs recognised in the income statement relating to operating leases amount to EUR 20m in 2008 (2007: EUR 11m).

The Group has entered into binding contracts concerning purchase of plant in 2009 at a value of EUR 267m (2007: EUR 74m).

The Group has entered into binding contracts concerning purchase of components for production to be delivered in 2009 and thereafter at a total value of EUR 3,317m (2007: EUR 1,745m).

36 CONTINGENT LIABILITIES

Pending lawsuits

In November 2008, Vestas announced that, even though Vestas had successfully challenged the validity of the patents of Enercon GmbH/Mr Aloys Wobben, an agreement had been entered into with Enercon GmbH/Mr Aloys Wobben, among other things for the purpose of settling all present legal disputes on a worldwide basis. One result of the agreement is that the cases in the UK, the Netherlands, Ireland and Canada, in which Mr Aloys Wobben has claimed that Vestas' technology infringes certain of his grid connection patents, have been withdrawn with the legal effect that the decisions already handed down will stand.

Other pending lawsuits

In addition, Vestas is involved in other litigation proceedings. It is, however, the opinion of Management that settlement or continuation of these proceedings, and the circumstances mentioned above relating to patents, will not have a material effect on the financial position of the Group.

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT

Group policy for managing financial risks

The Vestas Group is exposed to changes in exchange rates, interest rates and commodity prices due to its investments and financing operations. Management identifies the level and concentration of risks and initiates policies to address these, through continuous business reviews. Moreover, the Group is exposed to credit and liquidity risks. It is the Group's policy not to engage in any active speculation in financial risks. Accordingly, the Group's financial management is directed solely at managing or eliminating financial risks relating to operations and funding.

The Group's policy for managing financial risks remains unchanged from last year. The carrying amounts of the financial instruments are reasonable approximations of their fair values.

Credit risks

The Group's credit risk primarily relates to receivables and bank balances, investments as well as derivative financial instruments.

Credit risks related to receivables arise when Vestas makes sales for which no prepayment has been received. It is Vestas' policy to hedge uncertainties of payment by way of letters of credit, bank guarantees, credit insurance, conditional sale, etc. Security received is taken into account in the assessment of any provision for bad debts.

Vestas' customers' creditworthiness is reviewed in connection with the closing of contracts. If Vestas does not receive security for the payments, the total contract amount plus VAT, or if the customer does not have adequate credit rating from S&P, Moody's or Fitch, a more detailed assessment of the customer's creditworthiness is performed by the sales unit, Contract Review Board and Group Treasury prior to the signing of the contract to mitigate any risks to Vestas.

82 per cent (2007: 84 per cent) of Vestas' customers have not exceeded the deadline for payment at 31 December 2008. Historically, Vestas' customers have paid within the payment period agreed upon; trade receivables overdue by more than 180 days are immaterial.

Vestas sells wind turbines and wind power systems to companies, which are well positioned in national and international markets. These companies are considered to be reputable companies. All outstanding trade debtors are owed by reputable companies. In light of the credit squeeze management does not anticipate any defaults in relation to ongoing projects and for firm orders signed.

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

Credit risks relating to bank balances, investments as well as derivative financial instruments arise due to uncertainty as to whether the counterparty will be able to meet its obligations when they are due. The Group minimises this risk by only using financial institutions with a high credit standing as brokers for the purchase and sale of financial instruments. Furthermore, internally Vestas has set limits for the Group's total balance with each bank.

Vestas' policy regarding placement of funds with banks is that the banks must have a minimum long-term credit rating from either S&P, Moody's or Fitch of:

Credit Rating Agency	Rating
S&P	A
Moody's	A2
Fitch	A

The key bankers of Vestas are:

Nordea Bank Danmark A/S
Dresdner Kleinworth Ltd.
Société Générale
Banco Español de Crédito

Vestas uses two of the above banks when purchasing and selling financial instruments. In light of the financial crisis, management can confirm that Vestas' bank deposits are secured and its financial instruments remain unaffected.

No bank balances or derivative financial instruments are overdue or written down due to the counterparty's inability to pay. There are no historic losses related to bank balances and derivative financial instruments due to the counterparty's inability to pay.

	2008	2007
Maximum credit risk without taking into account security received for trade receivables	938	660
Maximum credit risk related to bank balances, securities and derivative financial instruments	298	778
Maximum credit risk related to construction contracts and other receivables	688	396
	1,924	1,834

Liquidity risks

Liquidity risk is the risk that Vestas is unable to meet its obligations as they fall due because of inability to realise assets or obtain adequate funding. The Group ensures that a strong liquidity position is maintained in order to service its financial obligations as they fall due, both under normal and more pressing conditions. The liquidity management procedures introduced, see Management report page 24, have significantly improved the Group's gearing as compared to 2007, and sufficient cash reserves are maintained to meet expected operational and financial obligations as well as unforeseen operating expenses. The current credit squeeze has not impacted on Vestas' ability to meet its obligations.

However, it is naturally not possible to guarantee that Vestas will always be able to maintain its credit rating or to comply with the minimum requirements in the financing agreements. Then occurrence of either eventuality would be likely to have a significant adverse effect on the Group.

The value of cash assets with disposal restrictions is EUR 12m at 31 December 2008 (2007: EUR 14m).

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

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

2008	Carrying amount	Fair value	< 1 year	1 – 5 years	More than 5 years	Total cash flows
Measured at amortised cost (loans and other debt)						
Mortgage debts	13	13	3	5	11	19
Debt to credit institutions	4	4	2	2	0	4
Bank debt	105	105	104	1	1	106
Trade payables	1,030	1,030	1,030	0	0	1,030
Other liabilities	321	321	321	0	0	321
	1,473	1,473	1,460	8	12	1,480
Derivative financial instruments						
Interest SWAPS (gross):						
Floating-rate obligation	1	1	2	1	0	3
Currency hedging agreements:						
Cash flow hedges	41	41	27	15	0	42
Fair value hedges	7	7	9	0	0	9
	49	49	38	16	0	54
Total financial liabilities	1,522	1,522	1,498	24	12	1,534
Measured at amortised cost (receivables and deposits)						
Trade receivables	938	938	938	0	0	938
Construction contracts and other receivables	688	688	663	25	0	688
	1,626	1,626	1,601	25	0	1,626
Derivative financial instruments						
Interest SWAPS (gross):						
Floating-rate assets	1	1	2	1	0	3
Currency hedging agreements:						
Cash flow hedges	15	15	16	0	0	16
Fair value hedges	0	0	0	0	0	0
	16	16	18	1	0	19
Total financial assets	1,642	1,642	1,619	26	0	1,645

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

2007	Carrying amount	Fair value	< 1 year	1–5 years	More than 5 years	Total cash flows
Measured at amortised cost (loans and other debt)						
Mortgage debts	62	62	8	33	41	82
Debt to credit institutions	87	87	16	59	39	114
Bank debt	1	1	1	0	0	1
Trade payables	889	889	889	0	0	889
Other liabilities	241	241	241	0	0	241
	1,280	1,280	1,155	92	80	1,327
Derivative financial instruments						
Interest SWAPS (gross):						
Floating-rate obligation	1	1	3	5	2	10
Currency hedging agreements:						
Cash flow hedges	4	4	4	1	0	5
Fair value hedges	0	0	0	0	0	0
	5	5	7	6	2	15
Total financial liabilities	1,285	1,285	1,162	98	82	1,342
Measured at amortised cost (receivables and deposits)						
Trade receivables	660	660	660	0	0	660
Construction contracts and other receivables	396	396	383	13	0	396
	1,056	1,056	1,043	13	0	1,056
Derivative financial instruments						
Interest SWAPS (gross):						
Floating-rate assets	1	1	3	6	2	11
Currency hedging agreements:						
Cash flow hedges	9	9	7	2	0	9
Fair value hedges	4	4	4	0	0	4
	14	14	14	8	2	24
Total financial assets	1,070	1,070	1,057	21	2	1,080

Cash at bank and in hand and investments are measured at fair value and any adjustments are made through the income statement.

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

For a description of cash flows relating to operating leases, reference is made to note 35 to the consolidated accounts.

The carrying amounts of derivative financial instruments are included in other receivables and other liabilities, as appropriate.

As a general rule, the fair value of financial liabilities and financial assets is calculated using discounted cash flow models based on the market interest rates and credit conditions at the balance sheet date.

Market risks

Vestas' market risks relating to financial instruments comprise: currency risks, interest rate risks and commodity price risks.

Currency risks

The Group's business activities involve a number of currency risks in connection with purchases and sales of goods and services in foreign currencies.

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

It is Group policy to hedge the currency risk at the time of entering into a binding agreement in foreign currency. Only the net exposure for each currency is hedged. The currency risk is primarily hedged by forward exchange contracts and currency swap agreements.

Exchange adjustments relating to investments in Group subsidiaries and associates abroad with a different functional currency than that of the parent company are recognised directly in equity. Related currency risks are not hedged as, in the Group's opinion, hedging of such long-term investments will not be optimal from an overall risk and cost perspective.

The isolated effects of the exchange rate changes considered probable by Management, (10 per cent) increase, at 31 December against EUR are specified as follows:

	2008	2007
USD:		
Equity	4	1
Profit for the year	3	3
CAD:		
Equity	9	6
Profit for the year	1	0
GBP:		
Equity	20	3
Profit for the year	(1)	0

Only currencies with material effect on equity and income statement are specified above.

The above analysis is based on the assumption that all other variables, interest rates in particular, remain constant. The expectations are based on currently available market data.

A corresponding decline in the exchange rates for the above currencies will have the same but opposite effect for both equity and profit for the year. The differences between the 2008 and 2007 values are solely due to differences in the nominal amounts in the individual currencies.

Currency hedging agreements relating to future transactions (cash flow hedges)

The following net outstanding forward exchange contracts, publicly traded, of the Group at 31 December are used and qualify as cash flows hedges:

	2008				2007			
	Nominal principal amount ^{*)}	Accumulated capital gain/loss recognised in equity	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount ^{*)}	Accumulated capital gain/loss recognised in equity	Fair value of principal amount	Term to maturity (months), up to
USD	504	(33)	537	29	336	8	328	27
SEK	5	0	5	5	35	1	34	13
CAD	60	9	51	10	116	(2)	118	22
GBP	(9)	(1)	(8)	12	1	0	1	1
EUR	(560)	0	(560)	29	(487)	0	(487)	27
DKK	0	0	0	-	(1)	0	(1)	9
	0	(25)	25		0	7	(7)	

^{*)} Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

The Group's cash flow hedges relate primarily to net cash flows outside euro-based countries, primarily in American and Canadian dollars as well as Swedish kroner (USD, CAD and SEK) with equivalents in Danish kroner (DKK) and euro (EUR).

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

Currency hedging agreements relating to assets and liabilities recognised in the balance sheet (fair value hedges)

The following net outstanding forward exchange contracts of the Group at 31 December are used and qualify as fair value hedges:

	2008				2007			
	Nominal principal amount ^{*)}	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount ^{*)}	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to
USD	(34)	0	(34)	15	30	3	27	7
SEK	(30)	(3)	(27)	12	-	-	-	-
NOK	(42)	(5)	(37)	12	-	-	-	-
AUD	0	0	0	-	24	2	22	1
EUR	106	0	106	15	(54)	0	(54)	4
	0	(8)	8		0	5	(5)	

^{*)} Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

Gains/(losses) on derivative financial instruments for the year used for hedging of fair values amounted to EUR 0m. (2007: EUR 0m)

Fair value adjustments caused by movements in the hedged risk on hedged instruments amounted to EUR 0m. (2007: EUR 0m)

The Vestas Group's fair value hedges relate to receivables outside euro-based countries, primarily in Swedish and Norwegian kroner as well as American and Australian dollars (SEK, NOK, USD and AUD), with equivalents in euro (EUR).

All fair value changes are recognised in the income statement.

Commodity price risks

Vestas uses copper and nickel, among other raw materials, for the production of wind turbines. Where the risks of price changes on such raw materials are not transferred to the customer, Vestas' gross margin per turbine can be affected by developments in copper and nickel prices. In order to hedge this risk, Vestas enters into forward contracts to purchase copper and nickel at a fixed price at a time corresponding to the time when Vestas purchases the raw materials. These contracts are entered into with banks and are settled on a cash basis.

The Vestas Group hedges 80 per cent of the values of expected copper and nickel purchases for the purpose of wind turbine production by means of forward contracts.

The fair value of the commodity hedges outstanding at the balance sheet date amounts to EUR 0m (2007: EUR (2)m), which has been recognised in equity.

The isolated effects of a 10 per cent increase or decline in the price curve for copper and nickel at the balance sheet date are specified as follows:

	2008	2007
10 per cent increase		
Equity	1	2
Profit for the year	0	0
10 per cent decline		
Equity	(1)	(2)
Profit for the year	0	0

The above analysis is based on the outstanding hedge instruments at the balance sheet date.

The hedging of copper and nickel is considered to be an effective cash flow hedge and changes in the value of these are recognised in the statement of changes in equity. The sensitivity analyses are prepared on the assumption that all other factors are kept constant. The difference between the 2008 and 2007 values are solely due to differences in the volumes of copper and nickel purchased.

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

Interest rate risks

The Group's interest rate risk relates to interest rate fluctuations that can affect the Group's cash flows related to interest payments and receipts and the fair value of financial instruments. The Group covers the risk related to changed cash flows on net debt. It is the Group's policy to hedge this risk on Group loans. Hedging is usually made by entering into interest rate swaps where floating-rate loans are converted into fixed-interest loans.

Sensitivity analysis – interest rate risks

Vestas expects the level of interest rates in the euro zone to be affected by changes in the USA. Based on trends in the USA, Vestas expects that the level of interest rates in the euro zone may increase or decline by up to 1 percentage point. An increase or decline of 1 percentage point in the level of interest rates at the balance sheet date in relation to the outstanding SWAPS will have the following effect on equity and the income statement:

	2008	2007
1 percentage point increase		
Equity	2	9
Profit for the year	2	8
1 percentage point decline		
Equity	(2)	(9)
Profit for the year	(2)	(8)

The Group's interest-bearing financial assets and liabilities have the following term to contractual review or maturity, depending on which date occurs first. The differences in between 2008 and 2007 values are solely due to differences in the interest bearing assets and liabilities.

	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1year	1–5 years	> 5 years			
2008						
Financial liabilities						
Mortgage debt	3	4	6	13	9	4.7
Debt to credit institutions	42	3	1	46	1	4.9
Bank debt	64	0	0	64	0	3–6
	109	7	7	123	10	
Financial assets						
Trade receivables	938	0	0	938		
	938	0	0	938		

	Time of review/maturity			Total	Fixed-interest part	Effective interest rate (%)
	< 1year	1–5 years	> 5 years			
2007						
Financial liabilities						
Mortgage debt	8	28	26	62	26	5.3
Debt to credit institutions	16	51	20	87	15	4.9
Bank debt	1	0	0	1	0	4.9
	25	79	46	150	41	
Financial assets						
Trade receivables	660	0	0	660	0	
	660	0	0	660	0	

The effective interest rates have been calculated at the balance sheet date.

37 DERIVATIVE FINANCIAL INSTRUMENTS, RISK AND FINANCIAL MANAGEMENT (CONTINUED)

Interest rate hedging agreements (cash flow hedges)

It is Group policy to hedge all interest rate risks on Group loans. Hedging is usually made by entering into interest rate swaps where floating-rate loans are converted into fixed-rate loans.

The fair value of the interest rate swaps entered into to hedge the interest rate risk on floating-rate loans outstanding at the balance sheet date amounts to EUR 1m (2007: EUR 1m), which has been recognised in equity. The principal of interest rate swaps entered into amounts to EUR 0m (2007: EUR 1.1m) and the remaining time to maturity of up to 19 months (2007: 31 months).

Financial management

In connection with financial management it is the Group's objective to create the necessary stability to implement strategic development work while in the long term achieving a competitive return for the company's shareholders. At the same time, the Group has the objective of reducing cost of capital.

The Group's possible methods of maintaining or changing its capital structure are: adjustment of the dividends level; share buy-backs; issuing of new shares; new borrowing, change of the level of funding from prepayments received and credit granted by suppliers or the sale of assets to reduce debts.

The Group assesses its financial position on the basis of the debt-equity ratio calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts. It is Vestas' long-term target to maintain a solvency ratio of at least 40 per cent.

38 SUBSEQUENT EVENTS

Orders

In 2009, Vestas announced large orders for supply of wind turbines with a total capacity of more than 250 MW. Vestas' company announcements and press releases regarding these orders are available at vestas.com/investor.

Fraud case in Spain

In January, Vestas announced that a fraud case had been initiated against employees at the time and former employees of Vestas Eólica S.A.U. The investigation of the case has been handed over to the Spanish authorities.

39 NEW ACCOUNTING REGULATIONS

The following standards and interpretations are not yet in effect. Vestas expects to adopt them at the effective date proposed by the IASB. The changes to IAS 27 and 39, IFRS 1 and 3 as well as IFRIC 12 and 15–17 have not yet been adopted by the EU

Amendment of IAS 1 on presentation of the consolidated financial statements to the effect that the balance sheet should include comparative figures for three years in the event of changes to accounting policies, and that the statement of total recognised income currently presented in the statement of changes in equity should be included either in the income statement (statement of comprehensive income) or as a separate statement. The change is effective for accounting periods beginning 1 January 2009 or later.

Amendment of IAS 23 on borrowing costs, which implies that borrowing costs are to be included in the cost of assets with a long production period. The change is effective for accounting periods beginning 1 January 2009 or later. The impact to Vestas would be immaterial as borrowing in the medium term is expected to be low and is centralised.

Amendment of IAS 27 on consolidated financial statements, according to which losses should be allocated proportionately to the minority share and changes to the ownership of a subsidiary should be treated as an equity transaction as long as control of the subsidiary is maintained. The change is effective for accounting periods beginning 1 January or later. Vestas has no minority interests at present. Vestas expects to comply with the requirements for subsidiaries.

Amendment to IAS 32 financial instruments which deals with the treatment of financial instruments that can be redeemed or becomes an obligation on liquidation of an entity. The change is effective for accounting periods beginning 1 January 2009 or later. Vestas does not have such financial instruments.

Amendment to IAS 39 financial instruments disallows the time value of an option to reflect the hedged risk and that it is only possible to hedge the inflation element for a financial entry when it is contractual determined. The change is effective for accounting periods beginning 1 January 2009 or later. Vestas does not undertake such hedging.

Amendment to IFRS 1 first-time adoption of IFRS to allow investments in subsidiaries to be booked at fair value or book value in the parent company's accounts on adoption of IFRS. The change is effective for accounting periods beginning 1 January 2009 or later. This will not be relevant to Vestas as Vestas does not expect to apply IFRS to the parent company's annual accounts.

Amendment to IFRS 2 share based payments clarifies that vesting conditions are service conditions and performance conditions only. It also, clarifies that cancellation by either the entity or by other parties should be accounted for the same. The change is effective for accounting periods beginning 1 January 2009 or later. Vesting conditions for Vestas' executive option programs are only service and performance condition. To date there has been no cancellations and these would be treated in line with the amendment if it occurs in due course.

Amendment of IFRS 3 on business combinations has several implications on business acquisitions. Among other things, it will be possible to recognise goodwill on the minority interest, and conditional consideration should always be recognised at fair value. Changes to conditional consideration beyond a maximum of 12 months from acquisition should be recognised in the income statement. Transaction costs should not be included in the purchase consideration of acquired businesses instead it should be recognised directly in the income statement. The purchase consideration will have to include the fair value of the investments in the new subsidiary held prior to the acquisition date. The change is effective for accounting periods beginning 1 July 2009 or later.

IFRS 8 on operating segments, which requires identification of segments and segment reporting based on management reporting, is a change from the existing IAS 14 on segment reporting requiring identification of the segments to be based on return, risk, business segments and geographical areas. The implementation of IFRS 8 does not affect recognition and measurement, but only affects the note disclosures on segments in the annual report. The change is effective for accounting periods beginning 1 January 2009 or later.

Improvements to IFRSs (May 2008), effective in 2009, resulted in minor improvements to a number of standards and it is not expected to have material effect on Vestas' financial reporting.

IFRIC 12, effective from 1 January 2008 or later, describes the accounting treatment of concession agreements. The interpretation is currently not relevant to Vestas.

IFRIC 13, effective from 1 July 2008 or later, on customer loyalty programmes. Vestas has not to date used such programmes and the interpretation is therefore not relevant to the Group.

IFRIC 15 on agreements for the construction of real estate and similar construction contracts. The objective of the interpretation is to clarify the definition of construction contracts and the clarification of when a construction contract should be treated under IAS 11 or IAS 18 and to provide more guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18. The interpretation is effective for accounting periods beginning 1 January 2009 or later. On preliminary assessment Vestas correctly classifies its contracts according to the guidance in the interpretation. However, Vestas continues to explore the full implications of IFRIC 15.

IFRIC 16 on hedging of net investment in a foreign operation. IFRIC 16 eliminates the possibility of an entity not to hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The interpretation is effective for accounting periods beginning 1 January 2009 or later. This interpretation does not affect Vestas as it does not hedge net investments in foreign operations.

IFRIC 17 on distribution of Non-cash Assets to owners. IFRIC 17 states that dividend distributed as non-cash should be measured at fair value. The interpretation is effective for accounting periods beginning 1 July 2009 or later. The interpretation is expected to be of no consequence to Vestas.

GROUP COMPANIES¹⁾

Name	Place of registered office	Share capital	Votes and ownership	
Parent company				
Vestas Wind Systems A/S	Randers, Denmark	tDKK	185,204	-
Production units				
Vestas Nacelles A/S	Randers, Denmark	tDKK	343,000	100%
Vestas Machining A/S	Randers, Denmark	tDKK	52,000	100%
Vestas Assembly A/S	Randers, Denmark	tDKK	300,000	100%
Vestas Nacelles Italia S.r.l.	Taranto, Italy	tEUR	16,423	100%
Vestas Nacelles Deutschland GmbH	Lübeck, Germany	tEUR	25	100%
Vestas Nacelles Spain S.A.	Viveiro, Spain	tEUR	601	100%
Vestas Nacelles America Inc.	Windsor (CO), USA	tUSD	1,000	100%
Vestas Castings Magdeburg GmbH	Magdeburg, Germany	tEUR	260	100%
Vestas Castings Group AS	Kristiansand, Norway	tNOK	40,000	100%
Vestas Castings Guldsmeshyttan AB	Guldsmeshyttan, Sweden	tSEK	11,000	100%
Vestas Castings Kristiansand AS	Kristiansand, Norway	tNOK	31,170	100%
Valle Modelverksted AS	Kristiansand, Norway	tNOK	350	100%
Vestas Castings (Xuzhou) Co. Ltd.	Xuzhou, China	tCNY	172,119	100%
Vestas Blades A/S	Randers, Denmark	tDKK	91,000	100%
Vestas Blades Deutschland GmbH	Lauchhammer, Germany	tEUR	26	100%
Vestas Blades Italia S.r.l.	Taranto, Italy	tEUR	21,364	100%
Vestas Blades UK Ltd.	Isle of Wight, England	tGBP	44,000	100%
Vestas Blades Australia Pty. Ltd.	Portland (VIC), Australia	tAUD	16,000	100%
Vestas Wind Technology (China) Co. Ltd.	Tianjin, China	tCNY	483,589	100%
Vestas Blades America Inc.	Windsor (CO), USA	tUSD	12,000	100%
Vestas Blades Spain S.L.U.	Madrid, Spain	tEUR	23,000	100%
Vestas Control Systems A/S	Randers, Denmark	tDKK	11,000	100%
Vestas Control Systems Spain S.L.U.	Olvega, Spain	tEUR	384	100%
Vestas Towers A/S	Randers, Denmark	tDKK	55,000	100%
Vestas Torres Spain S.L.U.	Zaragoza, Spain	tEUR	500	100%
Vestas Towers America Inc.	Windsor (CO), USA	tUSD	1,000	100%
Sales and service units				
Vestas Americas A/S	Randers, Denmark	tDKK	50,000	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD	105,856	100%
Vestas - Canadian Wind Technology Inc.	Kincardine (ON), Canada	tCAD	92,010	100%
Vestas Central Europe A/S	Randers, Denmark	tDKK	57,000	100%
Vestas Deutschland GmbH	Husum, Germany	tEUR	16,873	100%
Vestas Services GmbH	Husum, Germany	tEUR	25	100%
Vestas Benelux B.V.	Rheden, The Netherlands	tEUR	1,362	100%
Vestas Österreich GmbH	Moosbierbau, Austria	tEUR	7,035	100%
Vestas Czechia s.r.o.	Olivova, Czech Republic	tCZK	289	100%
Vestas Hungary Kft.	Budapest, Hungary	tHUF	526	100%
Vestas Bulgaria EOOD	Sofia, Bulgaria	tBGN	5	100%
Vestas CEU Romania S.R.L	Buresti, Romania	tRON	8	100%
Vestas Central Europe Zagreb d.o.o	Zagreb, Croatia	tHRK	20	100%

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

GROUP COMPANIES

Name	Place of registered office	Share capital	Votes and ownership	
Sales and service units (continued)				
Vestas Northern Europe A/S	Randers, Denmark	tDKK	100,000	100%
Vestas - Celtic Wind Technology Ltd.	Warrington, England	tGBP	8,200	100%
Vestas Northern Europe AB	Malmö, Sweden	tSEK	1,000	100%
Vestas Poland Sp.z.o.o.	Szczecin, Poland	tPLN	435	100%
NEG Micon UK Ltd.	Cheltenham, England	tGBP	4,000	100%
Vestas Northern Europe (Ireland) Ltd.	Dublin, Ireland	tEUR	1,000	100%
Vestas Asia Pacific A/S	Randers, Denmark	tDKK	33,000	100%
Vestas Asia Pacific Wind Technology Pte. Ltd.	Singapore, Singapore	tSGD	1,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Melbourne, Australia	tAUD	53,000	100%
Vestas Korea Wind Technology Corp.	Seoul, South Korea	tKRW	500,000	100%
Vestas New Zealand Wind Technology Ltd.	Wellington, New Zealand	tNZD	100	100%
Vestas Taiwan Ltd.	Tapei City, Taiwan	tTWD	500	100%
Vestas Wind Technology (Beijing) Co. Ltd.	Beijing, China	tCNY	8,171	100%
Vestas - Danish Wind Technology A/S	Ringkøbing, Denmark	tDKK	30,000	100%
Vestas Wind Technology India Pvt Limited	Chennai, India	tINR	1,490,150	100%
Vestas Wind Technology Japan Co. Ltd.	Tokyo, Japan	tJPY	100,000	100%
Vestas Mediterranean A/S	Randers, Denmark	tDKK	50,000	100%
Vestas Italia S.r.l.	Taranto, Italy	tEUR	3,000	100%
Vestas Hellas Wind Technology S.A.	Athens, Greece	tEUR	510	100%
Vestas Eólica SAU	Barcelona, Spain	tEUR	13,180	100%
Vestas France SAS	Montpellier, France	tEUR	5,040	100%
VestasPor Serviços de Tecnología Eólica Lda.	Maia, Portugal	tEUR	6,000	100%
Vestas Mexico S.A. de C.V.	Condesa, Mexico	tMXN	156	100%
Vestas do Brasil Ltda.	Rio de Janeiro, Brazil	tBRL	2,502	100%
Vestas Argentina S.A.	Buenos Aires, Argentina	tARS	66	100%
Vestas Chile Turbinas Eólica Limitade	Santiago, Chile	tCLP	5,080	100%
Vestas Rüzgar Enerjisi Sistemleri Sanayi ve Ticaret Ltd. Sirket	Istanbul, Turkey	tTRY	4,300	100%
Vestas Offshore A/S	Randers, Denmark	tDKK	97,000	100%
Vestas Offshore Applications B.V.	Ijmuiden, The Netherlands	tEUR	18	100%
Vestas Offshore UK Ltd.	Warrington, England	tGBP	11,500	100%
Vestas Spare Parts & Repair A/S	Randers, Denmark	tDKK	50,000	100%
Vestas Spare Parts Belgium	Brussels, Belgium	tEUR	500	100%
Other subsidiaries and associates				
Vestas Wind Technology (China) Co. Ltd.	Hohhot, Inner Mongolia	tCNY	321,799	100%
Vestas India Holding A/S	Randers, Denmark	tDKK	267,110	100%
Wind Power Invest A/S	Ringkøbing, Denmark	tDKK	25,000	100%
Vestas Technology (UK) Limited	Isle of Wight, England	tGBP	90	100%
Vestas Technology R&D Singapore Pte. Ltd.	Singapore, Singapore	tSGD	1,500	100%
Vestas Technology R&D Chennai Pte. Ltd.	Chennai, India	tINR	40,000	100%
Vestas Technology R&D Americas Inc.	Houston (TX), USA	tUSD	1,000	100%
GREP A/S	Randers, Denmark	tDKK	12,000	100%
Vindkompaniet Svenska AB	Falkenberg, Sweden	tSEK	1,824	100%
GREP USA Inc.	California, USA	tUSD	2,001	100%
GREP Wind Power Inc.	California, USA	tUSD	1,100	100%
Pecsa, Plantas Eólicas De Canarias Sociedad Anónima	Las Palmas, Spain	tEUR	1,496	49.8% ²⁾
Planta Eólica Europea S.A.	Tarifa, Spain	tEUR	1,199	44.0% ²⁾
Windco, LLC	California, USA	tUSD	39	38.0% ²⁾

2) Associates (wind farms).

MANAGEMENT'S STATEMENT

The Executive Management and the Board of Directors have today discussed and approved the annual report of Vestas Wind Systems A/S for the financial year 2008.

The consolidated accounts have been prepared in accordance with the annual accounts of the International Financial Reporting Standards as adopted by the EU, and the annual accounts for the parent company have been prepared in accordance with the Danish Financial Statements Act. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of

the Group's and the parent company's financial position at 31 December 2008 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2008.

Furthermore, in our opinion the management report gives a true and fair view of the development in the Group's and the parent company's operations and financial conditions, profit for the year and of the Group's and the parent company's financial position as a whole and a description of significant risks and uncertainties that the Group and the parent company are facing.

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

Randers, 11 February 2009

Executive Management

Ditlev Engel
President and CEO

Henrik Nørremark
Executive Vice President
and CFO

Board of Directors

Bent Erik Carlsen
Chairman

Torsten Erik Rasmussen
Deputy Chairman

Arne Pedersen

Elly Smedegaard

Freddy Frandsen

Jørgen Huno Rasmussen

Jørn Ankær Thomsen

Kim Hvid Thomsen

Kurt Anker Nielsen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

THE INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VESTAS WIND SYSTEMS A/S

We have audited the annual report of Vestas Wind Systems A/S for the financial year 1 January – 31 December 2008, which comprise the statement by the Executive Management and the Board of Directors, the Management report sections on corporate governance, financial highlight for the Group, and shareholders and the stock exchange as well as accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated accounts and the annual accounts for the parent company. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the annual report of the parent company have been prepared in accordance with the Danish Financial Statements Act. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for the annual reports of listed companies.

The audit did not comprise the "Non-financial highlights for the Group" and "Non-financial issues" on pages 7 and 100–104, respectively in respect of which a separate statement has been issued on page 105.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards as adopted by the EU, and the preparation and fair presentation of the annual accounts for the parent company in accordance with the Danish Financial Statements Act, and additional Danish disclosure requirements for the annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Executive Management and the Board of Directors, as well as evaluating the overall presentation of the annual report.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's financial position at 31 December 2008 and of the results of its operations and its cash flows for the financial year 1 January – 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In addition, in our opinion, the annual report gives a true and fair view of the financial position of the parent company at 31 December 2008 and of the results of its operations and its cash flows for the financial year 1 January – 31 December 2008 in accordance with the Danish Financial Statements Act.

Copenhagen, 11 February 2009

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab

Aarhus, 11 February 2009

KPMG

Statsautoriseret Revisionspartnerselskab

Carsten Gerner
State Authorised
Public Accountant

Søren Skov Larsen
State Authorised
Public Accountant

Jesper Koefoed
State Authorised
Public Accountant

Torben Ahle Pedersen
State Authorised
Public Accountant

WIND IS FAST

VESTAS INSTALLS A NEW TURBINE EVERY THREE HOURS AND EXPECTS THAT MODERN ENERGY WILL MEET AT LEAST 10 PER CENT OF WORLDWIDE DEMAND FOR ELECTRICITY BY 2020.

Non-financial issues

100	Comments on non-financial highlights
104	Accounting policies
105	The independent auditor's statement

Non-financial issues

COMMENTS ON NON-FINANCIAL HIGHLIGHTS FOR THE GROUP

Vestas has selected a number of non-financial highlights that are relevant to understanding Vestas' development, results and financial position. These key figures are monitored closely, and specific targets have been defined for relevant indicators. The basis on which the highlights have been selected and comments on their developments are provided on page 7.

Vestas' reporting of non-financial issues did not include the entire Vestas organisation until from 2006. Overall developments in non-financial issues from the period before 2006 are therefore subject to some degree of uncertainty. A good indicator of the proportion of Vestas comprised by the 2004 and 2005 reporting is the number of staff employed at the facilities covered by the reporting. This is shown in the chart below.

Vestas' growth is another key issue reflecting the development in total reported non-financial data. In the period 2004–2008, Vestas' revenue grew at an average annual rate of 27 per cent. Similarly, the volume of MW delivered to customers was up by 19 per cent per annum during the same period.

Specific non-financial highlights for the individual sites are provided in the description of the specific sites. The site descriptions define the most important processes at the individual site as well as environment and occupational health & safety aspects for the site. Also included is a description of the initiatives for 2008 which the site has carried out within environment and occupational health & safety. The site description also follows up on targets defined. The site descriptions are available at vestas.com/about Vestas under the menu Sustainability.

Occupational health & safety

Vestas applies the principle that all industrial injuries can be avoided, and the ultimate goal for the dedicated focus on safety is unambiguous; zero industrial injuries. The objective for 2012 is to achieve an incidence of five industrial injuries or less per one million working hours.

Incidence of industrial injuries

Since 2005, Vestas has reduced its incidence of industrial injuries by 47 per cent, which illustrates that the initiatives taken by the Group have an effect.

In 2008, focus was on creating a world-class safety culture at Vestas, among other things by ensuring management involvement in the initiatives and by ensuring that everyone is aware of the safety challenges involved. This was a contributing factor to a reduction in the incidence of industrial injuries from 31.6 in 2007 to 24.5 by the end of 2008, or a total reduction of 22 per cent.

The outcome falls short of the 2008 target of an incidence of industrial injuries of 15, but it is an important step in the right direction.

Absence due to illness

The total rate of absence due to illness for 2008 fell to 2.5 per cent from 2.8 per cent in 2007. By way of comparison, the average rate of absence due to illness cf. statistics from the Confederation of Danish Industries is 3.9 per cent.¹⁾ The rate of absence due to illness corresponds to Vestas having had about 452 full-time jobs on sick pay in 2008.

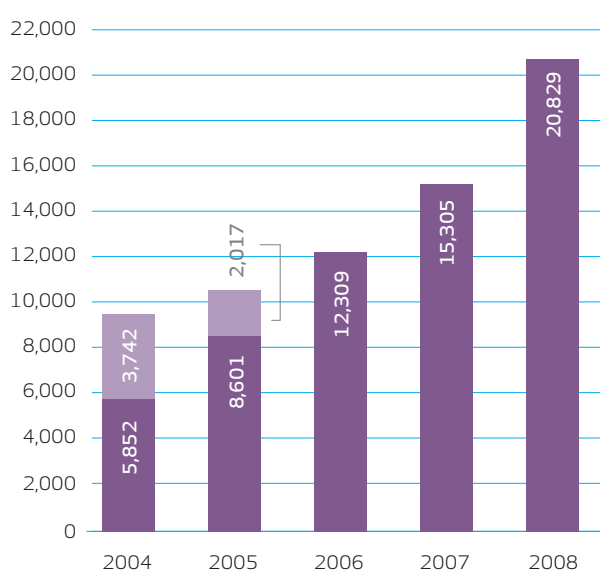
Absence due to illness for hourly-paid employees fell by 8 per cent from 3.6 per cent in 2007 to 3.3 per cent in 2008. The level was higher than the target level of 2.5 per cent for 2008, which is unsatisfactory.

Absence due to illness for salaried employees fell from 1.4 per cent in 2007 to 1.1 per cent in 2008.

CO₂ savings for products supplied in 2008

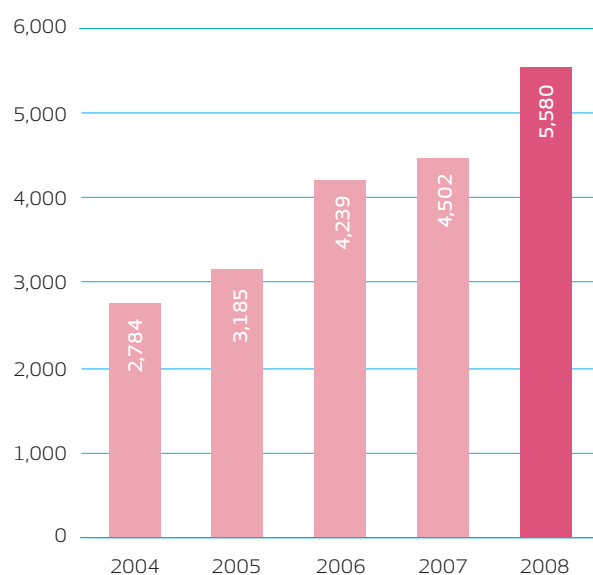
In 2008, Vestas delivered wind turbines with an aggregate capacity of 5,580 MW, an increase of 24 per cent on 2007. The annual electricity output generated by the turbines delivered corresponds to the annual electricity consumption of approx 3.7 million EU households.²⁾

Number of Vestas employees at 31 December



■ Number of employees included in the reporting of non-financial issues.

MW delivered



5,580 MW will annually save the environment from 7 million tonnes of CO₂

The electricity generated annually by the turbines delivered will result in savings of 7 million tonnes of CO₂ in relation to average electricity production in the world. The production of electricity in the world on average results in emissions of 505 grams of CO₂ per kWh.³⁾ By way of comparison, a V90-3.0 MW onshore wind turbine emits approx 5 grams of CO₂ per kWh during the lifetime of the turbine.

During their time of operation, the wind turbines will generate electricity production corresponding to savings of approx 148 million tonnes of CO₂. This corresponds to about 28 per cent of Australia's CO₂ emissions in 2006 or about 34 per cent of Spain's CO₂ emissions in 2006.⁴⁾

A Vestas wind turbine has an energy balance of about seven months, as the turbine generates the same amount of energy during this period as is used to manufacture, transport, service, dismantle and dispose of the wind turbine. After the seven months, the output of electricity is CO₂ neutral for the remaining part of the turbine's operation.⁵⁾

The most effective way of reducing energy and raw material consumption is therefore to increase the turbine's output in relation to material and resource consumption. The more MWh generated per kg of material used, the lower the impact on the environment, climate, Earth's resources and Vestas' local communities. Today, 80 per cent of a V90-3.0 MW turbine can be recycled. Vestas is seeking to increase this percentage. More and more robust and predictable MWh per kg of material used is the motivation for Vestas' massive investments in R&D centres around the world.

In relation to the MW delivered and index 100 in 2006, Vestas' total emission of CO₂ has increased to index 112 in 2008 from index 109 in 2007. The increase relates to the consumption of energy forms with direct CO₂ emission increasing more than the increase of delivered MW. Approx half of Vestas' CO₂ emission can be linked to transportation.

CHANGE IN ACCOUNTING POLICIES

As from 2009, Vestas is changing its accounting policy for calculation of incidence of industrial injuries so that the figure will henceforth include working hours for both hourly-paid and salaried employees.

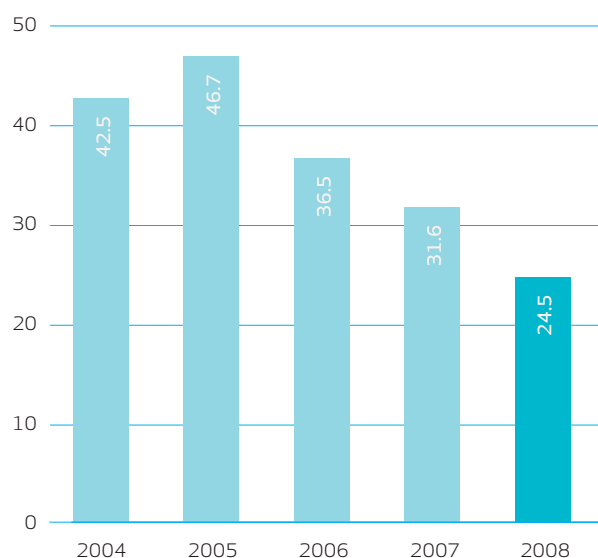
The change in accounting policy is made in compliance with international best practice in which all related working hours are included.

The incidence of industrial injuries expresses the number of incidents per 1,000,000 working hours. Until now, the incidence rate has been calculated as the number of incidents resulting in at least one day's absence in addition to the day of the actual incident divided by the number of working hours for hourly-paid employees.

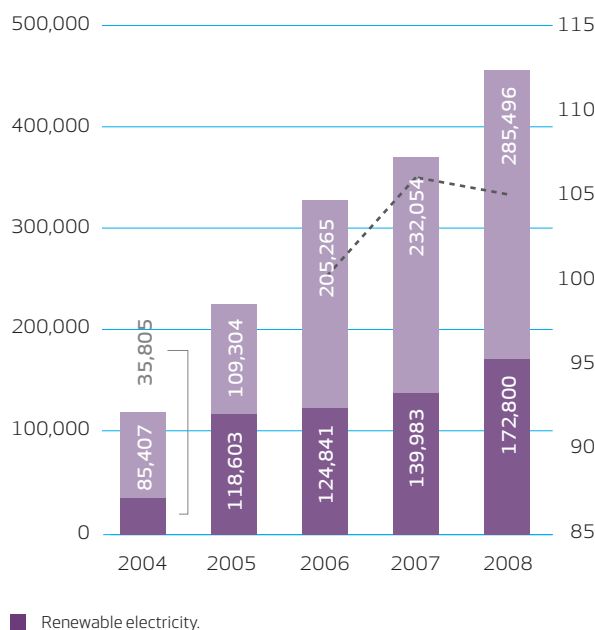
Incidence of injuries restated to the new reporting principle

	Target 2012	2008	2007	2006	2005	2004
New	3	15.6	20.8	25.3	33.8	31.5
Previous	5	24.5	31.6	36.5	46.7	42.5

Incidence of industrial injuries (per one million working hours)



Consumption of energy (MWh)



"As green as it gets"

Under the motto "As green as it gets", in 2008, Vestas dedicated its focus on two major challenges to society: Consumption of energy and water and waste disposal.

Energy consumption

The energy consumption controlled by Vestas itself accounts for about 1.2 per cent of the total energy consumption for turbine production, transport, installation, dismantling and waste disposal. The most energy-intensive part of a wind turbine's lifetime involves metal extraction and processing, which account for about 50 per cent of the total energy consumption.⁵⁾

In 2008, Vestas introduced a new and ambitious procurement policy aimed at increasing the share of renewable electricity to more than 90 per cent by 2010.

The share of renewable electricity in Vestas' overall electricity consumption was increased from 66 per cent in 2007 to 68 per cent in 2008. Since 2000, Vestas has pursued procurement schemes for renewable energy at certain locations. In 2008, the following locations began to procure renewable electricity: The nacelle assembly factory in Taranto (Italy); the foundry in Kristiansand (Norway); the blade factory in Windsor, Colorado (USA); the blade factory in Lauchhammer (Germany); and the sales and service offices in Germany, Spain and Portugal. This development is expected to continue in 2009 and 2010 as the procurement schemes will be renegotiated.

In 2008, overall energy consumption rose by 23 per cent compared with 2007. This rise is attributable to the increased production at Vestas' blade factories, expansion projects and the establishment of a shuttle arrangement available for Vestas employees in Tianjin (China), where approx 1,300 employees are transported back and forth to work every day. In relation to the MW delivered and index 100 in 2006, the total consumption decreased from index 106 in 2007 to index 105 in 2008.

The intensive focus on energy-compatible planning of new buildings and of conversion projects for existing buildings will help reduce the energy consumption further.

Water consumption

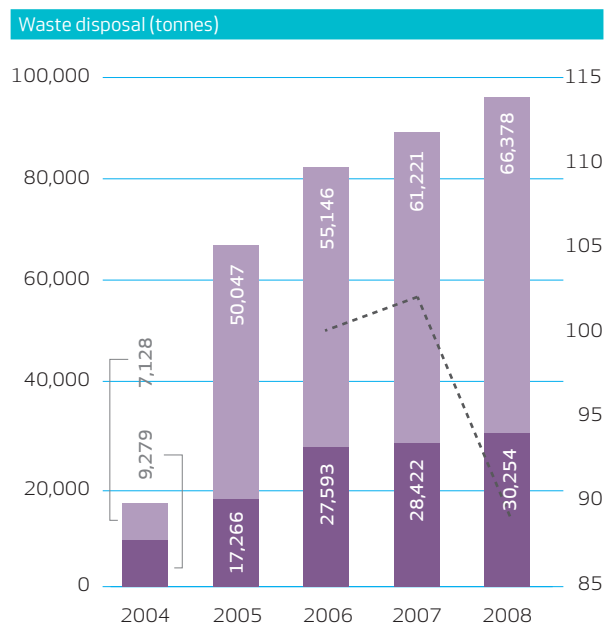
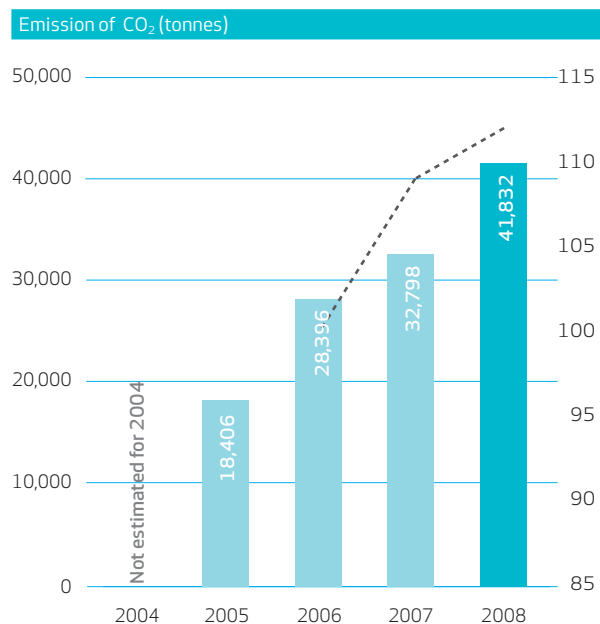
In a life cycle perspective for a V90-3.0 MW turbine, approx 50 litres of water is consumed per MWh generated. This consumption includes metal extraction and processing as well as manufacture, transport, installation, maintenance, dismantling and disposal of the turbine. The consumption is relative to conventional electricity production and manufacturing of plastic.

The total water consumption is reduced by 14 per cent, from 554,516 m³ in 2007 to 474,958 m³ in 2008. The reduction is primarily related to establishment of a new less water consuming process at the casting factory in Kristiansand (Norway) and less watering of outdoor areas at the Vestas factories in China. Vestas focuses on reducing its water consumption, partly by reducing the internal water consumption that Vestas can influence directly, partly by optimising its product development to reduce consumption of resources.

Waste disposal

The recycling rate was unchanged from 2007 at approx 31 per cent. The total volume of waste and scrap rose by about 8 per cent from 89,643 tonnes in 2007 to 96,632 tonnes in 2008, which should be viewed against the background of a 24 per cent increase in delivered MW. Compared with index 100 in 2006, the total amount of waste has decreased from index 102 in 2007 to index 89 in 2008.

The decrease in waste volumes is primarily related to Vestas' focus on improvements of quality of the production process. As an example, the amount of waste from the foundry in Guldsmidshyttan (Sweden) has decreased by 2,217 tonnes, due to a higher level of recycling at the foundry and less generation of waste due to improved product quality.



■ Share of recycling.

Vestas seeks to recycle and use its waste products, but since Vestas' growth is achieved primarily in parts of the world where recycling opportunities have traditionally been very low, this is a lengthy process, and the share of waste for recycling has therefore fallen in the last couple of years.

Waste for recycling primarily consists of metals, wood, paper, oil, plastic and composites. Whilst Vestas disposes of metals for recycling at all of its locations, the possibilities for disposal of the remaining fractions vary from location to location. Especially for composite waste from Vestas' blade factories, there are only recycling possibilities for the blade factories in Denmark and Germany.

About half of Vestas' waste consists of sand from iron foundries. Before the sand is disposed of, it is subject to a recycling process at the foundry in which about 90 per cent of the sand is recycled. The recycling of the sand is carried out at Vestas' castings factories, except the casting factory in Lidköping (Sweden), where a recycling plant is expected in use in March 2009. Sand from the moulding process is primarily taken to landfills. At Vestas' foundry in Kristiansand (Norway), a project has been launched with a view to recycling the sand. In 2008, about 4,237 tonnes of sand were recycled at Kristiansand for soil improvement projects at golf courses.

Management system

In 2008, all Vestas units had an environment and health & safety management system that was certified according to ISO 14001 and OHSAS 18001 with few exceptions. The foundry factories in Magdeburg (Germany), Guldsmidshyttan and Lidköping (Sweden) are not yet certified according to OHSAS 18001. Vestas has worked systematically to improve occupational health and safety aspects during the past ten years. The introduction of environment and occupational health & safety management is considered an important tool in this context.

The objective for 2008 was for all Vestas activities to be certified by the end of 2008. The objective was not accomplished for certification according to OHSAS 18001, but Vestas finds it very satisfactory that the percentage of employees working at sites certified according to ISO 14001 has increased by 20 percentage points from 80 per cent in 2007 to 100 per cent in 2008, while the increase for OHSAS 18001 was 14 percentage points from 84 per cent in 2007 to 98 per cent in 2008. The remaining units are expected to be certified by the end of the first half of 2009.

Vestas' policy for the new units is that they must be ready for external certification within six months after operation start.

- 1) Confederation of Danish Industries: "Personale – Fraværstatistik 2007". Copenhagen, 2008.
- 2) An EU household used 4,000 kWh of electricity on average in 2005, based on statistics from EUROSTAT, 2007.
- 3) IEA: "CO₂ emissions from fuel consumption". Paris, 2008.
- 4) Total CO₂ emissions in Australia in 2006 were 536 million tonnes of CO₂. Total CO₂ emissions in Spain in 2006 were 433 million tonnes of CO₂. UNFCCC: "National greenhouse gas inventory data for the period 1990-2006". Bonn, 2008.
- 5) Vestas: "Life cycle assessment of offshore and onshore sited wind power plants based on Vestas V90-3.0 MW turbines". Randers, 2006.

THE V90-3.0 MW WIND TURBINE

Lighter, more robust and more efficient wind turbines is a concept that Vestas has introduced in order to develop turbines with the lowest Cost of Energy.

A V90-3.0 MW turbine weighs 12 per cent less than a V80-2.0 MW turbine, whereas its output is 50 per cent higher. The lighter the turbine, the lower the impact on the environment.

Key figures for the V90-3.0 MW wind turbine

KWh produced per kg turbine	460 kWh/kg
Energy balance	6.6 months
CO ₂ emitted during life cycle	732 tonnes
CO ₂ saved compared to average electricity production in the world	124,500 tonnes
Savings equal emissions from	11,400 persons

The above calculation is based on the following assumptions: CO₂ emissions per kWh at the most efficient coal-fired unit in the world are 790 grams of CO₂ per kWh, and emission per person is set at 10.9 tonnes, cf. OECD/IEA: "Fuel-fired Power generation". Paris, 2007.



ACCOUNTING POLICIES FOR NON-FINANCIAL HIGHLIGHTS FOR THE GROUP

All companies wholly owned by the Vestas Group are covered by the reporting. The same measurement and calculation methods are applied at all Vestas sites.

Occupational health & safety

Occupational health & safety is measured for all activities under the organisational structure. Industrial injuries of hourly-paid employees and salaried employees are stated on the basis of registration of incidents that have caused one day's absence or more in addition to the day of the incident itself. For 2008, injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of injuries per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees the injuries are reported by Vestas and working hours are given by the subcontractor. Absence due to illness is defined as hours absent due to illness, exclusive of absence caused by industrial injuries, maternity leave and child's first day of illness. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards (hourly-paid employees) and absence records (salaried employees), respectively.

Delivered MW

Delivered MW is stated as installed effect of the wind turbines that were transferred to the customer in the accounting period.

CO₂ savings from the delivered MW

CO₂ savings are calculated on the basis of a capacity factor of 30 per cent of the delivered MW, an expected lifetime of 20 years of the delivered MW, and the latest updated standard factor from the International Energy Agency (IEA) of average CO₂ emission for electricity in the world, at present 505 grams of CO₂ per kWh.

Metals and other raw materials, etc.

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

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

Energy consumption

Electricity, gas and district heating are measured on the basis of quantities consumed according to direct meter readings per

site including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind turbines. Oil for heating is stated on the basis of external purchase adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water and geothermal heat. Nuclear power is not considered to be renewable energy.

Water consumption

The consumption of water is stated as measured consumption of fresh water. Water of less quality than drinking water is a part of the fresh water consumption and is primarily used for watering of the outdoor areas and process water. Cooling water from a stream, river or a lake etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

Waste and disposal

Waste, including waste for recycling is stated on the basis of weight slips received from the waste recipients for deliveries effected in the accounting period, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load.

CO₂ emission

Emission of CO₂ is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the Danish Energy Authority.

Breaches of internal inspection conditions

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

Environmental accidents

Accidental release of substance that Vestas considers to have an irreversibly affect of the environment.

Management systems

Percentage of Vestas certified according to ISO 14001 and OHSAS 18001, respectively is stated on the basis of the number of employees in the certified departments.

Complaints from neighbours

Complaints from neighbours are not commented in the data for the Group for accounting year 2008, as they are considered not relevant. Specific data can be found at the specific site descriptions at vestas.com/about Vestas under the menu Sustainability.

THE INDEPENDENT AUDITOR'S STATEMENT CONCERNING NON-FINANCIAL HIGHLIGHTS FOR 2008

We have made an assessment of Vestas Wind Systems A/S' non-financial key figures and indicators for 2008, stated on page 7, in the annual report for 2008.

Criteria for the preparation of reporting on non-financial issues

Pages 17-18, 23 and 100-103 of the annual report for 2008 include the Management's reasons for choice of the non-financial highlights relevant for integration in the annual report page 7. The non-financial key figures and indicators have been included in the annual report for 2008 according to the accounting policies for non-financial highlights for the Group applied and described on page 104.

The preparation of the reporting on non-financial issues and non-financial highlights is the responsibility of the Company Management. Our responsibility is to express an opinion on the reporting on non-financial key figures and indicators based on our assessment.

Basis of opinion

Our work has been planned and performed in accordance with the International Standard on Assurance Engagements, ISAE 3000 (other assurance than audit or review of historical, financial information) to obtain reasonable assurance that the data stated on page 7 have been computed in accordance with the criteria for the preparation of reporting on non-financial highlights.

Based on an assessment of materiality and risk, our work has comprised accounting technical analyses, inquiries and spot-checks of systems, data and underlying documentation, including test that the guidelines for measurement and statement of data have been followed. We have assessed the expediency of the internal recording and reporting system as basis for consistent recording and reporting on the non-financial environmental and occupational health & safety data.

Opinion

In our opinion, the non-financial key figures and indicators included on page 7 of the annual report for 2008 have been stated in accordance with the criteria mentioned.

Copenhagen, 11 February 2009

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Søren Skov Larsen
State Authorised
Public Accountant

Birgitte Mogensen
State Authorised
Public Accountant

WIND IS CLEAN

MODERN ENERGY DOES NOT EMIT
NO_x, SO_x, CO₂ AND DOES NOT
CONSUME H₂O. IN 2010, 50 PER CENT
OF VESTAS' TOTAL INTERNAL ENERGY
CONSUMPTION MUST BE GREEN.

Annual accounts for Vestas Wind Systems A/S

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Annual accounts for Vestas Wind Systems A/S

ACCOUNTING POLICIES FOR VESTAS WIND SYSTEMS A/S

The annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to enterprises of reporting class D, as well as the requirements laid down by NASDAQ OMX Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

Vestas Wind Systems A/S' functional currency is Danish kroner (DKK), but due to the international relations of the Group the annual accounts are presented in euro (EUR).

For adopted accounting policies refer to note 1 to the consolidated accounts on page 52. The denomination of the items in the parent company's annual accounts complies with the requirements of the Danish Financial Statements Act (DK GAAP) but conforms to the contents of the accounting policies according to IFRS. Refer to the section "Terminology" for a description of the main differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year.

The accounting policies of the parent company deviate from the Group's accounting policies in the following areas:

Reclassification

A change in the Danish Financial Statements Act, adopted in 2008, has resulted to a change in the presentation of share of profit from subsidiaries in the income statement. Previously the share of profit from subsidiaries was presented in two lines in the income statement namely profit before tax and tax on profit for the year. Going forward the share of profit from subsidiaries is presented in one line as share of profit after tax. Comparative figures from previous years are adjusted in line with the new classification.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured in the annual report of the parent company under the equity method.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the enterprise acquired.

Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item "Investments in subsidiaries". The item "Share of profit in subsidiaries after tax" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill).

Subsidiaries with a negative net asset value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value. Any legal or constructive obligation of the parent company to cover the negative balance of the company is recognised in provisions.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected cost of disposal or winding up. The gains or losses are included in the income statement.

Goodwill

Goodwill is included in the item "Goodwill" or in the item "Investments in subsidiaries" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is maximum 20 years, and which will be longest for enterprises acquired for strategic purposes with a long-term earnings profile.

Terminology

Net revenue (DK GAAP): revenue (IFRS)

Fixed assets (DK GAAP): non-current assets (IFRS)

Provisions (DK GAAP): non-current and current liabilities (IFRS)

Long-term debt (DK GAAP): non-current liabilities (IFRS)

Short-term debt (DK GAAP): current liabilities (IFRS)

INCOME STATEMENT 1 JANUARY – 31 DECEMBER FOR VESTAS WIND SYSTEMS A/S

mEUR	Note	2008	2007
Net revenue	1	893	406
Cost of sales	2	(408)	(466)
Gross loss		485	(60)
Selling and distribution expenses	2	0	0
Administrative expenses	2, 3	(233)	(140)
Operating loss		252	(200)
Share of profit in subsidiaries after tax	4	246	374
Financial income and expenses (net)	5	82	51
Profit before tax		580	225
Corporation tax	6	(85)	50
Profit for the year		495	275
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		(190)	287
Retained earnings		685	(12)
Dividends		0	0
Profit for the year		495	275

BALANCE AT 31 DECEMBER FOR VESTAS WIND SYSTEMS A/S - ASSETS, EQUITY AND LIABILITIES

mEUR	Note	2008	2007
Intangible assets	7	337	199
Property, plant and equipment	8	283	207
Investments in subsidiaries	9	1,491	1,551
Total fixed assets		2,111	1,957
Inventories	10	8	14
Receivables from subsidiaries		3,385	1,076
Other receivables	11	35	39
Corporation tax		9	6
Deferred tax	12	0	57
Investments		2	0
Total receivables		3,431	1,178
Investments		121	0
Cash at bank and in hand		2	503
Total current assets		3,562	1,695
Total assets		5,673	3,652
Share capital		25	25
Reserve for net revaluation under the equity method		262	495
Retained earnings		1,586	931
Total equity		1,873	1,451
Warranty provisions	13	163	164
Deferred tax	12	39	0
Other provisions	14	10	12
Total provisions		212	176
Mortgage debt	15	8	50
Debt to credit institutions	15	0	63
Total long-term debt		8	113
Short-term share of mortgage debt and debt to credit institutions	15	102	6
Trade payables		38	38
Payables to subsidiaries		3,354	1,840
Other liabilities		86	28
Short-term debt		3,580	1,912
Total debt		3,588	2,025
Total equity and liabilities		5,673	3,652
Mortgages and security	16		
Contractual obligations	17		
Contingent liabilities	18		
Related party transactions	19		
Currency and interest rate risks and the use of derivative financial instruments	20		
Subsequent events	21		

STATEMENT OF CHANGES IN EQUITY 1 JANUARY – 31 DECEMBER FOR VESTAS WIND SYSTEMS A/S

2008 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	25	495	931	1,451
Exchange rate adjustments from conversion to EUR	0	0	(1)	(1)
Exchange rate adjustments relating to foreign entities	0	(43)	0	(43)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	(4)	(4)
Fair value adjustments of derivative financial instruments	0	0	(38)	(38)
Share based payments	0	0	3	3
Tax on changes in equity	0	0	10	10
Profit for the year	0	(190)	685	495
Acquisition of treasury shares	0	0	0	0
Equity at 31 December	25	262	1,586	1,873

2007 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	25	218	970	1,213
Exchange rate adjustments from conversion to EUR	0	0	0	0
Exchange rate adjustments relating to foreign entities	0	(10)	0	(10)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	(3)	(3)
Fair value adjustments of derivative financial instruments	0	0	4	4
Share based payments	0	0	3	3
Tax on changes in equity	0	0	(1)	(1)
Profit for the year	0	287	(12)	275
Acquisition of treasury shares	0	0	(30)	(30)
Equity at 31 December	25	495	931	1,451

NOTES TO THE ANNUAL ACCOUNTS FOR VESTAS WIND SYSTEMS A/S (MEUR)

1 NET REVENUE

The net revenue in the parent company consists of management fee, service, royalty and rental income from other Group companies.

2 STAFF COSTS

	2008	2007
Staff costs are specified as follows:		
Wages and salaries, etc.	143	90
Pension schemes	8	5
Other social security costs	1	0
	152	95
For information regarding remuneration to the Board of Directors and to the Executive Management see note 6 to the consolidated accounts. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For option programme see note 31 to the consolidated accounts.		
Average number of employees	1,776	1,264

3 FEES TO AUDITORS APPOINTED BY THE GENERAL MEETING

	2008	2007
Audit:		
PricewaterhouseCoopers	1	1
KPMG	1	1
	2	2
Non-audit services:		
PricewaterhouseCoopers	1	1
KPMG	1	0
	2	1
	4	3

4 SHARE OF PROFIT IN SUBSIDIARIES

	2008	2007
Share of profit in subsidiaries before tax	379	519
Change in intercompany profit	0	71
Share of tax of subsidiaries	(119)	(202)
Amortisation of goodwill	(14)	(14)
	246	374

5 FINANCIAL INCOME AND EXPENSES

	2008	2007
Financial income from subsidiaries	107	88
Financial expenses to subsidiaries	(47)	(37)
Exchange rate adjustments	18	3
Investments (bonds)	1	0
Other financial income	19	11
Other financial expenses	(16)	(14)
	82	51

6 CORPORATION TAX

	2008	2007
Current tax on profit for the year	0	0
Deferred tax on profit for the year	83	(37)
Change to tax rate	0	3
Adjustments relating to previous years (net)	2	(16)
Total corporation tax for the year	85	(50)
Tax on entries in equity relating to deferred tax	(10)	1
Tax on entries in equity	(10)	1
Total tax for the year	75	(49)

7 INTANGIBLE ASSETS

	Completed development projects	Goodwill	Software	Development projects in progress	Total
2008					
Cost at 1 January	260	19	31	106	416
Additions	2	0	36	132	170
Disposals	(113)	0	0	0	(113)
Transfers	35	0	0	(35)	0
Cost at 31 December	184	19	67	203	473
Amortisation at 1 January	212	4	1	0	217
Amortisation for the year	25	1	6	0	32
Impairment for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	(113)	0	0	0	(113)
Amortisation at 31 December	124	5	7	0	136
Carrying amount at 31 December	60	14	60	203	337
Amortisation period	3–5 years	5–20 years	3–5 years		

8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
2008					
Cost at 1 January	199	21	15	28	263
Additions	30	1	14	47	92
Disposals	0	(5)	(4)	0	(9)
Transfers	23	1	0	(24)	0
Cost at 31 December	252	18	25	51	346
Depreciation at 1 January	38	10	8	0	56
Depreciation for the year	9	2	4	0	15
Reversal of amortisation on disposals in the year	0	(5)	(3)	0	(8)
Depreciation at 31 December	47	7	9	0	63
Carrying amount at 31 December	205	11	16	51	283
Assets held under finance leases included above amount to:	0	0	0	0	0
Depreciation period	25–40 years	3–10 years	3–5 years		

Total property value of the company's properties based on the latest public valuation amounts to EUR 86m.

9 INVESTMENTS IN SUBSIDIARIES

	2008
Cost at 1 January	1,055
Exchange rate adjustments from conversion to EUR	2
Additions	172
Disposals	0
Cost at 31 December	1,229
Value adjustments at 1 January	496
Exchange rate adjustments	(44)
Profit shares for the year	260
Dividend	(436)
Disposals	0
Amortisation of goodwill	(14)
Change in intercompany profit	0
Value adjustments at 31 December	262
Carrying amount at 31 December	1,491
Remaining positive difference included in the above carrying amount at 31 December	208

The companies in the Vestas Group are listed on pages 94–95 in the consolidated accounts.

10 INVENTORIES

	2008	2007
Raw materials and consumables	8	14
Work in progress	0	0
Finished goods	0	0
	8	14

11 RECEIVABLES

The carrying amount of receivables approximates their fair value.

12 DEFERRED TAX

	2008	2007
Deferred tax at 1 January	57	22
Deferred tax on profit for the year	(83)	37
Tax on entries in equity	10	(1)
Change in corporate tax rate	0	(3)
Adjustment relating to previous years	(23)	2
Deferred tax at 31 December (net)	(39)	57

13 WARRANTY PROVISIONS

	2008	2007
Warranty provisions at 1 January	164	166
Warranty provisions for the year	231	179
Used warranty provisions for the year	(232)	(181)
Warranty provisions at 31 December	163	164
The warranty provisions are expected to be payable as follows:		
0–1 year	114	131
1–5 years	49	33
	163	164

The product warranties, which in the great majority of cases cover both component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the turbine. In certain cases, a warranty of up to five years is granted. To the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions only include standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. Reference is made to page 26 of the Management report and note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

In addition to the above, provisions are made for upgrades of turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the identified type faults, etc. may lead to adjustments of previous estimates, upwards as well as downwards, affected by factual information about population size, costs of repair and the timing of such repair.

14 OTHER PROVISIONS

	2008	2007
Other provisions at 1 January	12	13
Provisions for the year	0	2
Used other provisions during the year	(1)	(3)
Adjustment relating to previous years provisions	(1)	0
Other provisions at 31 December	10	12
Other provisions are expected to be payable as follows:		
0-1 year	5	6
> 1 year	5	6
	10	12

15 LONG-TERM DEBT

	2008	2007
Short-term share of long-term debt breaks down as follows:		
Mortgage debt	0	5
Debt to credit institutions	102	1
	102	6
Long-term debt breaks down as follows:		
1-5 years	2	67
> 5 years	6	46
	8	113

The following amounts recognised in mortgage debt and debt to credit institutions relate to assets held under finance leases:

	2008			2007		
	Minimum lease payment	Interest	Carrying amount	Minimum lease payment	Interest	Carrying amount
0-1 year	0	0	0	2	1	1
1-5 years	0	0	0	9	6	3
> 5 years	0	0	0	32	12	20
	0	0	0	43	19	24

The finance leases of the parent company relates to administration and production buildings in 2007.

16 MORTGAGES AND SECURITY

As security for the company's mortgage loans, mortgage deeds registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Furthermore, the company has issued mortgage deeds registered to the mortgagor and all-money mortgages secured on the above-mentioned properties. These mortgage deeds and all-money mortgages are all in the possession of the company.

	2008	2007
Total mortgage loans	8	55
Mortgage deeds and all-money mortgages relating to the company's mortgage loans:		
Nominal value of mortgage deeds and all-money mortgages	10	58
Carrying amount of pledged assets	21	141
Other mortgage deeds and all-money mortgages in the possession of the company	113	48

NOTES TO THE ANNUAL ACCOUNTS FOR VESTAS WIND SYSTEMS A/S (MEUR)

17 CONTRACTUAL OBLIGATIONS

	2008	2007
The lease obligation relating to operating leases falls due:		
0–1 year	2	1
1–5 years	3	1
> 5 years	0	0

Operating leases comprise irrevocable operating leases regarding buildings, cars and office equipment.
The main obligations relate to buildings.

18 CONTINGENT LIABILITIES

	2008	2007
Provided work and payment guarantees	220	390
Guarantees for bank debt of subsidiaries	34	30

In addition to this, the parent company provides performance bonds in connection with project supplies in Group companies, and Group companies' warranty obligations to customers.

The company is of a joint taxation with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

For pending lawsuits refer to note 36 to the consolidated accounts.

19 RELATED PARTY TRANSACTIONS

For transactions with related parties refer to note 32 to the consolidated accounts.

20 CURRENCY AND INTEREST RATE RISKS AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

21 SUBSEQUENT EVENTS

For subsequent events refer to note 38 to the consolidated accounts.



Shareholders and the stock exchange

Vestas wants to be a trustworthy partner in every respect so that customers, employees, shareholders and other stakeholders, no matter what the context, experience Vestas as a company that keeps its promises.

Vestas aims to safeguard the Group's – and by extension the shareholders' – long-term interests, and that can only be achieved through a close and positive collaboration with all of Vestas' stakeholders. Management therefore engages in an ongoing dialogue with the shareholders, who are given an opportunity to express their views about the company's operations and strategic and commercial development.

Being a trustworthy partner to its stakeholders, Vestas seeks to provide timely, adequate and simultaneous information about the company's business activities with a view to ensuring consistently strong interest in the Vestas share.

SHARE CAPITAL

Vestas Wind Systems A/S' shares are listed on NASDAQ OMX Copenhagen under the symbol VWS. Vestas has one freely negotiable share class and a total of 185,204,103 shares. Each share carries one vote. Accordingly, all shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, speak and vote at general meetings.

Share turnover

In 2008, the Vestas share was the most traded share on NASDAQ OMX Copenhagen with a turnover of EUR 27.8bn. Furthermore, the Vestas share was among the five most traded shares in the OMX Nordic 40 index.

The turnover of Vestas shares was particularly high in October and November due to the financial crisis. On 22 October 2008, approx 8 million Vestas shares were traded, a turnover that usually represents one week of trading. The chart on page 120 shows the turnover of Vestas shares in 2008.

Share price performance

The share closed the year at DKK 303.50, equal to a market capitalisation of EUR 7.5bn. During 2008, the price of the Vestas share dropped by 45 per cent.

Stock prices around the world have generally experienced a sharp fall. Consequently, the Group assumes that the falling price of the Vestas share was triggered by the general developments experienced by financial markets in the second half of 2008.

Authorities granted to the Board of Directors

The Articles of Association of Vestas contain three authorities granted to the Vestas Board of Directors concerning an increase of the company's share capital, cf. Article 3 of the Articles of Association.

The authorisations are valid until 1 January 2011 and concern:

- An increase of the share capital by a total nominal value of DKK 18,500,000.00.
- Issuance of employee shares for a total nominal amount of DKK 1,776,895.00.
- Issuance of warrants for a total nominal amount of DKK 368,000.00.

Furthermore, the Board of Directors determines the terms of the warrants issued and capital increases carried out in accordance with the authorities, cf. Articles 3.1-3.3 of the Articles of Association.

For additional information, please see vestas.com/investor, where Vestas' Articles of Association can be downloaded.

Since the company was established in 1986, every year the Board of Directors has been authorised by the shareholders at the annual general meeting to let the company acquire treasury shares in the period until the next annual general meeting within a total nominal value of up to 10 per cent of the company's share capital from time to time, cf. section 48 of the Danish Public Companies Act. At the annual general meeting to be held in 2009, the Board of Directors will once again ask the shareholders for such authority.

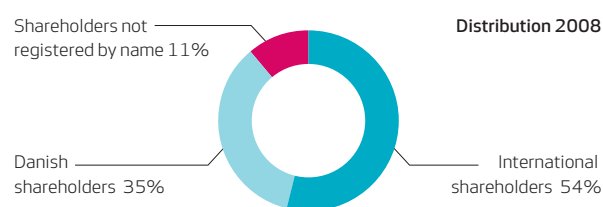
OWNERSHIP

At the end of the year, Vestas had 112,417 registered shareholders, who combined represented 165,210,800 shares, or approx 90 per cent of Vestas' share capital. At 31 December 2008, 56 per cent of Vestas' share capital was held by the company's 50 largest shareholders, including custodian banks.

Based on the information available as at 31 December 2008, an estimated 60 per cent of Vestas' total share capital, including shares not registered by name, are believed to be held by international shareholders.

Vestas intends to increase international ownership so that the group of owners reflects the international nature of Vestas' operations.

Share capital distribution at 31 December (%)					
	2008	2007	2006	2005	2004
International shareholders	54	58	48	46	39
Danish shareholders	35	31	42	47	53
Shareholders not registered by name	11	11	10	7	8



Major shareholders

At 10 February 2009, Vestas' largest shareholders are ATP (Denmark) and Marsico Capital Management, LLC (USA), which both own more than 5 per cent of the share capital (as disclosed pursuant to section 28, subsections a and b, of the Danish Public Companies Act).

The company's holding of treasury shares

At 31 December 2008, Vestas had a portfolio consisting of 736,393 treasury shares acquired in 2006 and 2007. Vestas acquired these shares to cover its share option programme for executives.

Vestas shares held by management

At 31 December 2008, members of Vestas' Board of Directors held a total of 115,877 Vestas shares, and Vestas' Executive Management held 3,437 Vestas shares. At 31 December 2008, these shareholdings represented a combined market value of approx EUR 4.9m, cf. note 31 to the consolidated accounts.



- >> The members of Vestas' Board of Directors and the Executive Management are registered on the Vestas insider list. As a general rule, these persons may only trade in Vestas shares during a four-week period following the release of financial reports or other similar financial announcements, cf. the company's internal rules. These persons have a duty to report any share transactions, and a list of announced insider transactions made during the year is available at vestas.com/investor.

INVESTOR RELATIONS

Vestas pursues an investor relations and communications policy which involves ensuring timely, adequate and simultaneous information about the company to the outside world, and Vestas strives to be visible and accessible to current and potential shareholders, investors and stakeholders with due consideration to legal requirements and rooted in corporate governance standards. Vestas' investor relations and communications policy is available at vestas.com/investor.

Activities in 2008

Vestas maintains an ongoing dialogue with its existing and potential shareholders and the analysts covering the company. The day-to-day contact is handled by Vestas' Investor Relations department through meetings, telephone conversations, an informative website and written inquiries sent to ir@vestas.com.

The Investor Relations department arranges events such as IR tours in Denmark for Vestas' analysts, institutional investors and journalists as well as conference calls and meetings with analysts and institutional investors several times a year.

Twice a year, Vestas distributes a publication to all of the company's registered shareholders in which the President and CEO gives a brief presentation of the company's present status and development opportunities as well as an overview of the financial highlights of the relevant period.

In connection with the presentation of its financial reports, Vestas holds information meetings for the media, analysts and investors.

The financial presentations are webcast via the Internet and communicated in six different languages. In connection with the publication of the company's financial statements, Vestas releases two magazines, Win[d] and VestasInside. Both magazines are available at vestas.com/media.

Following the financial presentations in 2008, Vestas' President and CEO and its Senior Vice President for Group Communications participated in individual investor meetings (roadshows) in the following countries: Denmark, the United Kingdom, France, the Netherlands, Italy, Norway, Switzerland, Spain, Sweden, Germany and the USA.

Furthermore, Vestas was represented at the Danish Shareholders Association's investor show in Copenhagen (Denmark), at the Swedish equivalent Aktiesparans "Stora Aktie- & Fonddagen" in Gothenburg (Sweden), and in connection with small events for private shareholders in Sweden and Denmark.

In 2008, Vestas hosted a shareholders' day, giving its shareholders the opportunity to see some of its Danish manufacturing facilities. Furthermore, Vestas hosted a capital markets day for more than 100 investors, analysts and the press, which included a tour of Vestas' new technology centre and Vestas Control Systems' production facility which was also inaugurated in 2008.

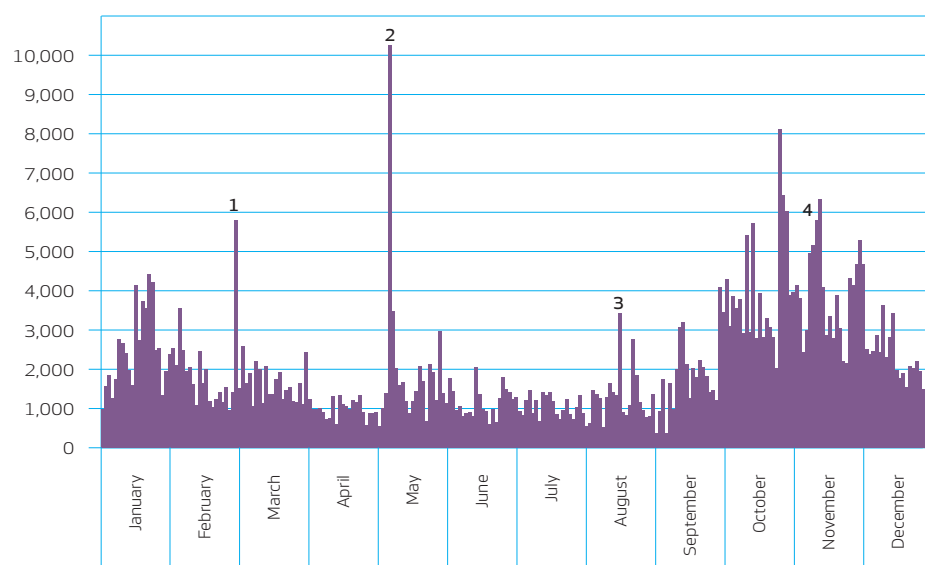
Activities in 2009

Vestas' financial calendar for 2009 is as follows:

26.03.2009	Annual General Meeting
28.04.2009	Publication of Q1/2009
18.08.2009	Publication of Q2/2009
17.10.2009	Publication of Q3/2009 and expectations for 2010

In 2009, the meeting with the press and analysts in connection with the announcement of the annual report for 2008 and the interim report for the third quarter of 2009 will be held in New York. The meeting with the press and analysts in connection with

Trading in Vestas shares 2008 (1,000)



1) Publication of annual report 2007
27 February 2008: Turnover of the Vestas share was 5,788,849 shares, and the closing price was DKK 519.00.

2) Publication of Q1 2008
8 May 2008: Turnover of the Vestas share was 10,253,554 shares, and the closing price was DKK 568.00.

3) Publication of Q2 2008
15 August 2008: Turnover of the Vestas share was 3,415,308 shares, and the closing price was DKK 629.00.

4) Publication of Q3 2008
6 November 2008: Turnover of the Vestas share was 5,788,917 shares, and the closing price was DKK 258.00.

the announcement of the interim reports for the first and second quarters will be held in London. The roadshow schedule for 2009 is available at vestas.com/investor.

Become an active Vestas shareholder

In 2008, Vestas launched the campaign "Become an active Vestas shareholder". The background is Vestas' goal of improving communications with its shareholders in order to strengthen Vestas and thereby safeguard long-term shareholder interests.

However, in order to optimise communications it is necessary for Vestas to know the identity of its shareholders. Vestas therefore recommends that its shareholders have their Vestas shares registered by name in the company's register of shareholders.

Registration of Vestas shares

Vestas' shares are registered in the name of the holder cf. Vestas' Articles of Association. Shareholders can exercise many of their rights only if their shares are registered by name.

In order to exercise their voting rights, shareholders must have their names registered separately in Vestas' register of shareholders before the general meeting is convened.

Shareholders can have their shares registered by name by contacting their custody bank.

Advantages of registration of the shares by name:

- Shareholders may exercise their shareholder rights.
- Twice annually, shareholders will receive the "Shareholder information" from Vestas, which contains information about the Group's current status.
- Shareholders can access Vestas' InvestorPortal via vestas.com/investor.

Vestas' InvestorPortal

In 2008, Vestas and the company's registrar established an InvestorPortal.

Via the InvestorPortal Vestas' registered shareholders can online:

- view the size of their own portfolio of registered Vestas shares;
- subscribe to specific information and indicate how they wish to receive such information;
- register for general meetings; and
- vote at general meetings in advance by giving proxy to others.

Additional information is available in the leaflet "Become an active Vestas shareholder", which can be downloaded from vestas.com/investor.

ANNUAL GENERAL MEETING

The Annual General Meeting of Vestas Wind Systems A/S will be held on 26 March 2009 at 2 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus (Denmark).

The Board of Directors expects to propose an approval of the guidelines for incentive pay of the Executive Management of Vestas Wind Systems A/S.

If the guidelines are approved by the annual general meeting, the following wording will be included in the company's Articles of Association:

"Article 13 Guidelines for incentive pay – The Company has adopted guidelines for incentive pay of the Executive Management pursuant to section 69b of the Danish Public Companies Act. The guidelines have been approved by the General Meeting and are accessible on the company's website".

Furthermore, the Board of Directors will propose an authorisation for the company to acquire treasury shares of up to a total nominal value of 10 per cent of the company's share capital in the period until the next Annual General Meeting.

Agenda and full wording of the proposals will be published on Tuesday, 3 March 2009, on which date invitation and Shareholder information No. 1/2009 will also be forwarded to all registered shareholders. As from 3 March 2009, shareholders can register for the Annual General Meeting at vestas.com/investor.

Dividend

The Board of Directors intends to propose to the company's Annual General Meeting that, based on the comprehensive investments and the need for strong capital resources, no dividend be paid in respect of 2008.

COMPANY ANNOUNCEMENTS¹⁾

02.01.2008	01/2008	Vestas receives order in Kansas, USA
04.01.2008	02/2008	Vestas receives large order for China
10.01.2008	03/2008	Major shareholder announcement
16.01.2008	04/2008	Status on patent disputes with Enercon GmbH, Mr Aloys Wobben
17.01.2008	05/2008	Major shareholder announcement
28.01.2008	06/2008	Major shareholder announcement
31.01.2008	07/2008	Vestas' financial calendar 2008
31.01.2008	08/2008	Major shareholder announcement
01.02.2008	09/2008	Major shareholder announcement
04.02.2008	10/2008	Vestas revises the result for 2007
18.02.2008	11/2008	V90-3.0 MW offshore wind turbine back on the market again
18.02.2008	12/2008	V90-3.0 MW order for Vestas in Canada
27.02.2008	13/2008	Annual report 2007
27.02.2008	14/2008	Vestas receives orders for a total of 82 MW in Poland
29.02.2008	15/2008	Major shareholder announcement
29.02.2008	16/2008	Vestas receives order for 32 wind turbines for Spain
03.03.2008	17/2008	Vestas receives order for 109 turbines in the USA
01.04.2008	18/2008	Vestas receives large order in Sweden
02.04.2008	19/2008	Status on patent disputes with Enercon GmbH, Mr Aloys Wobben
02.04.2008	20/2008	Vestas Wind Systems A/S' annual general meeting on 2 April 2008
04.04.2008	21/2008	Vestas receives order for 61 wind turbines for Spain
10.04.2008	22/2008	Vestas receives 123 MW order from EDF Energies Nouvelles
11.04.2008	23/2008	Vestas receives order for 34 V90-3.0 MW wind turbines in Portugal
15.04.2008	24/2008	Updated status on patent issue with Enercon GmbH, Mr Aloys Wobben
08.05.2008	25/2008	Interim financial report, first quarter 2008
15.05.2008	26/2008	Major shareholder announcement
30.05.2008	27/2008	Vestas receives order for 74 MW for the Spanish market
02.06.2008	28/2008	Vestas receives order for 500 MW in the USA
06.06.2008	29/2008	Vestas to deliver 92 V82-1.65 MW wind turbines to Brazil
11.06.2008	30/2008	Major shareholder announcement – Marsico Capital Management, LLC
18.06.2008	31/2008	Vestas receives order for 66 MW in Italy
20.06.2008	32/2008	Vestas receives large order in Spain
27.06.2008	33/2008	Vestas receives 100 MW order for China
27.06.2008	34/2008	Vestas receives another large order for the Spanish market
01.07.2008	35/2008	Major shareholder announcement – Fidelity International
08.07.2008	36/2008	Vestas order for 44 wind turbines in the USA
15.07.2008	37/2008	Vestas receives order for 79 MW in Spain
07.08.2008	38/2008	Major shareholder announcement – Fidelity International
13.08.2008	39/2008	Major shareholder announcement – Fidelity International
15.08.2008	40/2008	Interim financial report, second quarter 2008
28.08.2008	41/2008	Vestas receives 100 MW order for Sweden
01.10.2008	42/2008	Vestas to move its headquarters to Aarhus, Denmark in 2011
01.10.2008	43/2008	Vestas signs contract for 102 MW in Italy
15.10.2008	44/2008	Vestas receives order for 99 MW for Spain
27.10.2008	45/2008	Major shareholder announcement – ATP and ATP Invest
06.11.2008	46/2008	Interim financial report, third quarter 2008
06.11.2008	47/2008	Vestas' financial calendar 2009
19.11.2008	48/2008	Vestas receives order for 58 MW in Greece
26.11.2008	49/2008	Settlement agreement with Enecon GmbH, Mr Aloys Wobben
01.12.2008	50/2008	Vestas receives order for 19 V90-3.0 MW turbines in Ireland
01.12.2008	51/2008	Vestas receives 300 MW offshore order in the United Kingdom
29.12.2008	52/2008	Order for 100 MW in China
31.12.2008	53/2008	New 100 MW orders for China
07.01.2009	01/2009	Expansion of incentive programme
16.01.2009	02/2009	Fraud detected by the Spanish subsidiary, Vestas Eólica S.A.U., has been reported...
16.01.2009	03/2009	Vestas receives large 3 MW order for Romania

1) Firm and unconditional orders with a value of more than EUR 66m are disclosed as company announcements.



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Freddy Frandsen
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Jørn Ankær Thomsen
Kim Hvid Thomsen
Kurt Anker Nielsen
Michael Abildgaard Lisbjerg
Sussie Dvinge Agerbo

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Henrik Nørremark, Executive Vice President and CFO

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