Vestas®

No. 1 in Modern Energy

Vestas annual report 2007

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

No. 1 in Modern Energy

Wind power is today a competitive and predictable type of energy that makes it possible to build strong capacity quickly and locally without adversely impacting on the environment as it involves neither CO_2 emissions nor nuclear waste or the consumption of large volumes of water. In other words, wind power satisfies all the requirements for modern energy.

Consequently, on the threshold of 2008, we see a huge potential for wind power. However, we also recognise that it will take a focused effort at many levels to exploit this potential and accomplish our ambitions for the future. Additional focus on training throughout the Group, recruitment of thousands of new employees, an increasing number of higher-yielding factories, more reliable wind power plants and substantially improved profitability are some of the key prerequisites that we will need to combine to ensure that Vestas becomes the world's strongest energy brand. We emphasise our commitment to this ambition by presenting Vestas as 'No. 1 in Modern Energy'.

This is not something you accomplish overnight, but we have taken many steps in the right direction in 2007. An EBIT margin of just over 9 per cent and a net working capital of EUR (68)m demonstrate that Vestas is now a much more healthy business than it was just two years ago. The progress is attributable to improved in-house procedures and better prices and conditions.

But even though we achieved strong bottom-line figures, it is important to emphasise that at Vestas we do not confuse good times with good management. We know that distinct improvements are required in a large number of areas. That is not least because the requirements imposed on us automatically grow as wind power becomes a more and more important part of the power supply in many countries, and as a growing number of manufacturers enter the market. Competition is set to become much tougher in the years ahead, and Vestas should not only develop the most effective wind turbines, but also be the most efficient manufacturer of wind power plants.

From good intentions to actions

In 2007, wind power confirmed its current position as a strong supplement to conventional sources of energy such as oil and gas. Thus, a number of important and visionary decisions were made during the year, allowing for wind power in earnest to become part of the global energy supply. However, long-term visions will not suffice. Wind power targets for 2020 or 2030 must be followed up by detailed legislation, and in the years to come, Vestas will seek to ensure that such legislation becomes a reality. In popular terms, good intentions with respect to wind power are not worth very much if you are unable to find sites on which to install the turbines.

From one to ten per cent – a major challenge

Our ambition at Vestas is for wind power to cover at least ten per cent of global electricity consumption by 2020 – against a mere one per cent today. Although a realistic ambition, it requires much more than political support. Not only Vestas, but the entire industry needs to and must reach a much higher level in terms of capacity, quality as well as professionalism.

The massive investments we are making at Vestas in these years are aimed at supporting this progress. We are building new factories and the industry's most advanced facilities for development and testing of our products to ensure the reliability that is instrumental for generating growth. First and foremost, however, we invest in our employees, for as we say at Vestas: 'People before megawatt'.

This is our starting point for intensively seeking to recruit thousands of new colleagues in the coming years and developing the skills held by the more than 15,000 employees whose willpower and commitment have propelled Vestas to the leadership position we hold today. At the same time, we endeavour to improve safety in everything we do. Even though we still see employees suffering injuries, our dedicated efforts consistently yield good results, and in 2007, we reduced the incidence of industrial injuries by 13 per cent. However, our efforts in this area are not complete until we avoid industrial injuries altogether, for in line with our mission statement: 'Failure is not an option'.

Our focus in this area is underlined by the fact that improved safety is one of the eligibility criteria for the bonus scheme which covers all Vestas from 2008, allowing each individual employee to benefit from good results for Vestas.

Quality – a prerequisite for growth

In 2007, Vestas again experienced that one of the greatest impediments to growth, development and improved profitability is quality failures in a number of wind turbine components, as well as a much too unstable supply situation. Both factors cost a lot of money every day, not only for Vestas, but for the entire supply chain. Our close customer dialogue has taught us that improvements are required in two areas: turbine reliability and our service. Consequently, it is imperative that we quickly remedy the situation.

In our capacity as market leader, we have responded to the situation. In 2008, we will place firm requirements to our suppliers – external as well as our own factories – that their products must meet the 4 Sigma standard, both in terms of ability to supply and quality. This calls for massive improvements of skills and performance in many places, but it is quite simply a necessity for wind power to accomplish its full potential. We also spend many resources on standardising and upgrading our services and related communications. The objective is the same: to significantly improve customer loyalty.

Like in 2007, we will be 'Vestas busy' again in 2008. Busy expanding our operations considerably – expecting to generate revenue of EUR 5.7bn – while at the same time improving our profitability. Our EBIT margin and net working capital are still more important than our market share. We are confident that we are already well equipped to solve the task and thereby consolidate Vestas' position as No. 1 in Modern Energy.

Bent Erik Carlsen	**Ditlev Engel**
Chairman of the Board of Directors	*President and CEO*

Financial highlights for the Group

mEUR	2007	2006	2005	2004	2003[1]
Highlights					
Income statement					
Revenue	4,861	3,854	3,583	2,363	1,653
Gross profit	825	461	84	120	150
Profit before financial income and expenses, depreciation and amortisation (EBITDA)	579	328	9	64	142
Operating profit/(loss) (EBIT)	443	201	(116)	(49)	74
Profit/(loss) of financial items	0	(40)	(42)	(41)	(22)
Profit/(loss) before tax	443	161	(158)	(89)	54
Profit/(loss) for the year	291	111	(192)	(61)	36
Balance sheet					
Balance sheet total	4,296	3,654	3,085	2,881	1,390
Equity	1,516	1,262	962	1,162	613
Provisions	305	265	239	181	166
Average interest-bearing position (net)	179	(299)	(560)	(625)	(236)
Net working capital	(68)	122	498	686	603
Investments in property, plant and equipment	265	153	95	89	85
Cash flow statement					
Cash flow from operating activities	701	598	148	(30)	153
Cash flow from investing activities	(317)	(144)	(137)	(201)	(119)
Cash flow from financing activities	(54)	(101)	(46)	458	(19)
Change in cash at bank and in hand less current portion of bank debt	330	353	(35)	227	15
Employees					
Average number of employees	13,820	11,334	10,300	9,449	6,394
Number of employees at the end of the year	15,305	12,309	10,618	9,594	6,525
Ratios					
Financial ratios[2]					
Gross margin (%)	17.0	12.0	2.4	5.1	9.1
EBITDA (%)	11.9	8.5	0.3	5.0	8.6
Operating profit margin (EBIT) (%)	9.1	5.2	(3.2)	(2.1)	4.5
Return on invested capital (ROIC) (%)	30.9	11.9	(13.2)	(3.8)	8.1
Solvency ratio (%)	35.3	34.5	31.2	40.3	44.1
Return on equity (%)	21.0	10.0	(18.1)	(6.9)	5.9
Gearing (%)	9.9	13.8	51.2	50.1	40.4
Share ratios[2]					
Earnings per share	1.6	0.6	(1.1)	(0.5)	0.3
Book value per share	8.2	6.8	5.5	6.6	5.8
Price / book value	9.0	4.7	2.5	1.3	2.2
P / E-value	47.1	52.8	(12.7)	(18.2)	38.6
Cash flow from operating activities per share	3.8	3.2	0.8	(0.2)	1.5
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)	74.0	32.0	13.9	8.8	13.1
Average number of shares	185,204,103	182,722,520	174,911,173	150,815,322	105,003,966
Number of shares at the end of the year	185,204,103	185,204,103	174,911,173	174,911,173	105,003,966

[1] Financial highlights for 2003 have not been restated to reflect the new accounting policies nor do they contain the figures for NEG Micon A/S and therefore correspond to the financial highlights presented in the annual report for 2004. The adjustments which would be necessary if the comparative figures in the financial highlights for 2003 were to be restated to IFRS correspond to the adjustments made in the opening balance sheet at 1 January 2004.

[2] 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 2007), see note 1 to the consolidated accounts.

Non-financial highlights for the Group

	Targets 2008	2007	2006	2005	2004	2003
Key figures[1]						
Products						
MW delivered		4,502	4,239	3,185	2,784	2,667
Utilisation of resources						
Consumption of metals (tonnes)[2]		170,505	164,413	143,170	90,732	66,093
Consumption of other raw materials, etc. (tonnes)		111,541	93,983	82,592	20,080	15,731
Consumption of energy (MWh)		372,037	330,106	227,907	121,212	95,022
- of which renewable electricity (MWh)		138,035	124,841	118,603	35,805	34,768
Waste disposal[3]						
Volume of waste (tonnes)		89,643	82,739	67,313	16,407	13,185
- of which collected for recycling (tonnes)		28,422	27,593	17,266	9,279	7,484
Emissions						
Emission of CO_2 (tonnes)		32,798	28,396	18,406	N/C[4]	N/C[4]
Occupational health & safety						
Industrial injuries (number)		534	525	472	319	208
- of which fatal industrial injuries (number)		0	1	0	2	0
Local community						
Environmental accidents (number)		15	7	4	5	0
Breaches of internal inspection conditions (number)		5	6	5	1	1
Neighbour complaints (number)		15	26	5	2	0
Indicators[1]						
Products						
CO_2 savings on the delivered MW (million tonnes of CO_2)		129	122	92	80	77
Annual CO_2 savings on delivered MW (million tonnes of CO_2)		6	6	5	4	4
Utilisation of resources						
Renewable electricity for own activities (%)		66	68	75	52	69
Occupational health and safety						
Incidence of industrial injuries per one million working hours	15	31.6	36.5	46.7	42.5	39.3
- incidence of industrial injuries in the sales business units		36.4	41.8	60.7	48.9	26.3
- incidence of industrial injuries in production business units		29.3	34.2	42.6	39.8	42.4
Absence due to illness among blue-collar employees (%)	2.5	3.6	3.2	4.1	3.5	4.4
Absence due to illness among white-collar employees (%)		1.4	1.5	1.5	1.6	1.4
Management system						
ISO 14001 (%)	100	80	76	75	57	71
OHSAS 18001 (%)	100	84	77	63	51	64

[1] Accounting policies for non-financial highlights for the Group, see page 98. Comments on non-financial highlights for the Group, see page 96.
[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.

Overview

Group performance in 2007

Vestas reported a strong increase in revenue of 26 per cent to EUR 4,861m in 2007. The Group posted an operating profit, EBIT, of EUR 443m, equivalent to an EBIT margin of 9.1 per cent, an increase from 5.2 per cent in 2006.

The earnings improvement was due to better prices and conditions and improved in-house processes and production flows. However, irregular supplies and failing component quality still have an adverse impact on Vestas' financial results.

At the end of 2007, the Group's net working capital amounted to EUR (68)m, or (1) per cent of full-year revenue. The low level was due to prepayments from customers.

Revenue

Accounting for 54 per cent of revenue (2,505 MW), Europe was in 2007 once again Vestas' largest market. The Americas represented 29 per cent (1,543 MW) and Asia/Pacific 17 per cent (926 MW). Compared with the distribution in 2006, the strongest growth was recorded in the American market, where political initiatives in a number of states support the role of wind energy in the overall energy mix.

Order backlog

Vestas continues to see a positive development in the order backlog, which rose from EUR 4.0bn at the beginning of 2007 to EUR 4.8bn at the end of the year. The order backlog is distributed on a diversified customer portfolio, 227 customers. Broken down by the principal markets, Europe accounts for 49 per cent of the order backlog (2,170 MW), the Americas for 40 per cent (1,775 MW) and Asia/Pacific for 11 per cent (470 MW).

Employees

Applying the principle of 'People before megawatt', Vestas increased its number of employees significantly in 2007 to ensure a high professional level throughout the organisation before increasing its business volume. Thus, Vestas had 15,305 employees at the end of 2007, an increase of 2,996 employees relative to 31 December 2006. At the end of 2007, Vestas had 12,017 employees in Europe, 1,022 in the Americas and 2,266 employees in Asia/Pacific.

Investments

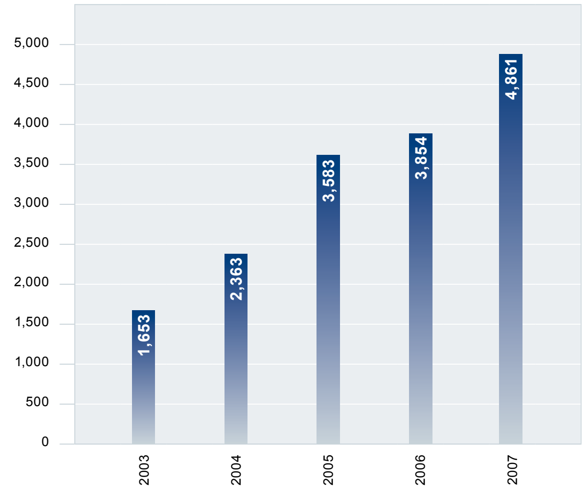
Vestas has set the goal that wind power should cover at least 10 per cent of total global electricity consumption by 2020. To accomplish this ambition, total installed capacity must grow by 20-25 per cent per annum.

To retain its leadership position, in 2007 Vestas therefore invested heavily in new development and production facilities in Europe, the USA and Asia. Investments in property, plant and equipment totalled EUR 265m in 2007, the highest level ever recorded. Vestas' expansion of its production facilities in the USA and China will increase the Group's costs outside the eurozone and reduce sensitivity to fluctuations in currencies such as the USD relative to EUR.

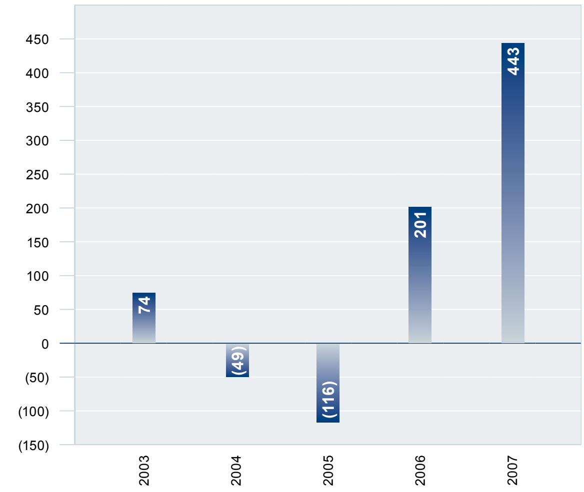
Warranty provisions

In 2007, Vestas made warranty provisions of EUR 242m. Corresponding to approx 5 per cent of annual revenue, the level was

Revenue (mEUR)



EBIT (mEUR)



in line with expectations, but still highly unsatisfactory. Vestas has launched a number of initiatives to enhance component quality throughout the supply chain and is implementing the industry's most advanced facilities for testing of wind turbines and components. Longer term, Vestas expects that these initiatives will reduce the need for warranty provisions.

The Vestas share

In 2007, the Vestas share was among the 15 most traded shares on the OMX Nordic 40 Index and the most traded share on the OMX Nordic Exchange Copenhagen. Since November 2007, the Vestas share has accounted for more than 20 per cent of share trading on the OMX Nordic Exchange Copenhagen.

Ownership

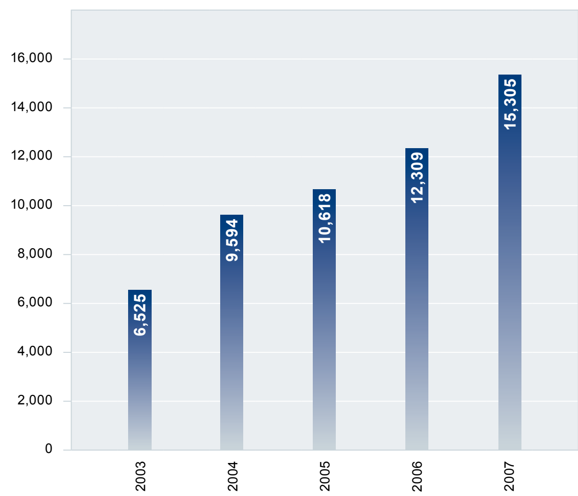
At the end of 2007, non-Danish investors held an estimated 65 per cent of the company's shares, against an estimated 55 per cent at the end of 2006.

Dividend

In general, the Board of Directors aims to pay out 25-30 per cent of the profit for the year as dividend. Payout of dividend will always take place with due consideration to the Group's plans for growth and liquidity requirements and the target to have a solvency ratio of at least 40 per cent.

As announced in the interim financial report for third quarter 2007, the Board of Directors proposes to the Annual General Meeting that no dividend be paid out for 2007.

Number of employees in the Vestas Group at 31 December



Fourth quarter 2007

Revenue amounted to EUR 1,884m, which was higher than forecast. The EBIT margin increased to 12.3 per cent, primarily due to effective order execution. Vestas shipped a total of 1,784 MW, with Europe accounting for 1,088 MW (EUR 1,051m), Americas for 275 MW (EUR 539m) and Asia/Pacific for 421 MW (EUR 294m).

The Group generated a cash inflow from operations of EUR 551m, and net investments amounted to EUR 109m. The free cash flow rose to EUR 439m.

Operations are still affected by irregular component supplies.

Group financial performance

mEUR	Q4 2007[1]	Q4 2006[1]	Full year 2007	Full year 2006
Income statement				
Revenue	1,884	1,397	4,861	3,854
EBIT	231	127	443	201
EBIT margin (%)	12.3	9.1	9.1	5.2
Profit for the year	157	87	291	111
Net working capital	(68)	122	(68)	122
Net working capital (%)	-	-	(1)	3

[1] The figures for Q4 2006 and Q4 2007 are unaudited.

Forecast for 2008

Revenue (mEUR)	approx 5,700
EBIT margin (%)	10-12
Net financial items (mEUR)	0
Tax rate (%)	28
Net working capital (%)	max 15
Investments	
- property, plant and equipment (mEUR)	500
- intangible assets (mEUR)	120

Management report

Management report

No. 1 in Modern Energy

Wind is a renewable, clean, predictable and competitive source of energy. Wind power makes it possible to build strong capacity quickly and help to secure energy independence. In other words, wind power satisfies the requirements for the energy supply of the future in every respect.

Vestas has always been the leading player in the industry, both in terms of technology and market shares, and Vestas intends to retain this market-leading position. This is why, since August 2007, Vestas has presented itself as 'No. 1 in Modern Energy'.

This new positioning of Vestas signals a new self-perception, as part of which Vestas, in its capacity as the leading manufacturer in the industry, undertakes the responsibility for disseminating knowledge and awareness about the opportunities and benefits available from wind power. Accordingly, in 2007, Vestas embarked on an international information campaign to present the indisputable benefits of wind power over other sources of energy and to put wind power on top of the global energy agenda. Concurrently, the positioning underlines Vestas' continuing ambition of showing the way in the efforts to raise the level of professionalism throughout the industry.

Since the spring of 2005, Vestas has pursued its strategic action plan entitled 'The Will to Win', which is focused on improving earnings and optimising in-house processes. At the same time, the launch of No. 1 in Modern Energy marks a shift in focus from enhancing in-house processes onto raising the Vestas profile and achieving growth.

However, the launch of No. 1 in Modern Energy does not alter the priorities in Vestas' financial and economic targets:

1. EBIT margin
2. Net working capital
3. Market share.

EBIT margin

The declining earnings that were characteristic of the years until 2005 have now been replaced by strong improvements in financial performance. The Group posted an operating profit, EBIT, of EUR 443m in 2007, equivalent to an EBIT margin of 9.1 per cent. The EBIT margin for 2006 was 5.2 per cent. The improvement was attributable to better prices and conditions and improved in-house production flows. However, irregular supplies and failing component quality are still costly to Vestas and its suppliers.

Net working capital

At the end of 2007, the Group's net working capital amounted to EUR (68)m, which corresponds to (1) per cent of annual revenue. The net working capital is low due to prepayments from customers and is at a lower level than that accomplished in the first quarters of 2007 in spite of the fact that the Group has built buffer stocks. These buffer stocks were established to stabilise production flows and reduce any loss caused by unstable supplies. However, the Group may record major fluctuations in net working capital due to disruptions in production and installation of wind turbines as well as the rising proportion of supply-only orders relative to total sales.

Market share

Having installed more than 35,000 wind turbines in 63 countries by the end of 2007, Vestas is the world's largest manufacturer of wind power systems. Moreover, ranking among the largest suppliers in all principal markets, Vestas is not dependent on developments in a single market. Vestas estimates that wind power with a capacity of approx 20,000 MW was installed worldwide in 2007, an increase of 33 per cent on the year before.

According to in-house estimates, Vestas accomplished a global market share of about 23 per cent in 2007, as compared with 28 per cent in 2006. The market share is calculated on the basis of the 4,502 MW delivered to customers at the end of the year. The decline in market share is due to new Chinese players and an increase in work in progress.

Vision

Vestas' vision 'Wind, Oil and Gas' reflects Vestas' ambition of making wind a source of energy that is on a par with fossil fuels such as oil and gas, and it is the starting point for positioning Vestas as No. 1 in Modern Energy. As the market leader, Vestas assumes responsibility for strengthening wind power in the overall energy mix as a renewable, clean, predictable and competitive source of energy to complement oil and gas. With wind energy it is possible to boost capacity without increasing greenhouse gas emissions and fresh water consumption, without injecting CO_2 into the ground and without producing hazardous nuclear waste. Wind power is second to none.

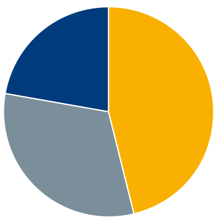
A number of political landmark decisions made in 2007 underpin the accomplishment of this ambition. In March, the EU countries adopted the binding target that 20 per cent of the overall energy consumption in the EU should be covered by renewable energy by 2020. In June 2007 in China, the National Development and Reform Commission (NDRC) announced a national climate programme and a plan for developing renewable energy, which is set to account for 10 per cent of the overall power consumption in China by 2010 and 15 per cent by 2020.[1)]

Finally, decisions to support wind power initiatives have also been made in the USA, the world's largest market for wind energy.

1) NDRC: 'China's Climate Change Programme'. Beijing, June 2007.

MW delivered in 2007

	MW
Europe	
Spain	551
Germany	419
Italy	378
The Netherlands	156
France	139
United Kingdom	114
Ireland	61
Sweden	59
Greece	56
Turkey	41
Poland	39
Lithuania	16
Austria	14
Bulgaria	14
Portugal	14
Denmark	8
The Czech Republic	6
Hungary	2
Total Europe	**2,087**
Americas	
USA	1,288
Canada	110
Chile	18
Total Americas	**1,416**
Asia/Pacific	
China	458
New Zealand	151
India	150
Japan	97
Australia	75
South Korea	38
Taiwan	30
Total Asia/Pacific	**999**
Total world	**4,502**



Thus, more than half of the states in the USA have adopted local legislation that will increase the proportion of wind power relative to aggregate energy production. A national initiative is still pending.

However, there is presently a need for detailed legislation and planning to ensure a framework for extensive growth, which will require investments in capacity as well as skills. These investments are necessary to achieve the long-term goals and to exploit the full potential of wind energy. The proposal by the European Commission of 23 January 2008 is a step in the right direction. Vestas has set the goal that wind power should account for at least 10 per cent of global electricity consumption by 2020. The present share is 1 per cent, so installed capacity is set to rise from close to 100,000 MW at the end of 2007 to at least 1,000,000 MW in 2020.

Mission

'Failure is not an option' is the wording of Vestas' mission, and it expresses an attitude that should permeate the entire organisation and provide a basis for accomplishing Vestas' vision. To achieve its mission, Vestas does not apply the concept of 'good enough' and always follows up on errors to optimise the Group's work processes, safety and products. The launch of the Six Sigma quality system exemplifies these continuous efforts aimed at supporting Vestas' goal of being a reliable collaboration partner and manufacturer of reliable wind power plants by pursuing high quality requirements for in-house and supplier production.

A substantially higher level of quality throughout the supply chain is a prerequisite for Vestas to accomplish its long-term goals, and for wind power to achieve its potential. The mission also illustrates Vestas' increased focus on risk management. A clear-cut policy of including all potential risks in the decision-making process eliminates avoidable errors and enables Vestas to make quick, precise and fact-based decisions.

The Willpower

The sculpture entitled the Willpower, which has been placed at a number of the Group's locations, symbolises the Vestas values as it reaches for the sky, but remains firmly anchored to the ground. Vestas is driven forward by its employees, whose willpower and visions have made Vestas the industry leader in terms of technology and market position.

Vestas aims to promote a culture in which there is room for independent initiatives and that nurtures employee development and cross-organisational collaboration. Also, reliability is crucial for Vestas, and the Group aims always to live up to its promises and to be a thorough and serious business partner, giving high priority to safety, quality and thoughtfulness in all situations.

Management focus

Safety

In continuation of Vestas' mission Failure is not an option, the Vestas management neither can nor will accept that the safety of the employees is jeopardised while they conduct their work. In step with this unambiguous position, the Group is dedicated to establishing a safety culture with the aim of avoiding industrial injuries and in which safety always comes first in every situation.

Vestas has defined clear short-term targets and long-term safety objectives. For 2008, the target is to reduce the incidence of industrial injuries to 15 – measured as the number of industrial injuries resulting in more than one day's absence per one million working hours.

In 2007, initiatives in training, documentation, technology development and occupational health & safety management helped to push down the combined incidence of industrial injuries to 31.6. The result, however, fell short of Vestas' ambitions in this area. For Vestas' production units the incidence of industrial injuries fell to 29.3 in 2007 from 34.2 in 2006, while the Group's sales and service units reduced their incidence of industrial injuries from 41.8 in 2006 to 36.4 in 2007.

Vestas' management finds that it is highly unsatisfactory that 534 employees still experience an industrial injury in the course of one year. The long-term objective is an incidence of industrial injuries of 5 by 2012, whilst the ultimate objective is to avoid industrial injuries altogether.

In order to further accelerate the improvement process, Vestas has intensified its safety initiatives in 2007. To emphasise how much priority the Group gives to safety and to promote a sound safety culture among all employees, the Board of Directors of Vestas has resolved to let disbursements from Vestas' global bonus scheme be subject to factors such as improvements to the incidence of industrial injuries.

Vestas believes that management is responsible for supporting and developing the safety culture. In 2007, the Group launched safety training initiatives for managers in the sales and service units and in Vestas Technology R&D. A total of 76 employees, including Vestas' Executive Management, attended the training programme in 2007. In 2008, another 540 managers are expected to attend the training course in order to embed safety awareness at all levels of the organisation.

Vestas also intensified training for all service technicians in prudent safety behaviour, first aid, fire fighting, fall arrest and rescuing from heights. In 2007, 2,226 service technicians attended the training course, and going forward, the programme will be mandatory for all service technicians before they are authorised to work at a wind turbine site. Having attended the training course, the service technicians will automatically qualify for the wind turbine technical training programme.

In addition to the safety-specific training programmes, Vestas has also systematised and improved the Group's technical courses for service technicians, and in 2007, Vestas' technical course was the world's first training programme for service technicians to be certified according to the standard 'Scope of Approval for Training Systems and Training Programs in Wind Energy Industry' that is based on internationally recognised standards, including ISO 9001/2000. In addition to enhancing the quality of the work performed, strong technical skills help to reduce the risk of human errors, which may lead to industrial injuries.

Finally, Vestas is focused on improving the technical documentation of products as well as processes.

The positive trend confirms Vestas' belief that the Group has launched the right initiatives.

12 Must-Win-Battles

To ensure optimum management focus on the initiatives that have the greatest impact on Vestas' continued progress, Vestas identified 12 'Must-Win-Battles' in the autumn of 2007. Accomplishing these initiatives is a prerequisite for Vestas achieving, over the long term, its ambitious growth and profitability targets and they include aspects such as intensified customer focus, enhanced product quality and optimised employee recruitment and development. Accordingly, the 12 initiatives, along with the Group's financial and economic targets, are given top priority by the Vestas Government in 2008.

Continuous improvements

A high level of professional conduct and reliable products are instrumental for Vestas and the industry to exploit the full potential of wind power. In its capacity as market leader, Vestas therefore seeks to enhance production capacity, quality and, by extension, profitability in all links of the supply chain.

In 2007, Vestas intensified its efforts involving the quality and process improvement system Six Sigma throughout the organisation. These initiatives are rooted in the need to take a systematic approach to quality improvements of components supplied and reducing costs associated with sub-standard quality.

The Six Sigma activities aim to minimise variances in processes and products and ensure a high, uniform level of quality in all components. This higher Sigma level in the entire supply chain also provides better chances of identifying faults early in the production process, thereby reducing warranty costs in the long term.

Vestas expects that, not later than by the end of 2008, all external suppliers as well as its own production and service units will have reached a performance level measured in terms of quality and ability to supply that corresponds to 4 Sigma. Massive quality improvements are required to reach this level and thereby improve the Group's competitive strength by the time more competitors enter the expanding wind power market.

To support and accelerate developments with its suppliers, Vestas is currently in the process of mapping the present Sigma level among a number of strategic suppliers. Vestas will actively contribute to implementing the required improvements in close collaboration with its suppliers. Vestas' Failure is not an option mission is Six Sigma.

Customer dialogue

A distinct improvement in customer loyalty is a prerequisite for Vestas to retain its leading position in the industry in the years ahead. As a result, in 2005, Vestas initiated its 'Dialogue for Development' process, which aims to use comprehensive loyalty analyses and subsequent close follow-up procedures to improve the dialogue and collaboration between Vestas and each individual customer.

Based on the 2007 analysis, customer input has been turned into action through a number of specific improvement projects underpinned by a number of the 12 Must-Win-Battles.

The most recent analysis was conducted in January 2008 and includes 1,400 people, against 900 in the previous survey. Furthermore, for the first time the survey includes respondents with customers who have negotiated with Vestas without entering into a contract. The purpose of the extended scope of the survey is to provide a more balanced view of how the customers perceive Vestas.

Calculating Vestas' customer loyalty index in the most recent analysis, the average number of delivered MW in the individual business units during the last three years has been used as weighting of votes. In the 2007 statement, the customers' votes were not weighted. The changed calculation method has resulted in an index in the recent analysis of 46 against 40 if applying the earlier calculation method. When applying the new method for the 2007 analysis, the index was 48 against the previously informed 44.

The result is very unsatisfactory especially in the light of the many initiatives that have been launched.

The Group's high priority to customer loyalty is underlined by the fact that the customer loyalty index is the second-highest weighted criterion for disbursements under the global bonus scheme for all Vestas employees in 2008. Customer loyalty was also among the criteria in the disbursement of bonus to Vestas' senior employees for 2007.

Vestas' customer loyalty ambitions are reflected in the performance target for the coming years, and the target for next year's analysis is an index of 60.

Supplier dialogue

More timely delivery and enhanced component quality throughout the supply chain is a requisite for continued growth for Vestas and the industry. Also, the burgeoning growth in the wind power industry calls for a massive expansion of supplier capacity.

To meet these challenges, in 2007, Vestas intensified its efforts to strengthen its supplier partnerships and standardise its approach to suppliers. To this end, Vestas has launched a project entitled 'Supplier Loyalty'. In many ways, the project is similar to the Dialogue for Development customer loyalty programme and is rooted in in-depth interviews with suppliers, who are given an opportunity to indicate areas in which they believe there is a need to improve their collaboration with Vestas. A number of priority areas are defined and an action plan is implemented for each supplier in order to strengthen the partnership and the financial outcome for both parties. Changes are required as much at Vestas' end as at the supplier end.

In 2007, Vestas also introduced a 'Supplier Scorecard', with which Vestas can regularly measure the performance of its suppliers in a consistent manner by using a number of KPIs: quality, timely delivery, scope of delivery, service and prices. By closely and consistently following up on these parameters each month, Vestas obtains a systematic basis for identifying and resolving problems in collaboration with the individual suppliers. As part of these efforts, Vestas offers Six Sigma expertise to measure supplier process capability.

Finally, Vestas seeks to ensure continuity and strengthen the growth potential by entering into long-term framework agreements with a number of the Group's suppliers. Suppliers in the industry have started to make the necessary investments, for example by following Vestas to China to set up production facilities there. This trend is supported by Vestas' procurement office in Shanghai, China, whose main task is to establish an Asian supplier base that operates at a substantially lower cost level than in Europe.

However, pressure on the entire supply chain remains quite intense, and Vestas believes that it will take a few years before the wind power industry will be able to meet demand.

More even distribution of shipments and revenue

Vestas continues to experience major and costly quarter-on-quarter fluctuations in revenue and activity. Thus, revenue in the first quarter of 2007 represented 16 per cent of annual revenue, while fourth-quarter revenue accounted for 39 per cent of annual revenue. Measured in terms of shipment, the first and fourth quarters represented 17 and 36 per cent, respectively, while the second and third quarters were equally large. This distribution entails an inexpediently high level of activity during the final months of the year and too low capacity utilisation during the first months of the year, restraining the Group's profitability improvements. Vestas is working intensively to generate improved production and shipment flows over the course of the year. The unbalanced distribution is caused by unstable supplies from suppliers, whereas previously the imbalance was caused by customer delivery requests. Other things being equal, a steady level of activity over the course of the year would substantially increase Vestas' profits. In 2008, revenue in the second half is expected to be relatively higher than in the second half of 2007.

Joint ERP system

In 2006, Vestas launched a comprehensive project of change, integrating a number of systems into one Enterprise Resource Planning system. The chosen system, SAP, is being implemented in all Vestas' sales and service units, corporate functions and Vestas Technology R&D.

The system is to facilitate swift, efficient and smooth exchange of information about the Group's core processes, thereby supporting a culture in which all decisions are made on the basis of reliable and precise facts. Moreover, a joint system will optimise control with all parts of Vestas' operations, allowing the Group, despite its growth rate, to retain the dynamics and sense of responsibility that usually characterise a small company. Improved transparency and overview will also improve the possibility of identifying inefficient procedures, enhance work processes and, by extension, consolidate earnings further.

Vestas Business Academy plays a key role in connection with the comprehensive training of more than 6,000 employees across more than 20 countries, which is instrumental to successful implementation.

In 2007, SAP was implemented in Vestas Offshore, Vestas Technology R&D and Vestas' corporate functions. Vestas' production business units will continue to use the MAPICS system.

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 assists in providing consultancy and information about wind power and its potential in specific markets, including not least the required regulatory framework.

The department has employees in Denmark and the USA. In 2008, Vestas expects to recruit Government Relations employees in China, India, Australia and Spain to improve its relations with local politicians.

In 2007, the climate debate stirred major political interest in wind power and Vestas. As a result, the Group held meetings with and hosted heads of states, ministers and deputy ministers from countries such as Brazil, Bulgaria, Finland, China, Croatia, Malta, Mongolia and Ukraine. Vestas also held meetings with US senators and other leading politicians and public servants. Furthermore, in April 2007, Vestas hosted a visit from a number of environment ministers from the ASEM (Asia-Europe Meeting).

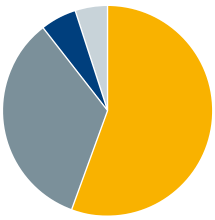
Business development

Employee development and recruitment

Vestas applies the principle of 'People before megawatt', which means that Vestas recruits and trains new employees before increasing its business volume. This principle is pursued in order to ensure a high degree of professionalism and flawless execution throughout the organisation.

Number of employees in the Vestas Group at 31 December 2007

	Europe	Americas	Asia/ Pacific	Total
Production units	7,394	49	1,091	**8,534**
Sales and service units	3,072	973	1,133	**5,178**
R&D	810	0	42	**852**
Others	741	0	0	**741**
Total	**12,017**	**1,022**	**2,266**	**15,305**



Employee distribution

Production units

Sales and service units

R&D

Others

Thus, Vestas experienced strong growth in the number of employees in 2007 from 12,309 employees at the beginning of the year to 15,305 at the end of the year. This trend is expected to continue so that by the end of 2008, Vestas will employ approx 18,000 employees, of whom about 13,700 will be based in Europe, 1,700 in North America and 2,600 in Asia/Pacific. Vestas has employees at more than 50 locations in more than 20 countries.

The growing number of employees places heavy demands on recruitment, introduction, integration, retention and development of employees. As a result, in 2007, Vestas People & Culture started a number of global initiatives with the aim of ensuring uniform processes and a high professional level in this area. For example, Vestas uses detailed employee forecasts to determine its needs for skills and expertise in each individual business unit and department in the months and years ahead. These forecasts help to ensure timely recruitment of the best-suited candidates and avoid bottlenecks.

To disseminate awareness of the development and career opportunities offered by Vestas, the Group intensified its employer branding initiatives in 2007 – both at global and local level. The wish to position Vestas internationally towards prospective employees is one of the reasons why Vestas has presented its financial results in London, England since November 2006.

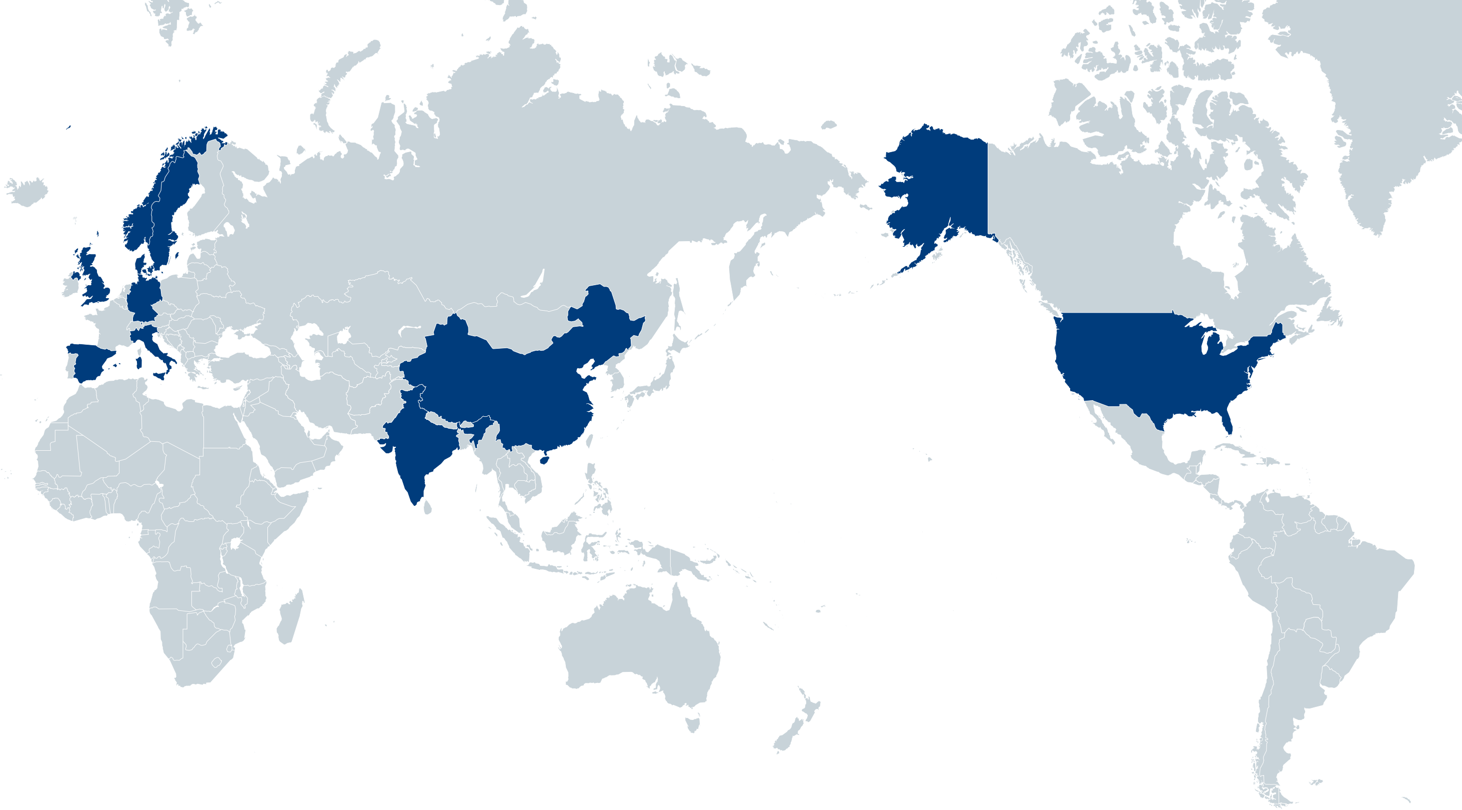
Education and training of employees is an area of key priority through which Vestas aims to ensure that a high level of skills is maintained and expanded throughout the Group, so that Vestas consistently matches the requirements imposed by increasingly professional customers. A thorough introduction of all employees to the Group is the first step of this development. Furthermore, in 2007, the Group focused strongly on further developing its leadership training programmes and training at all levels of the Six Sigma quality system. These programmes will be developed further in 2008. Finally, Vestas is dedicated to supporting and developing its employees as a recruitment base for future leadership positions. In-house recruitment is a top priority.

Vestas continuously seeks to improve the company as an attractive workplace. As part of these endeavours, Vestas carried out a comprehensive employee satisfaction survey among all Group employees in November 2007. Measured on all comparable categories, the outcome of the most recent survey was on a level with or an improvement on the results of a similar survey conducted in 2006. However, the results of the survey showed that there is still a need for major improvements in a number of areas, and the results will form the basis of a number of priority initiatives at Group, business unit and department level. Effective communication at all levels is instrumental to success.

In order to reward and strengthen a performance-driven corporate culture, all Vestas is covered by a bonus programme as of 1 January 2008, which may release a bonus typically of 3-8 per cent of the base salary. The disbursement of bonus and the size thereof depends partly on the overall performance of Vestas, including the EBIT margin, net working capital, market share and customer loyalty, partly on the performance of the business unit of each individual employee, including production stability and incidence of industrial injuries. The first bonus disbursements may take place after the Annual General Meeting's approval of the annual accounts for 2008.

Knowledge resources

It is crucial to Vestas, being a high-technology business, to identify and develop the Group's knowledge resources, including knowledge about customers, safeguarding patents, recruitment and development of technology, performance and competences. In 2007, Vestas launched projects aimed at improving knowledge sharing with customers, suppliers and other collaboration partners within and outside the Group. Moreover, Vestas has established processes to improve knowledge sharing among employees and to regularly follow up on a number of benchmarks for Vestas' knowledge resources.



Geographical location of Vestas' existing and planned production facilities

Vestas Blades:	China, Denmark, Germany, Italy, Spain, United Kingdom and the USA.
Vestas Control Systems:	China, Denmark and Spain.
Vestas Nacelles:	China, Denmark, Germany, India, Norway, Spain and Sweden.
Vestas Towers:	Denmark, United Kingdom and the USA.

Patents

Vestas makes huge investments in development activities and therefore endeavours to protect the Group's intellectual property rights. In 2007, these activities were intensified further, most visibly exemplified through a sharp increase in the number of patent applications filed compared with 2006. This trend is expected to continue in the years ahead. The protection of Vestas' intellectual property rights is considered a key prerequisite for the Group's operational freedom and long-term opportunities to develop the business.

Development facilities

The technological edge in the industry is crucial for Vestas to retain and expand its position as No. 1 in Modern Energy. Vestas is a technology company which for a number of years has been at the forefront of advanced wind power system development, and the Group is currently investing heavily in facilities to provide the foundation for developing even more reliable and competitive products.

The largest development centre in the wind power industry is being built in Aarhus, Denmark. The centre will create a unique innovation environment and provide optimum conditions for close collaboration with suppliers and partners on future technologies. Scheduled to be inaugurated in the third quarter of 2008, the development centre will have about 500 employees. In 2007, a new development centre was opened in Singapore. When fully operational in 2009, this centre will employ about 150 people. In addition, Vestas Technology R&D opened an office in Chennai, India, in 2007 which contributes to Vestas' development activities. This office is expected to employ 60 employees by 2009.

Vestas announced the establishment of a new research and development centre in the USA in November 2007. The research centre will be put into operation in 2009 and will employ up to 80 people when fully developed in 2010. The centre is intended to facilitate Vestas' access to leading specialists in the USA, whilst ensuring that Vestas remains at the forefront of technology innovation in all principal markets.

In 2007, Vestas scaled up its collaboration with the world's leading research and educational institutions in the field of wind energy, establishing a development office at the Risø National Laboratory/ Technical University of Denmark. The office is an integral part of Vestas Technology R&D and is primarily engaged in research and development in the field of aero elasticity, aerodynamics and siting.

In 2007, Vestas received a research grant from the Danish National Advanced Technology Foundation, aimed at enhancing the ability of wind turbine blades to operate in turbulence. The research activities will be based on the unique ability of birds to stay still in the air even under severely turbulent wind conditions by constantly adjusting their wings.

Finally, in 2007, Vestas initiated a strategic research programme with the University of Aalborg, Denmark entitled Vestas Power Programme, which is the most comprehensive collaboration between a wind turbine manufacturer and a university to date. Over the next five years, the programme is set to strengthen research and development in the field of power electronic components and systems for use in the wind power industry, including for energy storage.

By the end of 2008, Vestas Technology R&D expects to employ nearly 1,000 people.

New production facilities

In 2007, Vestas opened a number of factories to accommodate the rapidly growing demand and optimise logistics in the principal markets. In August, Vestas inaugurated two factories in Tianjin, China; a nacelle and hub assembly factory and a generator plant, both of which have an annual capacity of 350 units. Furthermore, in 2007, Vestas extended its existing blade factory in Tianjin, which after July 2007, has boasted an aggregate annual capacity of 1,200 blades.

In February and March 2007, Vestas announced the establishment of two new blade factories in Daimiel, Castilla-La Mancha, Spain and in Windsor, Colorado, USA, respectively. Scheduled for completion in July 2008, the Daimiel factory will have an annual capacity of 1,200 blades. Even before the production facility in Windsor was put into operation in early 2008, Vestas announced that the facility would be extended. Including the extension, the factory will have an annual capacity of 1,800 blades. Finally, in November 2007, Vestas announced that the Group is planning to establish a tower production facility in the USA and to build a machining factory, a factory for the manufacture of control panels and a foundry in China.

Vestas' present construction projects will increase annualised capacity by approx 1,500 turbines, or 3,000 MW, from the fourth quarter of 2008 compared with 2006. In addition to the establishment of new production facilities, Vestas extended a number of existing production facilities in 2007.

Investments in property, plant and equipment totalled EUR 265m in 2007. In 2008, Vestas expects that investments in property, plant and equipment will amount to EUR 500m. The higher investments are partly due to the establishment of tower production in the USA and production facilities in China. With effect from the beginning of 2010, these new facilities will be part of a capacity expansion of more than 2,500 MW compared with the in-house capacity at the beginning of 2009.

Closure of production facility

The blade factory in Portland, Australia, was closed down with effect from the end of 2007. The decision was made because the factory was not of a sufficient size to ensure satisfactory profitability and because the market outlook under the now former Australian government did not warrant an expansion of capacity.

Efficiency improvements

Increased efficiency in Vestas' production units is pivotal for continuing growth in the Group's profitability. Vestas works systematically with production systems, including Lean and TPM, which are based on a high degree of employee influence on work planning and which continuously improve work flows and production processes.

In 2007, Vestas Nacelles received the Danish Productivity Award from the Confederation of Danish Industries for its efforts to improve productivity, increase employee satisfaction and reduce absence due to illness. At Vestas Nacelles' assembly and generator factories, the introduction of flow-based and synchronised production according to Lean principles resulted in significantly reduced lead times in production, thereby increasing output capacity at the factories.

Since 2003, Vestas Blades has applied the TPM production system, and in 2007 the business unit has maintained the efficiency progress accomplished in the preceding years. Going forward, the TPM system will be implemented at all new Vestas Blades factories. Experience suggests that the use of TPM can boost productivity by up to 30 per cent. However, for a number of years to come Vestas' capacity will exceed its suppliers' capacity, so substantial internal excess capacity will prevail when looking at the combined annual production.

In 2007, Vestas launched a number of initiatives with the aim of disseminating best practice to all of its factories, for example by establishing a global competence centre for Lean, TPM and Six Sigma which will support local implementation and coordinate efforts throughout the Vestas Group.

Going forward, Vestas will strengthen its well-established change and improvement culture on a global scale. In 2008, the Group will focus on increased employee involvement.

Service

Service is to represent a larger proportion of Vestas' combined operations. Vestas seeks to make ongoing improvements and to standardise the Group's global service products to ensure consistent, satisfactory operating control and risk management of the wind power plants. This development will be supported by the implementation of a joint ERP system in all of the Group's sales and service units. Service accounted for less than 10 per cent of revenue in 2007.

Environment and occupational health & safety

Vestas has selected a number of non-financial highlights that are relevant to understanding Vestas' development, results of operations and financial position. The status of these highlights is monitored closely, and 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 96.

CO_2

As the world's leading wind turbine manufacturer, Vestas consistently endeavours to make its products and production methods as environmentally sound as possible. Electricity represents the bulk of Vestas' combined internal energy consumption, totalling 56 per cent in 2007. The internal energy consumption also includes district heating, gas, oil and fuel, including diesel and petrol. Vestas wishes to contribute to the proliferation of renewable energy through the purchase of electricity from renewable sources for its own activities. In 2007, electricity from renewable sources accounted for 66 per cent of Vestas' total electricity consumption.

Vestas also supports the development of other technologies that may contribute to exploiting the potential of wind power, including hydrogen technology that allows for storing excess production of electricity from wind turbines. Vestas Nacelles in Ringkøbing, Denmark takes part in a project aimed at developing and testing a number of different small, hydrogen-fuelled vehicles, including forklifts for use at Vestas' production units.

Environment

Wind power offers a number of clear environmental benefits over other sources of energy. The actual production of electricity from wind turbines involves no CO_2 emissions or water consumption.

As in any other form of industrial production, Vestas' business involves an environmental impact such as the emission of CO_2 in connection with production, transport, installation, maintenance and dismantling. The combined emission of CO_2 was 5-8 grams per kWh electricity supplied to the transmission network, underlining the environmental benefits of wind power over e.g. coal power, which emits more than 100 times as much CO_2 per kWh.[2)]

Thus, wind power makes it possible to meet the ever-increasing global demand for energy, while at the same time limiting the dramatic climate changes caused by the greenhouse effect by supplying competitive and clean electricity from an inexhaustible, local and free source of energy.

During its expected 20-year design lifetime, a V90-3.0 MW onshore wind turbine will save the environment from approx 129,000 tonnes of CO_2 compared with electricity generated by a modern coal-fired power plant. This corresponds to the annual average volume of CO_2 emitted by 10,500 persons in the industrialised world.[3)] The same turbine type generates 35 times as much energy in its lifetime as is consumed for the production, transport, installation, operation and dismantling of the turbine, which is energy-neutral after seven months.

Vestas has performed comprehensive life cycle assessments as documentation for the environmental impacts of its V82-1.65 MW, V80-2.0 MW and V90-3.0 MW wind turbines. Experience from the assessments is used to develop new products and in the dialogue with customers and other stakeholders. For additional information about the life cycle assessments, see www.vestas.com / About Vestas / Sustainability.

The consumption of metals is Vestas' most significant adverse environmental impact, see 'Non-financial highlights for the Group' on page 7. The impacts derive primarily from ore processing and metal extraction. Through technology optimisation, Vestas seeks to develop more effective wind turbines, among other things to create a better balance between consumption of metals and MW production per turbine.

Moreover, non-recyclable waste is also a major environmental factor. However, Vestas' wind turbines have a high recycling ratio, as more than 80 per cent of e.g. a V90-3.0 MW turbine can be recycled, primarily through the collection and remelting of metals. Wind turbine parts that cannot be recycled in certain countries include fibreglass, electronic components and plastic parts.

Other environmental impacts comprise the visual impression of wind turbines in the countryside, sound from operating wind turbines and the impact on animals and plants. These impacts are substantially reduced through meticulous planning of wind turbine locations.

Management systems for environment and occupational health & safety

Vestas is working systematically with the improvement of environmental and occupational health & safety aspects within the Group, and the introduction of environmental and occupational health & safety management is seen as an important tool in this regard. Vestas' objective is for all Vestas units to be certified according to the ISO 14001 environmental management standard and the OHSAS 18001 occupational health & safety standard not later than at the end of 2008. At the end of 2007, 80 per cent of Vestas (measured by number of employees) was certified according to ISO 14001, and 84 per cent (measured by number of employees) was certified according to OHSAS 18001.

Social responsibility

Vestas aims to create a sustainable business with strong relations to its stakeholders and a satisfactory profitability. Social responsibility is thus a natural part of Vestas' management philosophy and value set.

Vestas recruits and promotes people on the basis of their skills and competencies, with no regard to nationality, sex, race or creed. 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 safety, human rights, health on the labour market, business ethics and the environment. To intensify these efforts, in 2007, Vestas established a corporate function dedicated to enhancing social responsibility.

Being an international enterprise headquartered in Scandinavia, Vestas believes that the Group's activities all around the world should not only comply with local legislation but also with Vestas' Scandinavian standards for environment and safety. As a result of this attitude, Vestas sets higher standards than those prescribed by local legislation in a number of countries.

The Group's standards and targets are based on the framework agreements on ethically sound and trustworthy behaviour established by international organisations such as the UN, ILO and OECD. Vestas is continuously working to communicate the understanding of these standards and targets and the importance they have for Vestas' employees. This is done to ensure uniform and responsible behaviour across the organisation.

To ensure that information is not suppressed or remains undisclosed, in 2007, Vestas established a whistleblower system, which provides easy access for all employees to report any incidence of neglect, illegal acts or acts that are contrary to Vestas policies and guidelines,

2) A modern coal-fired powerplant emits 826 g CO_2 per kWh. Öko-institut (Institute for Applied Ecology): 'Global Emission Model For Integrated Systems - version 4.3'. Germany, 2006.

3) The overall average for a citizen in the industrialised world (Annex 1 countries to the Kyoto Protocol) was 12.2 tonnes CO_2 per citizen in 2003. UNFCCC: 'KEY GHG DATA'. Bonn, 2005.

including safety rules or discrimination. This function helps to ensure that Vestas will always act in an ethically responsible manner.

Risk management

In 2007, Vestas has focused further on risk management within the critical business processes. Internal reporting of the Group's most significant risks is part of Vestas' management information.

Group Finance & Operations offers support to the entire Group and works proactively with anchoring risk management, including ensuring systematic identification and managing of all relevant risks in the entire organisation.

Among other things, a programme has been established aimed at reducing risks in relation to the operational running of the production business units. Furthermore, a global insurance programme has been established, which in addition to the compulsory insurances includes insurances which from a business perspective are considered efficient.

Supplier risks

Due to earlier problems with a few suppliers, Vestas has attached great importance to streamlining and improving relations with its suppliers, because the weakest link has a large impact on capacity and quality throughout the supply chain. A number of steps have been taken, including quality requirements for all suppliers, which are expected to reach the 4 Sigma level by the end of 2008 at the latest, both in terms of component quality and timely supplies.

The growth forecast for the years ahead continues to put the supply chain under a lot of pressure. Vestas seeks to reduce this risk by entering into long-term framework agreements and by cultivating new partners who have the necessary technical qualifications and aspirations. Moreover, Vestas has formed close alliances under which the Group allocates resources for supplier development so that these suppliers will be able to meet the requirements for quality and ability to supply. Vestas aims to have at least two suppliers of all strategic components; with very few exceptions, this goal is currently accomplished.

Vestas is currently a party to a number of 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 has led to major warranty provisions, and the Group is dedicated to improving the robustness of its products. Internally, focus in connection with production and development is centred on improving the quality and reliability of the turbine components.

In the first quarter of 2007, Vestas temporarily discontinued selling the V90-3.0 MW offshore wind turbine due to gearbox issues. As from 1 May 2008, the turbine will again be released for sale offshore. Furthermore, it has also been decided now to market the V90-1.8 MW wind turbine in the USA.

The Group has entered into close dialogue with a number of component suppliers with a view to obtaining greater influence on their production process and ensuring higher quality of the components and, by extension, the finished product.

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

In the wind power industry, reliability of supply is a key competitive factor, and this is one of the reasons why Vestas is investing in the roll-out of SAP in its sales business units to ensure that their IT infrastructure is up to date and capable of supporting the increasingly complex business structure.

Sales risks

Contractual conditions in all major wind power projects, including prices, delivery and logistics requirements 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 business units to ensure significantly improved terms and conditions for Vestas.

As a result of Vestas' revised risk profile, the share of supply-only orders rose to represent 30 per cent of revenue in 2007 compared with 20 per cent in 2006. The share represented by supply-only orders is expected to rise further in 2008. According to these orders, Vestas is only responsible for delivering the turbines, not for 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 price and risks.

As part of its strategy, Vestas aims to build close customer relations through a high level of innovation and service in a broad sense. 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 2007 was generated from 272 customers. Going forward, consolidation among Vestas' customers will lead to less diversification.

Exchange rate risks

The business activities of Vestas involve a range of exchange rate risks linked to the purchase and sale of goods and services in currencies other than the EUR. 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 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. In 2008, Vestas will further expand its production facilities in China and establish blade production in the

USA, where the Group is also planning to manufacture towers. These production facilities will increase the Group's costs outside the eurozone. In combination with a higher degree of sourcing from countries whose currencies are not linked to the EUR, these measures are aimed at better balancing income and expenditure in foreign currency. Longer term, this will make Vestas less sensitive to fluctuations in currencies such as the USD relative to EUR. Most of Vestas' production units and suppliers are currently located in the eurozone. Revenue generated outside the eurozone represented 42 per cent of total revenue in 2007 compared with 36 per cent in 2006.

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 ensuring that duration and maximum interest rate risk on the Group's net debts are constantly monitored. Vestas uses hedging instruments to limit interest rate risks. The average net interest-bearing position was in 2007 EUR 179m against EUR (299)m in 2006.

Tax risks

Vestas pursues an active, but not an aggressive, tax policy. Based on its broad, international production and sales platforms, Vestas maintains a transfer pricing system that gives a true and fair view 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

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. The Group's receivables are often 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. The Group minimises this risk by only using financial institutions with high credit ratings. Furthermore, Vestas has in-house limits as to the size of the Group's balance with a single bank.

Liquidity risks

The Vestas Group's Treasury Department is in charge of ensuring that adequate capital resources are in place at all times through a combination of liquidity management and non-guaranteed and guaranteed credit facilities. The Group 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 presently has the financial means to finance its organic growth.

Commodity risks

To minimise the potential impact and reduce risks in connection with fluctuations in prices of commodities such as steel and copper, Vestas has entered into long-term agreements with fixed prices covering parts of the Group's needs. Where possible, Vestas also uses hedging instruments, specifically in connection with procuring copper and nickel.

Vestas' financial performance

Level of activity

In 2007, Vestas shipped wind power systems with an aggregate capacity of 4,974 MW, an increase of 661 MW or 15 per cent on 2006. Vestas shipped a total of 2,752 turbines, of which 1,526 had a capacity of 2 MW or more.

The Group posted a positive trend in its order backlog in 2007, and the net backlog of firm and unconditional orders stood at EUR 4.8bn (4,415 MW) at the end of the year, an increase of 20 per cent compared with year-end 2006. The order backlog at the end of 2007 was distributed on 227 customers.

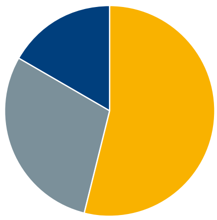
Income statement

Revenue

The Group recorded revenue in 2007 of EUR 4,861m, an increase of EUR 1,007m, or 26 per cent, relative to 2006. Energy companies and utilities accounted for 41 per cent of revenue in 2007.

Distribution of revenue 2007

	mEUR
Europe	2,633
Americas	1,420
Asia/Pacific	808
Total	**4,861**



Distribution of revenue

Europe

Americas

Asia/Pacific

Gross profit

Consolidated gross profit was EUR 825m in 2007 against EUR 461m in 2006. The profit translates into a gross margin of 17.0 per cent, which is a distinct improvement on 2006, when the gross margin stood at 12.0 per cent. The improvement was attributable to better prices and conditions and improved in-house production flows. Vestas has improved the interaction with its suppliers, but large problems with many of the suppliers are still costly for all parts of the supply chain.

Operating profit

The Group reported an operating profit (EBIT) of EUR 443m in 2007, an increase of EUR 242m on 2006. This translates into an EBIT margin of 9.1 per cent, compared with 5.2 per cent in 2006.

Financial income and expenses and tax

Financial items declined from a net expense of EUR 40m in 2006 to a net expense of less than EUR 1m in 2007.

Tax for the year amounted to EUR 152m, resulting in an effective tax rate for 2007 of 34 per cent. The high level was due to the lowering of the Danish corporate tax rate, which reduced the value of Vestas' tax assets. Deferred tax assets amounted to EUR 154m at the end of 2007. Tax matters are specified in notes 11, 17 and 22 to the consolidated accounts.

Balance sheet

At 31 December 2007, Vestas had total assets of EUR 4,296m compared with EUR 3,654m at the end of 2006. The increase is due to the higher level of activity. Vestas gives high priority to an effective use of its balance sheet and is therefore satisfied that the return on invested capital rose to 30.9 per cent in 2007 from 11.9 per cent in 2006.

Non-current assets

The Group's non-current assets amounted to EUR 1,313m at 31 December 2007, compared with EUR 1,152m in 2006. The increase was primarily attributable to investments in production facilities.

Inventories

Inventories amounted to EUR 1,107m at the end of the year, an increase of EUR 227m relative to 2006. The increase was among other things due to the aim of maintaining buffer stocks to ensure more balanced production, independently of irregular supplies. The costs involved in maintaining extra inventories are lower than any loss suffered from a production stop.

Trade receivables

Trade receivables amounted to EUR 660m at 31 December 2007 compared with EUR 711m at the end of 2006, a decrease of EUR 51m.

Construction contracts in progress

Construction contracts is the description used for projects currently being installed, but for which the project has not finally been transferred to the customer. These contracts represented a net amount of EUR (750)m at the end of 2007, a change of EUR (232)m compared with 2006, when construction contracts amounted to EUR (518)m.

Provisions

In 2007, Vestas made warranty provisions of EUR 242m, which corresponds to approx 5 per cent of annual revenue. This level is in line with expectations, but still highly unsatisfactory. Vestas makes provisions for all costs associated with turbine repairs, and 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.

Vestas expects to make warranty provisions of 3-5 per cent of annual revenue in 2008. This is an estimate, and therefore actual costs may deviate substantially from such estimates, because many solutions are dependent on supplies of components from an industry which is under pressure. As components are often a scarce resource, it might be necessary to use components for warranty work which otherwise would have been used in new turbines. As a result, the impact of repair work on Vestas' overall profitability may exceed the actual costs.

Longer term, Vestas expects a reduction in the need for warranty provisions as component quality is gradually enhanced throughout the supply chain and in step with Vestas' implementation of the industry's most advanced test facilities.

Changes in equity

Vestas' equity amounted to EUR 1,516m at the end of 2007 compared with EUR 1,262m at 31 December 2006.

During the financial year, Vestas has acquired 597,971 treasury shares at a nominal value of DKK 597,971 amounting to EUR 30m.

Vestas has defined a long-term solvency ratio target of at least 40 per cent.

Cash flow and investments

Vestas generated a cash inflow from operations of EUR 701m in 2007 compared with an inflow of EUR 598m in 2006. This movement was due to the higher EBIT margin and prepayments from customers.

Cash flows before changes in working capital rose by EUR 289m to EUR 511m from EUR 222m in 2006, reflecting the higher EBIT margin.

Investing activities generated a cash flow of EUR (317)m. The main investments in 2007 related to Vestas Nacelles' and Vestas Blades' new nacelle and blade factories and Vestas Control Systems' and Vestas Technology R&D's new facilities in Denmark.

Financing activities generated a cash flow of EUR (54)m, and are attributable to the acquisition of treasury shares and repayment of long-term liabilities.

Outlook for 2008

Against the background of continuing strong demand, improved interaction with suppliers and enhanced in-house processes, Vestas expects that the profitability improvement experienced in 2007 will continue in 2008.

Vestas forecasts revenue for 2008 of approx EUR 5.7bn, an increase of 17 per cent on 2007, and an EBIT margin of 10-12 per cent, compared with 9.1 per cent in 2007. Revenue in second half-year 2008 is expected to be relatively higher than in second half-year 2007. The Group projects to increase its market share to approx 25 per cent. Net financial items are expected to amount to EUR 0, and the corporate tax rate is expected to be approx 28 per cent.

The Group expects that investments in property, plant and equipment will total EUR 500m, whilst investments in intangible assets are expected to total EUR 120m.

The net working capital at the end of 2008 is expected to amount to max 15 per cent of revenue for the year, against (1) per cent at the end of 2007.

A number of risks may impact on the financial performance for the year. These risks include among other things additional warranty provisions, pending patent disputes expected to be decided in 2008, price developments on raw materials and transport and

fluctuations in a number of currencies relative to EUR. Finally, the difficult supply situation means that Vestas expects long and expensive delivery times of up to 15 months for a number of components in 2008.

Events after the balance sheet date

Orders

In 2008, Vestas has announced large orders for supply of wind turbines with a total capacity of more than 600 MW. Vestas' company announcements and press releases regarding these orders are available at www.vestas.com / Investor.

Litigation

In January 2008, Vestas announced a status on the patent disputes with Enercon GmbH, Mr Aloys Wobben in connection with the District Court in The Hague, the Netherlands, deciding in favour of Vestas. Two patents were ruled invalid, and a third patent will be heard in the Court in February 2008, and the decision is expected later in the year, see note 38 to the consolidated accounts.

Announcement regarding the expected annual result

In February 2008, Vestas released an announcement regarding the expected 2007 result. The announcement contained among other things information about revenue, EBIT margin and net working capital.

In the announcement, Vestas adjusted the expectations for the revenue for 2006 from EUR 4.5bn to EUR 4.85bn. Expectations for the year's EBIT margin were adjusted from approx 8 per cent to approx 9 per cent, while the expectations for the net working capital were changed to approx (1) per cent.

Corporate governance

Corporate governance refers to the structure and decision-making process applied by the owners of a company in their direct or indirect management of the company.

The Board of Directors and Executive Management of Vestas address the principles of corporate governance on an ongoing basis with due consideration to current legislation, practices and recommendations. Such evaluation includes a review of the company's business concept, business procedures, business goals, organisation, stakeholder relations, risks and the exercise of control.

Vestas believes that open and direct communication with its owners and with the capital markets contribute to efficient decision-making, and provide an overview of Vestas' activities.

Organisation

Vestas Wind Systems A/S is a Danish limited liability company. 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 of the Articles of Association. Accordingly, the usual provisions of articles 78 and 79 of the Danish Public Companies Act apply in this respect. Vestas' Articles of Association can be downloaded from www.vestas.com / Investor.

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 consists of all shareholders of the company. 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.

General Meetings in Vestas Wind Systems A/S are held in Region Midtjylland or in Greater Copenhagen, cf. article 4 of the Articles of Association. In 2008, the Annual General Meeting will be held on 2 April at 2 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, and a notice convening the meeting will be sent to the registered shareholders on 10 March 2008.

Any shareholder shall be entitled to have a business considered at the Annual General Meeting if such shareholder submits a written request to this effect to the Board of Directors within two months after the end of the financial year, cf. article 4 of the Articles of Association.

The company's share capital amounts to DKK 185,204,103.00, which equals 185,204,103 shares. Each share carries one vote, and no share carries any special rights, cf. article 6 of the Articles of Association.

Information on the company's capital structure, ownership and other issues are provided in 'Shareholders and the stock exchange' on page 115.

Board of Directors

In connection with the Annual General Meeting, the shareholders elect a Board of Directors and appoint the auditor(s).

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

The Board of Directors elected by the General Meeting consists of seven members with broad international experience in corporate management. The Board members are elected for terms of one year.

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, together, the candidates represent the sector insight and the commercial and financial skills required to allow the Board of Directors to perform its tasks in the best possible manner. The Board of Directors does not see any need for changing the composition of the Board of Directors.

Pursuant to Danish legislation, a number of employee representatives are elected for terms of four years. In December 2007, an ordinary election took place among the Group's Danish employees. Sussie Dvinge Agerbo and Kim Hvid Thomsen were re-elected, and after the General Meeting to be held on 2 April 2008, Elly Smedegaard and Michael Lisbjerg will join the Board as newly elected employee representatives, and Svend Åge D. Andersen will retire from the Board.

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

In 2007, the Board of Directors held a total of eight meetings, and a three-day strategy seminar, each with participation of all the members of the Board of Directors.

Board committees

Vestas has set up three permanent Board committees, the purpose of which is to prepare decisions and recommendations for evaluation 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.

The Technology Committee is responsible for assisting the Board in the evaluation of technical matters, IPR strategy and product development plans. The Technology Committee also supports the Board in matters concerning production, including continuous adjustments to Vestas' production capacity. The Remuneration Committee is responsible for assisting the Board in assessments concerning salaries and remuneration. The Audit Committee's tasks are to assist 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.

Each of the three 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 at least four meetings every year. At the request of the committees, other members of management may also participate in these meetings.

In 2007, the three Board committees held seven (Technology Committee), four (Remuneration Committee) and six (Audit Committee) meetings, respectively.

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 running 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

The Vestas Group has 12 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 area of responsibility.

In 2007, two new Vestas Presidents were appointed – Klaus Steen Mortensen for Vestas Northern Europe and Juan Araluce for Vestas Mediterranean.

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

Vestas Government

The Vestas Government consists of the Executive Management and the Presidents of the 12 business units.

The Vestas Government holds weekly conference calls and meets once every quarter for government meetings. The Government coordinates production and sales – and prioritises the R&D efforts so that the Group can implement the strategy defined by the Board of Directors in collaboration with the Executive Management.

Members of the Board of Directors

- Bent Erik Carlsen, Chairman
- Torsten Erik Rasmussen, Deputy Chairman
- Arne Pedersen
- Freddy Frandsen
- Jørgen Huno Rasmussen
- Jørn Ankær Thomsen
- Kim Hvid Thomsen
- Kurt Anker Nielsen
- Sussie Dvinge Agerbo
- Svend Åge D. Andersen

Board committees

The Technology Committee
- Freddy Frandsen, Chairman
- Arne Pedersen
- Kim Hvid Thomsen

The Remuneration Committee
- Bent Erik Carlsen, Chairman
- Jørn Ankær Thomsen
- Torsten Erik Rasmussen

The Audit Committee
- Kurt Anker Nielsen, Chairman
- Arne Pedersen
- Freddy Frandsen

Members of the Executive Management

- Ditlev Engel, President and CEO
- Henrik Nørremark, Executive Vice President and CFO

Presidents of the Group's business units

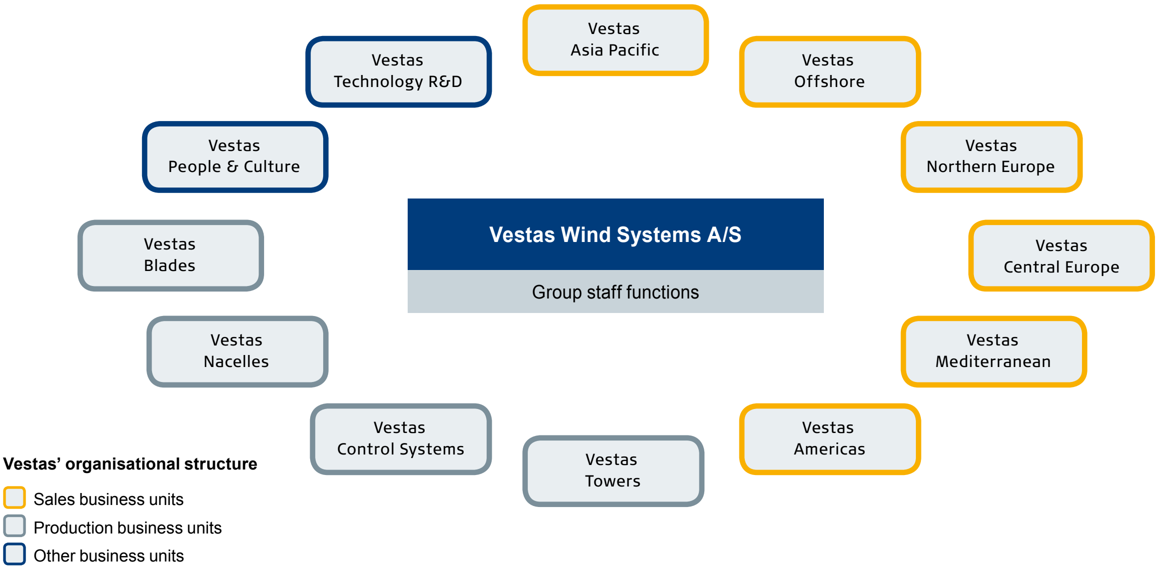
- Anders Søe-Jensen, Vestas Offshore
- Bjarne Ravn Sørensen, Vestas Control Systems
- Finn Strøm Madsen, Vestas Technology R&D
- Hans Jørn Rieks, Vestas Central Europe
- Jens Søby, Vestas Americas
- Juan Araluce, Vestas Mediterranean
- Klaus Steen Mortensen, Vestas Northern Europe
- Knud Bjarne Hansen, Vestas Towers
- Ole Borup Jakobsen, Vestas Blades
- Roald Steen Jakobsen, Vestas People & Culture
- Søren Husted, Vestas Nacelles
- Thorbjørn N. Rasmussen, Vestas Asia Pacific

Vestas Government

- The Vestas Government consists of the Executive Management and the Presidents of the 12 business units.

Senior Vice Presidents of Group staff functions

- Henrik Hald Hellmuth, Group Treasury
- Jan Pilgaard, Group Finance & Operations
- Jørgen Peter Nielsen, Contract Review
- Peter Brun, Group Government Relations
- Peter Wenzel Kruse, Group Communications
- Robert Paul Fritz, Vestas Excellence
- Torben Bonde, Group IT



Corporate staff functions

The seven Senior Vice Presidents of Vestas' corporate staff functions all report directly to the Executive Management of Vestas and are responsible for the overall and day-to-day management within their specific areas of responsibility.

Profiles

Profiles of each Board member, Executive Management member and Government member and a description of the Danish system concerning employee representatives are provided at www.vestas.com / Investor.

Remuneration

Vestas is a global Group based in Scandinavia, which is reflected in the compensation and reward principles for Executive Management, Presidents, Senior Vice Presidents, Vice Presidents, Directors and Managers. The compensation and reward principles are based on Mercer's International Position Evaluation System, and Mercer Reward Surveys are used as the benchmark. For all other employee groups, locally based statistics are used as the basis for the compensation and reward standards. The purpose of the aligned compensation and reward system is to ensure competitive compensation and reward packages for all employees at Vestas' locations globally.

For further information about remuneration, incentive programmes and share holdings of the Board of Directors and the Executive Management, see below and notes 6 and 33 to the consolidated accounts, pages 59 and 77.

Remuneration to the Board of Directors

The Board of Directors receives a fixed annual fee for their board duty. Efforts are made to ensure that the remuneration of the Board corresponds to the remuneration level in comparable companies.

For 2007, Directors' remuneration amounted to EUR 0.7m inclusive of fees to the Board members who are members of one of the Board committees. No special fees have been paid out.

The Board of Directors are not comprised by any incentive programme (option programme, bonus scheme or similar) or by Vestas' pension scheme, and at a possible take-over, they will not receive any compensation.

Remuneration to the Executive Management

For 2007, the Executive Management received a total remuneration of EUR 1.6m and EUR 0.8m has been recognised in share-based payment, see note 6 to the consolidated accounts, page 59.

The remuneration to the Executive Management is considered being in accordance with the conditions in comparable companies. For further information about the remuneration to the Executive Management, see the section 'Recommendation on openness about remuneration', page 27.

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 be changed from 24 to 36 months.

Incentive programme

Share option programmes for the Executive Management and selected executives have been established for the financial years 2006 to 2009.

2006 incentive programme

In 2006, it was decided to establish an incentive programme for the Executive Management and selected executives of the Group. The programme is based on options which give the participants a right to buy shares from the company's treasury shares, and the allotment of options is based on the Group's results for 2007. No options were allotted in 2006. For 2007, 56,448 options will be allotted with a total value of EUR 3m as at 31 December 2007, see note 33 to the consolidated accounts, page 77.

New incentive programme

In 2007, the Group resolved to establish a new incentive programme for the Executive Management and selected executives of the Group.

The total value of the option scheme that comprises the years 2007, 2008 and 2009 amounted to EUR 12m 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.

Further details of the terms of the programme, see company announcements Nos. 22/2007 and 33/2007.

The 'comply or explain' principle

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

Pursuant to section 36 of the 'Disclosure requirements governing issuers of securities listed on the OMX Nordic Exchange Copenhagen', Danish companies must indicate their position on the OMX Nordic Exchange Copenhagen's recommendations for corporate governance based on a 'comply or explain' principle.

The recommendations specify that it is equally legitimate to provide an explanation or to comply with a specific recommendation, 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 www.vestas.com / Investor.

The Board of Directors has reviewed the recommendations and provides the following explanations as regards deviations from the recommendations:

Recommendation on the number of directorships

It is recommended that a member of the board of directors, who is also on the management board of an active company, holds a maximum of three ordinary directorships or one chairmanship and one ordinary directorship in companies that are not part of the Group, unless exceptional circumstances apply.

No member of Vestas' Board of Directors is also a member of the executive board of an active company while holding more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the Group.

The Board of Directors finds that each individual Board member is able to appropriately balance his or her time available for board duties and the number of directorships so that the number of directorships does not adversely impact the quality of the board duty in Vestas.

Recommendation on assessment process for the board

It is recommended that the evaluation of the board of directors is made once a year, that the Chairman of the board is in charge of this process, possibly with the use of external advice, that the outcome is discussed by all members of the board and that details of the procedure of this self-evaluation are disclosed in the annual report.

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 Board members and the individual participants. The Chairman is responsible for carrying out the assessment, and the results are discussed by the entire Board.

Once a 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

It is recommended that the company's remuneration policy reporting contains a statement of how the remuneration policy has been applied in the previous financial year, the present financial year and how the company plans to apply it in the next financial year.

It is recommended that the company's remuneration policy is mentioned in the statement given by the chairman at the company's general meeting and that the remuneration of the board of directors for the present financial year is presented for adoption at the general meeting, where the annual report for the previous year is submitted for adoption.

The company's remuneration policy reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps to promote long-term goals for safeguarding the company's interests.

Remuneration paid to Board members is presented retrospectively for approval as an integral part of the annual report in accordance with the Danish Public Companies Act.

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

It is recommended that the annual report contains information about the total remuneration of the individual members of the board of directors and management board, as well as other significant benefits provided to the members by the company and other companies of the same group.

Disclosures about the total remuneration to members of the Board of Directors and Executive Management, respectively, are provided in note 6 to the consolidated accounts, page 59. 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 33, page 77 to the consolidated accounts.





The Board of Directors of Vestas Wind Systems A/S

First row from left: Bent Erik Carlsen (Chairman), Torsten Erik Rasmussen (Deputy Chairman), Arne Pedersen, Freddy Frandsen and Jørgen Huno Rasmussen.
Second row from left: Jørn Ankær Thomsen, Kim Hvid Thomsen, Kurt Anker Nielsen, Sussie Dvinge Agerbo and Svend Åge D. Andersen.

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 the following fiduciary positions in other Danish and foreign companies and organisations.

Bent Erik Carlsen (62 years), Chairman

Group Executive Vice President,
A.P. Møller-Mærsk, Denmark 2002 -.
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 Scandinavien, Denmark

Fiduciary positions

Chairman of the Boards of: A/S Maersk Aviation Holding (Denmark), Aktieselskabet Roulunds Fabriker (Denmark), Dansk Industri Syndikat A/S (Denmark), Maersk Container Industri (China), Mærsk Container Industri A/S (Denmark), Norfolk Holding B.V. (The Netherlands), Rosti A/S (Denmark), Rotrex A/S (Denmark), Roulunds Holding A/S (Denmark), Star Air A/S (Denmark) and Svitzer A/S (Denmark).

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

Member of the Boards of: Ejendomsselskabet Roulunds A/S (Denmark), F. Salling A/S (Denmark), F. Salling Holding A/S (Denmark) and Martinair Holland N.V. (The Netherlands).

Independency

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

Torsten Erik Rasmussen (63 years), Deputy Chairman

Managing Director & 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	Deputy Manager, logistics, LEGO System A/S, Denmark
1978-1980	Managing Director & CEO, LEGO Overseas A/S, Denmark
1981-1997	Director and member of the Group Management, LEGO A/S, Denmark

Fiduciary positions

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

Deputy Chairman of the Boards of: A/S Det Østasiatiske Kompagni (Denmark), JAI A/S (Denmark) and TK Development A/S (Denmark).

Member of the Boards of: Acadia Pharmaceuticals A/S (Denmark), Acadia Pharmaceuticals Inc. (USA), Arvid Nilsson A/S (Denmark), 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'let Portugal (Portugal), JAI Aviation ApS (Denmark), JAI Group Holding ApS (Denmark), Morgan Invest ApS (Denmark), NatImmune A/S (Denmark), Oase Outdoors ApS (Denmark), Outdoor Holding A/S (Denmark), PT ECCO Indonesia (Indonesia), Schur International A/S (Denmark), Vola A/S (Denmark) and Vola Holding A/S (Denmark).

Independency

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

1) The Committee on Corporate Governance's definition of the concept independency is available at www.vestas.com / Investor.

Arne Pedersen (62 years)

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 ApS (Denmark), AROS Maritime A/S (Denmark), DanTruck-Heden A/S (Denmark), DanTruck-Heden Lifttruck A/S (Denmark), DTH Holding ApS (Denmark), EMH og P&S DOK og Leasing Aktieselskab (Denmark), Formard Mould A/S (Denmark), Marstal Værft A/S (Denmark), Nettotruck A/S (Denmark), Petersen og Sørensen Motorværksted A/S (Denmark) and Petersen og Sørensen Reparationsværksted A/S (Denmark).

Member of the Boards of: DanTruck-Heden Danmark A/S (Denmark), Devitech ApS (Denmark), Muehlhan A/S (Denmark), Muehlhan Norway AS (Norway) and Targit A/S (Denmark).

Other positions of trust: Chairman of Brancheforeningen Danske Maritime – Danish Maritime Association (Denmark), Chairman of Industriens Branchearbejdsmiljøråd – Industrial Occupational Health Committee (Denmark), member of CESA - Den europæiske værftsforening – The European Shipyard Association (Belgium) and member of Dansk Industris Hoveddbestyrelse – The General Council of the Confederation of Danish Industries (Denmark).

Independency

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

Freddy Frandsen (63 years)

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 Boards of: FRF Invest ApS (Denmark) and Hans Følsgaard A/S (Denmark).

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

Other positions of trust: Chairman of the non-profit foundation: Utzon Foundation (Denmark), member of Det Nationale Fødevareforum, Videnskabsministeriet – Ministry of Science (Denmark), member of Følsgaard Fonden (Denmark) and member of Nordsøen Forskerpark/ Ocenarium (Denmark).

Independency

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

Jørgen Huno Rasmussen (55 years)

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

Competencies

Education

1976	MSc engineering (construction), 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 Group Management, Veidekke ASA, Norway

Fiduciary positions

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

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

Member of the Boards of: Dan Indian Holding ApS (Denmark) and FLSmidth Dorr-Oliver Eimco Denmark ApS (Denmark).

Other positions of trust: Member of the representatives of Industriens Arbejdsgivere – The Copenhagen Industries Employers' Federation (Denmark) and member of the representatives of Tryg i Danmark smba (Denmark).

Independency

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

Jørn Ankær Thomsen (62 years)

Attorney at Law and partner,
Gorrissen 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	Former positions: 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 Administration A/S (Denmark), DB 2001 A/S (Denmark), F.M.J. A/S (Denmark), Fibertex A/S (Denmark), Frima Vafler A/S (Denmark), Fåmandsforeningen Danske Invest (Denmark), GAM Holding A/S (Denmark), Ghana Impex A/S (Denmark), Givesco A/S (Denmark), Holdingselskabet af 25. november 1972 A/S (Denmark), Investeringsforeningen Danske Invest (Denmark), Investeringsforeningen Danske Invest AlmenBolig (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 BG 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 A/S (Denmark), Biomar Holding A/S (Denmark), Carletti A/S (Denmark), Dan Cake 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).

Other positions of trust: Member of Jens Eskildsen og Hustru Mary Antonie Eskildsen Mindefond – Memorial foundation (Denmark), member of Købmand TH. C. Carlsens Mindefond – Memorial foundation (Denmark) and member of the Otto Mønsteds Kollegium (Denmark).

Independency

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

Kim Hvid Thomsen (44 years)

Senior Shop Steward,
Vestas Nacelles A/S, Denmark 1996 -.
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
1986	Industry technician K.P. Komponenter, Denmark

Fiduciary positions

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

Member of the Board of: Skjern Tekniske Skole (Denmark).

Independency

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

Kurt Anker Nielsen (62 years)

Director.
Member of the Board since April 2006.

Competencies

Education

1972	MSc (Economics and Business Administration), Copennhagen 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	President of 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	Co-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).

Other positions of trust: Chairman of LifeCycle Pharma's Audit Committee (Denmark), Chairman of Novo Nordisk A/S' Audit Committee (Denmark), Chairman of StatoilHydro ASA's Audit Committee (Norway), Chairman of ZymoGenetics Inc.'s Audit Committee (USA) and member of Novo Nordisk Fonden (Denmark).

Independency

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

Sussie Dvinge Agerbo (37 years)

IT-employee,
Vestas Wind Systems A/S, Denmark 1990 -.
Elected by company employees.
Member of the Board since November 2005.

Competencies

Education

1989	Commercial upper secondary examination, Denmark and office assistant in 1992
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 the concept independency due to employment with Vestas.

Svend Åge D. Andersen (48 years)

Janitor,
Vestas Wind Systems A/S, Denmark 1983 -.
Elected by company employees.
Member of the Board since 1996 and retires from the Board as at 2 April 2008.

Competencies

Education

1979	Auto Mechanic, Denmark

Former positions

1977-1980	Employed with BP Service, Denmark
1980-1983	Employed with Scarlet Møbler, Denmark

Independency

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

Vestas Wind Systems A/S' Executive Management

From left: Ditlev Engel, President and CEO and Henrik Nørremark, Executive Vice President and CFO.

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 the following fiduciary positions in other Danish and foreign companies and organisations.

Ditlev Engel (43 years)

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 A/S, Denmark
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

Fiduciary positions

Member of the Board of: Dansk Industris Hovedbestyrelse – The General Council of the Confederation of Danish Industries (Denmark).

Other positions of trust: Member of Erhvervspolitisk Udvalg i Dansk Industri – The Industrial Policy Committee of the Confederation of Danish Industries (Denmark) and member of Topdanmarks repræsentantskab – The Committee of Representatives of Topdanmark (Denmark).

Henrik Nørremark (41 years)

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


FAILURE IS NOT AN OPTION

Presidents of the Group's business units

First row from left: 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) and Juan Araluce (Vestas Mediterranean).
Second row from left: Klaus Steen Mortensen (Vestas Northern Europe), Knud Bjarne Hansen (Vestas Towers), Ole Borup Jakobsen (Vestas Blades), Roald Steen Jakobsen (Vestas People & Culture), Søren Husted (Vestas Nacelles) and Thorbjørn N. Rasmussen (Vestas Asia Pacific).

Consolidated accounts

Consolidated accounts

Consolidated income statement 1 January - 31 December

mEUR	Note	2007	2006
Revenue	3, 4	4,861	3,854
Cost of sales	5, 6	(4,036)	(3,393)
Gross profit		**825**	**461**
Research and development costs	5, 6, 7	(124)	(93)
Selling and distribution expenses	5, 6	(99)	(70)
Administrative expenses	5, 6	(159)	(113)
Other operating income	8	0	16
Operating profit		**443**	**201**
Income from investments in associates	15	0	0
Financial income	9	19	10
Financial expenses	10	(19)	(50)
Profit before tax		**443**	**161**
Corporation tax	11	(152)	(50)
Profit for the year		**291**	**111**
Distributed as follows:			
Shareholders in Vestas Wind Systems A/S		291	111
Minority interests		0	0
		291	**111**
Earnings per share (EPS)	12		
Earnings per share (EUR)		1.58	0.61
Earnings per share (EUR), diluted		1.57	0.61

Consolidated balance sheet 31 December - Assets

mEUR	Note	2007	2006
Goodwill		320	320
Completed development projects		48	69
Software		34	8
Development projects in progress		105	81
Total intangible assets	13	**507**	**478**
Land and buildings		261	230
Plant and machinery		143	128
Other fixtures and fittings, tools and equipment		116	99
Property, plant and equipment in progress		118	33
Total property, plant and equipment	14	**638**	**490**
Investments in associates	15	1	0
Other receivables	21	13	22
Deferred tax	17	154	162
Total other non-current assets		**168**	**184**
Total non-current assets		**1,313**	**1,152**
Inventories	18	1,107	880
Trade receivables	19	660	711
Construction contracts in progress	20	260	329
Other receivables	21	157	123
Corporation tax	22	35	14
Cash at bank and in hand	31	764	445
Total current assets		**2,983**	**2,502**
Total assets		**4,296**	**3,654**

Consolidated balance sheet 31 December - Equity and liabilities

mEUR	Note	2007	2006
Share capital	23	25	25
Other reserves		(3)	6
Retained earnings		1,494	1,231
Shareholders in Vestas Wind Systems A/S' share of equity		**1,516**	**1,262**
Minority interests		0	0
Total equity		**1,516**	**1,262**
Deferred tax	17	3	3
Provisions	24	107	99
Pension obligations	25	2	3
Financial debts	26	125	163
Total non-current liabilities		**237**	**268**
Prepayments from customers		82	79
Construction contracts in progress	20	1,010	847
Trade payables		889	807
Provisions	24	193	160
Financial debts	26	25	11
Other liabilities	27	271	188
Corporation tax	22	73	32
Total current liabilities		**2,543**	**2,124**
Total liabilities		**2,780**	**2,392**
Total equity and liabilities		**4,296**	**3,654**

Consolidated statement of changes in equity 1 January - 31 December

mEUR	2007						
		Other reserves					
	Share capital	Translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interests	Total
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**
Capital increase	0	0	0	0	0	0	0
Cost of capital increase	0	0	0	0	0	0	0
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**

As a result of changes to the Danish Companies Act, which means that the share premium no longer should be tied up in a special reserve, a share premium of EUR 702m is included in retained earnings.

Refer to the parent company's 'Statement of Changes in Equity' on page 107 for information about which reserves are available for distribution. For proposed distribution of profit, refer to the parent company's annual accounts on page 105.

Consolidated statement of changes in equity 1 January - 31 December

mEUR	2006						
		Other reserves					
	Share capital	Translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interests	Total
Equity at 1 January	**23**	**6**	**(5)**	**938**	**962**	**0**	**962**
Exchange rate adjustment from conversion to EUR	0	0	0	1	1	0	1
Exchange rate adjustments relating to foreign entities	0	(3)	0	0	(3)	0	(3)
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement (cost of sales)	0	0	8	0	8	0	8
Fair value adjustments of derivative financial instruments	0	0	3	0	3	0	3
Tax on changes in equity	0	0	(3)	0	(3)	0	(3)
Net gains and losses recognised directly in equity	0	(3)	8	1	6	0	6
Profit for the year	0	0	0	111	111	0	111
Total recognised income and expenses	**0**	**(3)**	**8**	**112**	**117**	**0**	**117**
Capital increase	2	0	0	190	192	0	192
Cost of capital increase	0	0	0	(6)	(6)	0	(6)
Share based payment	0	0	0	0	0	0	0
Acquisition of treasury shares	0	0	0	(3)	(3)	0	(3)
Other changes in equity	**2**	**0**	**0**	**181**	**183**	**0**	**183**
Equity at 31 December	**25**	**3**	**3**	**1,231**	**1,262**	**0**	**1,262**

As a result of changes to the Danish Companies Act, which means that the share premium no longer should be tied up in a special reserve, a share premium of EUR 702m is included in retained earnings.

Consolidated cash flow statement 1 January - 31 December

mEUR	Note	2007	2006
Profit for the year		291	111
Adjustments for non-cash transactions	28	348	242
Interest received		19	10
Interest paid		(19)	(50)
Corporation tax paid		(128)	(91)
Cash flow from operating activities before change in working capital		511	222
Change in working capital	29	190	376
Cash flow from operating activities		**701**	**598**
Purchase of intangible assets		(82)	(35)
Purchase of property, plant and equipment		(265)	(153)
Purchase of other non-current assets		0	(7)
Acquisition of enterprise	30	0	0
Disposal of property, plant and equipment		30	20
Disposal of other non-current assets		0	1
Disposals of enterprises	30	0	30
Cash flow from investing activities		**(317)**	**(144)**
Capital increase		0	186
Acquisition of treasury shares		(30)	(3)
Repayment of non-current liabilities		(24)	(291)
Raising of non-current liabilities		0	7
Cash flow from financing activities		**(54)**	**(101)**
Change in cash at bank and in hand less current portion of bank debt		**330**	**353**
Cash at bank and in hand less current portion of bank debt at 1 January		443	90
Exchange rate adjustments of cash at bank and in hand		(10)	0
Cash at bank and in hand less current portion of bank debt at 31 December		**763**	**443**
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		750	407
Cash at bank and in hand with disposal restrictions	31	14	38
Total cash at bank and in hand		764	445
Current portion of bank debt	26	(1)	(2)
		763	**443**

Contents of notes to the consolidated accounts

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 OMX Nordic Exchange Copenhagen, the Danish Financial Statements Act and the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The presentation of the consolidated balance sheet has changed. Prepayments from customers relating to construction contracts in progress have been moved from 'Prepayments from customers' to 'Construction contracts in progress'. For 2007, this means that EUR 1,010m (2006: EUR 847m) has been moved.

Furthermore, other receivables amounting to EUR 12m (2006: EUR 11m) have been moved from 'Securities' to 'Other receivables'.

Profit for the year and equity are unchanged as a result of these reclassifications.

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 2007, the Vestas Group has implemented *IFRS 7 Financial Instruments: Disclosures, IAS 1 (revised 2005) Presentation of Financial Statements* and *IAS 32 (revised 2005) Financial Instruments: Presentation*. Furthermore, the Vestas Group has implemented IFRICs 7-10.

The new IFRSs and IFRICs have not affected recognition and measurement, and accordingly the Group's accounting policies are unchanged from last year. The new standards imply changes to the note disclosures only. The comparative figures in the notes have been restated.

The new IFRSs and IFRICs do not affect earnings per share and diluted earnings per share.

Description of new standards and interpretations that are not yet effective has been included in note 41 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.

All enterprises and projects in which the Group has joint control with one or several other parties of operating and financial decisions are classified as joint ventures. Joint ventures are consolidated on a pro rata basis.

An overview of Group companies is provided on pages 90-91.

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. On pro rata consolidation, the Group's share of income, expenses, assets and liabilities are combined on a line-by-line basis with corresponding items of the consolidated accounts. Unrealised profits on sales to/purchases from joint ventures are eliminated on a pro rata basis.

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 as well as its management and internal financial reporting system. 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 likely 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, sale of 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, the percentage-of-completion method (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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature in relation to the activities of the Group.

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 at the time of acquisition. 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 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
Operating wind turbines in associates	10-20 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. 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.

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.

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

The cost of work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise 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 net realisable value of inventories is measured at selling price less costs of completion and expenses incurred to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Trade receivables

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

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 contracts in progress are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. 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 winning of contracts are recognised in the income statement as incurred.

Other receivables

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.

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.

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.

Other debts are 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.

Deferred income

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.

Glossary

Financial ratios

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

Earnings before interest, tax, depreciation and amortisation (EBITDA): 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 OMX Nordic Exchange Copenhagen divided by earnings per share for the year.

Price/book value: The official closing price on the OMX Nordic Exchange 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 of 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 consider 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 20 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. Reference is made to page 20 of the Management report 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 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 25-30 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 242m have been made in 2007, corresponding to some 5 per cent of the Group's annual revenue.

For further information on warranty provisions and related product risks, reference is made to page 20 of the Management report and to note 24 to the consolidated accounts.

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

The carrying amount of warranty provisions at 31 December 2007 is EUR 232m (2006: EUR 205m).

Impairment of assets

Goodwill

In the annual impairment test of goodwill, an estimate is made to determine how the 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, coming capital expenditure as well as growth expectations for the years following. 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 applied in calculating the recoverable amount are before tax and reflect the risk-free interest rate with an addition for specific risks of the individual geographical segments. The effect of the future risks related to the cash flows has been incorporated into the cash flows, and therefore such risks have not been built into the discount rates applied.

For a description of the impairment test of intangible assets, refer to note 13 to the consolidated accounts.

The carrying value of goodwill at 31 December 2007 is EUR 320m (2006: 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 2007 are EUR 153m (2006: EUR 150m).

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 and doubtful debts as well as 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.

The carrying value of receivables at 31 December 2007 is EUR 1,090m (2006: EUR 1,185m).

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 154m (2006: EUR 162m), of which EUR 20m (2006: EUR 31m) relates to tax loss carry-forwards. Of the total tax carry-forwards, less than EUR 20m is expected to be realised within 12 months, and less than EUR 1m 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 38m (2006: EUR 42m), which is not expected to be utilised in the foreseeable future.

For further description of the Group's tax assets, refer to note 17 to the consolidated accounts.

Notes to the consolidated accounts (mEUR)

3 Segment information

Geographical - primary segment

2007

Segment results

	Europe	Americas	Asia/Pacific	Not allocated	Total
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

	Europe	Americas	Asia/Pacific	Not allocated	Total
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

There are no significant revenues between segments and no other significant non-cash transactions in the year.

2006

Segment results

	Europe	Americas	Asia/Pacific	Not allocated	Total
Revenue	**2,184**	**849**	**821**	**0**	**3,854**
Operating profit	**94**	**73**	**34**	**0**	**201**
Share of profit in associates	0	0	0	0	0
Financial items (net)	-	-	-	(40)	(40)
Profit before tax	**-**	**-**	**-**	**-**	**161**
Corporation tax	-	-	-	(50)	(50)
Profit for the year	-	-	-	-	**111**

Other segment items

	Europe	Americas	Asia/Pacific	Not allocated	Total
Depreciation and amortisation	88	18	13	0	119
Impairment losses (recognised in the income statement)	0	0	4	0	4
Warranty provisions for the year	97	38	37	0	172
Additions to property, plant and equipment and intangible assets	134	23	31	0	188
Total non-current assets	780	88	100	184	1,152
Total assets	2,006	483	526	639	3,654
Total liabilities	1,294	497	335	266	2,392
Geographical location of total assets	2,825	357	472	-	3,654
Geographical location of additions to property, plant and equipment and intangible assets	144	19	25	-	188

Notes to the consolidated accounts (mEUR)

4 Revenue

	2007	2006
Sale of wind turbines and wind power systems	4,497	3,577
Sale of service	298	214
Other	66	63
	4,861	**3,854**
Sale of wind turbines and wind power systems are specified as follows:		
Revenue using percentage-of-completion method	3,039	2,858
Revenue using completed contract method	1,458	719
	4,497	**3,577**

5 Amortisation, depreciation and impairment losses

	2007	2006
Depreciation, amortisation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets	29	33
Impairment losses, intangible assets	24	0
Depreciation, property, plant and equipment	84	86
Impairment losses, property, plant and equipment	1	4
	138	**123**
- and have been expensed as follows:		
Cost of sales	62	68
Research and development costs	58	37
Selling and distribution expenses	7	3
Administrative expenses	11	15
	138	**123**

The impairment losses for the year mainly relate to development projects in progress, where parts of the technology, will not as previously expected be used in the future to develop wind turbines.

6 Staff costs

	2007	2006
Staff costs are specified as follows:		
Wages and salaries, etc.	596	492
Share-based payment	3	0
Pension schemes	31	23
Other social security expenses	46	41
	676	**556**
Attributable to:		
Board of Directors		
Board remuneration	1	1
	1	**1**
Executive Management		
Wages and salaries, etc.	2	2
Share-based payment	1	0
	3	**2**
Other executives (Vestas Government)		
Wages and salaries, etc.	3	4
Share-based payment	2	0
Pension schemes	0	0
	5	**4**

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

	2007	2006
Average number of employees	13,820	11,334
Number of employees at 31 December	15,305	12,309

Notes to the consolidated accounts (mEUR)

7 Research and development costs

	2007	2006
Research and development costs expensed in the year are specified as follows:		
Research and development costs	127	88
Capitalised development projects	(53)	(27)
Amortisation of development projects	26	32
Impairment losses of development projects	24	0
	124	**93**

8 Other operating income

	2007	2006
Disposal of enterprises	0	16
	0	**16**

9 Financial income

	2007	2006
Deposits and receivables:		
- Interest income	14	7
- Other financial income	2	3
Hedge ineffectiveness (cash flow hedge)	3	0
Hedge ineffectiveness (fair value hedge)	0	0
	19	**10**

10 Financial expenses

	2007	2006
Exchange rate adjustments	4	7
Financial debts, which is measured at amortised cost:		
- Interest expenses	13	37
- Other financial expenses	2	4
Hedge ineffectiveness (cash flow hedge)	0	0
Hedge ineffectiveness (fair value hedge)	0	0
Change in discounting of provisions	0	2
	19	**50**

11 Corporation tax

	2007	2006
Current tax on profit for the year	145	76
Deferred tax on profit for the year	5	(31)
Tax on profit for the year	150	45
Change in corporation tax rate	12	0
Adjustments relating to previous years (net)	(10)	5
Corporation tax in the consolidated income statement	**152**	**50**
Tax on entries in equity related to deferred tax	1	3
Tax on entries in equity	**1**	**3**
Total corporation tax for the year	**153**	**53**
Computation of effective tax rate:		
Corporation tax rate in Denmark	25%	28%
Adjustment relating to previous years	(2%)	3%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	9%	8%
Non-tax deductible expenses	0%	0%
Non-taxable income	0%	0%
Provisions for tax loss carry-forwards	(1%)	(10%)
Change in corporation tax rate	3%	0%
Other	0%	2%
Effective tax rate	**34%**	**31%**

Notes to the consolidated accounts (mEUR)

11 Corporation tax (continued)

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.

12 Earnings per share (EPS)

	2007	2006
Profit for the year	291	111
Minorities share of profit for the year	0	0
Vestas Group's share of profit for the year	**291**	**111**
Weighted average number of ordinary shares	185,204,103	182,722,520
Weighted average number of treasury shares	(505,959)	(68,263)
Weighted average number of ordinary shares outstanding	184,698,144	182,654,257
Dilutive effect of outstanding options	467,316	52,373
Average number of shares outstanding including dilutive effect of options	**185,165,460**	**182,706,630**
Earnings per share (EPS)	1.58	0.61
Earnings per share (EPS-D), diluted	1.57	0.61

Notes to the consolidated accounts (mEUR)

13 Intangible assets

2007

	Goodwill	Completed development projects	Software	Development projects in progress	Total
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)
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		

2006

	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	322	186	3	65	576
Exchange rate adjustments	0	0	0	0	0
Additions	0	0	8	27	35
Disposals	0	0	0	0	0
Disposals, disposals of enterprises	(2)	0	0	0	(2)
Transfers	0	11	0	(11)	0
Cost at 31 December	320	197	11	81	609
Amortisation and impairment losses at 1 January	0	96	2	0	98
Exchange rate adjustments	0	0	0	0	0
Amortisation for the year	0	32	1	0	33
Impairment losses for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	0	0	0	0	0
Amortisation and impairment losses at 31 December	0	128	3	0	131
Carrying amount at 31 December	**320**	**69**	**8**	**81**	**478**
Internally generated assets included above	0	68	5	81	154
Amortisation period		3-5 years	5 years		

Notes to the consolidated accounts (mEUR)

13 Intangible assets (continued)

Goodwill

At 31 December 2007, Management completed impairment testing of the carrying amount of goodwill. The impairment testing was made 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 2007, 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 2006 to 2007 was 26 per cent, and in the period 2003-2006 the average growth amounted to 33 per cent per year.

The growth rate used in the impairment model for the years after 2008 is 3 per cent, which, to be prudent, is significantly lower than the expected growth rate.

At 31 December 2007, the net working capital as a percentage of revenue amounted to (1) per cent. In the period 2003-2006 the net working capital as a percentage of revenue moved from 36 to 3 per cent. It is Vestas' expectation that the net working capital going forward will not exceed 15 per cent of revenue. Net working capital of 15 per cent of revenue 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. The cash flows applied incorporate the effect of the future related risks, and therefore such risks have not been added to the discount rates applied.

	Discount rates before tax (%)		Growth in terminal period (%)	
	2007	**2006**	**2007**	**2006**
Europe	16.8	13.1	2.5	3.0
Americas	16.6	13.1	2.5	3.0
Asia/Pacific	17.8	13.1	2.5	3.0

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.

In the financial year, impairment losses of EUR 24m have been recognised in respect of development projects in progress.

The impairment losses on development projects in progress relate primarily to projects where parts of the technology are no longer expected to be used in the production of future wind turbines as was previously expected. The impairment losses have been calculated with separate impairment tests for each individual development project.

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

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.

Notes to the consolidated accounts (mEUR)

14 Property, plant and equipment

2007

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
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		

2006

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	263	302	144	15	724
Exchange rate adjustments	0	(4)	(2)	0	(6)
Additions	26	30	59	38	153
Disposals	(1)	(25)	(47)	(3)	(76)
Disposals, disposals of enterprises	0	(38)	(2)	0	(40)
Transfers	2	11	4	(17)	0
Cost at 31 December	290	276	156	33	755
Depreciation and impairment losses at 1 January	47	162	48	0	257
Exchange rate adjustments	0	(2)	(1)	0	(3)
Depreciation for the year	11	32	43	0	86
Impairment losses for the year	3	0	1	0	4
Reversal of depreciation of disposals in the year, disposals of enterprises	0	(27)	(1)	0	(28)
Reversal of depreciation of disposals in the year	(1)	(19)	(31)	0	(51)
Transfers	0	2	(2)	0	0
Depreciation and impairment losses at 31 December	60	148	57	0	265
Carrying amount at 31 December	**230**	**128**	**99**	**33**	**490**
Assets held under finance leases included above	21	2	8	0	31
Depreciation period	25-40 years	3-10 years	3-5 years		

Notes to the consolidated accounts (mEUR)

15 Investments in associates

	2007	2006
Cost at 1 January	2	4
Exchange rate adjustments	0	0
Additions	1	0
Disposals	(1)	(1)
Disposals, disposals of enterprises	0	(1)
Cost at 31 December	2	2
Value adjustments at 1 January	(2)	(2)
Exchange rate adjustments	0	0
Share of profit	0	0
Dividend	0	0
Disposals	1	0
Value adjustments at 31 December	(1)	(2)
Carrying amount at 31 December	**1**	**0**
Accounting information in summary concerning associates owned at 31 December		
Revenue	1	3
Profit/(loss) for the year	0	0
Total assets	5	12
Total liabilities	2	5

For a listing of the associates of the Vestas Group, refer to 'Group companies' on pages 90-91.

16 Interests in joint ventures

Until December 2006, the Vestas Group had a 50 per cent interest in four American joint ventures for which proportionate consolidation was used.

	2007	2006
Income statement		
Revenue	0	8
Costs	0	(5)
Profit/(loss) for the year	0	3
Balance sheet		
Assets		
Non-current assets	0	0
Current assets	0	0
	0	0
Liabilities		
Current liabilities	0	0
	0	0
Net assets	**0**	**0**

The are no contingent liabilities relating to the Group's disposal of previous interests in the joint ventures.

Notes to the consolidated accounts (mEUR)

17 Deferred tax

	2007	2006
Deferred tax at 1 January (net)	159	136
Exchange rate adjustments	(4)	(4)
Adjustment relating to disposal of enterprises	0	1
Deferred tax on profit for the year	(5)	31
Adjustment relating to previous years	14	(2)
Changes in corporation tax rate	(12)	0
Tax on entries in equity	(1)	(3)
Deferred tax at 31 December (net)	**151**	**159**
Tax base of tax loss carry-forwards (net)	20	31
Intangible assets	10	17
Property, plant and equipment	42	48
Provisions	70	66
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	(28)	(35)
Current assets	40	35
Deferred tax assets	**154**	**162**
Intangible assets	0	0
Property, plant and equipment	4	3
Current assets	(2)	0
Provisions	0	0
Other	1	0
Provision for deferred tax	**3**	**3**
Deferred tax asset at 31 December (net)	**151**	**159**

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

If the earnings were to be distributed, this would release a current tax charge of EUR 13m for 2007 (2006: EUR 6m).

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-towards in previous years as well as expectation to the future. Of the total tax carry-forwards EUR 6m (2006: 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 38m (2006: EUR 42m) have not been recognised in the balance sheet, as the 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 (2006: EUR 0m) relates to Denmark. Of the tax-loss carry-forwards noted above EUR 0m (2006: EUR 0m) relates to Denmark.

18 Inventories

	2007	2006
Raw materials and consumables	540	429
Work in progress	257	211
Finished goods	310	232
Prepayments for goods	0	8
	1,107	**880**
Cost of sales for the year, which is included in production costs	2,460	2,065
Carrying amount of inventories recognised at net realisable value	31	38
Write-downs of inventories in the year	23	40
Reversal of write-downs in the year	4	6

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

Notes to the consolidated accounts (mEUR)

19 Trade receivables

	2007	2006
Trade receivables	660	711
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	19	16
Write-downs in the year	3	5
Realised in the year	(12)	0
Reversals	(4)	(2)
Write-downs at 31 December	6	19

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

	2007	2006
The age distribution of receivables is as follows:		
Not overdue	557	609
0-60 days overdue	68	58
61-120 days overdue	33	44
121-180 days overdue	2	0
More than 180 days overdue	0	0
	660	711

Of the total write-downs of trade debtors of EUR 6m (2006: EUR 19m), EUR 6m (2006: EUR 19m) relates to companies in bankruptcy, while the remaining amount relates to companies with suspension of payments.

Trade receivables mainly relate to 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.

20 Construction contracts in progress

	2007	2006
Sales value of construction contracts in progress	1,494	991
Progress billings	(2,244)	(1,509)
	(750)	**(518)**
- which are included as follows:		
Construction contracts in progress (assets)	260	329
Construction contracts in progress (liabilities)	(1,010)	(847)
	(750)	**(518)**
Retentions	18	15

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

21 Other receivables

	2007	2006
Prepayments	20	19
Other receivables	150	126
	170	**145**
- specified as follows:		
0-1 year	157	123
> 1 year	13	22
	170	**145**

Other receivables stated above principally comprise VAT and insurance receivables and suppliers claims.

Notes to the consolidated accounts (mEUR)

22 Corporation tax

	2007	2006
Corporation tax at 1 January	(18)	(31)
Exchange rate adjustments	(3)	(2)
Corporation tax for the year	(145)	(76)
Corporation tax paid in the year	128	91
Corporation tax at 31 December	**(38)**	**(18)**
Corporation tax (assets)	35	14
Corporation tax (liabilities)	(73)	(32)
	(38)	**(18)**

23 Share capital

	2007	2006
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	174,911,173
Capital increase	0	10,292,930
Number of shares at 31 December	**185,204,103**	**185,204,103**
Shares outstanding	184,467,710	185,065,681
Treasury shares	736,393	138,422
Number of shares at 31 December	**185,204,103**	**185,204,103**

In addition to the capital increase in 2006, the share capital was increased by 69,907,207 shares of DKK 1.00 in 2004. Except from this, the share capital has been unchanged in the period 2003-2007.

All shares rank equally.

	Number of shares		Nominal value (DKK)		% of share capital	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Number of treasury shares at 1 January	138,422	0	138,422	0	0.1	0.0
Purchases	597,971	138,422	597,971	138,422	0.4	0.1
Total number of treasury shares at 31 December	**736,393**	**138,422**	**736,393**	**138,422**	**0.5**	**0.1**

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 2 April 2008.

Vestas Wind Systems A/S has acquired treasury shares in 2007, at a nominal value 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 2007 and 2006 relating to the financial years 2006 and 2005.

Notes to the consolidated accounts (mEUR)

24 Provisions

	2007	2006
Warranty provisions		
Warranty provisions at 1 January	205	221
Exchange rate adjustments	(1)	(2)
Provisions for the year	242	172
Utilised warranty provisions during the year	(214)	(188)
Adjustment relating to the change in discounting of the provision	0	2
Warranty provisions at 31 December	**232**	**205**
The warranty provisions are expected to be consumed as follows:		
0-1 year	154	139
> 1 year	78	66
	232	**205**

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 20 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 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 25-30 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 led to major warranty provisions, and the Group is dedicated to improving the robustness of its products. Internally, focus in connection with production and development is centred on improving the quality and reliability of the turbine components. In the first quarter of 2007, Vestas temporarily discontinued selling the V90-3.0 MW offshore wind turbine due to gearbox issues. As from 1 May 2008, the turbine will again be released for sale offshore. Furthermore, it has also been decided now to market the V90-1.8 MW wind turbine in the USA.

The Group has also entered into close dialogue with a number of component suppliers with a view to obtaining greater influence on their production process and ensuring higher quality of the components and, by extension, the finished product.

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

24 Provisions (continued)

	2007	2006
Other provisions		
Other provisions at 1 January	54	14
Exchange rate adjustments	(1)	0
Other provisions for the year	35	42
Utilised other provisions during the year	(20)	(2)
Other provisions at 31 December	**68**	**54**

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 2012 at the latest.

	2007	2006
Other provisions are expected to be payable as follows:		
0-1 year	39	21
> 1 year	29	33
	68	**54**

	2007	2006
The provisions are expected to be payable as follows:		
0-1 year	193	160
> 1 year	107	99
	300	**259**

Notes to the consolidated accounts (mEUR)

25 Pension obligations

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

The other plans are defined benefit plans, the majority of which has 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 (e.g. a fixed amount or a fixed percentage of the 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 (e.g. a retirement benefit as a fixed amount or a fixed percentage of the 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 obligations of Danish enterprises have been covered by insurance. The pension obligations of certain foreign enterprises have also been covered by insurance. Foreign enterprises whose obligations are not or only partly covered by insurance (defined benefit plans) calculate their obligations actuarially 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 (2006: EUR 3m) has been recognised in liabilities in respect of the Group's obligations towards current and previous employees after deducting plan assets.

	2007	2006
The following amounts have been recognised in the consolidated income statement:		
Defined contribution plans	30	21
Defined benefit plans	1	2
	31	**23**
The cost has been recognised in the following items:		
Cost of sales	18	15
Research and development costs	3	2
Selling and distribution expenses	3	2
Administrative expenses	7	4
	31	**23**
Net present value of covered defined benefit plans	(8)	(8)
Net present value of uncovered defined benefit plans	(2)	(3)
Net present value of defined benefit plans	(10)	(11)
Fair value of plan assets	8	7
Deficit cover	(2)	(4)
Non-recognised actuarial gains	0	1
Net obligation recognised in the balance sheet	**(2)**	**(3)**
Development in net present value of defined benefit plan obligation		
Net present value of defined benefit plan obligations at 1 January	11	9
Exchange adjustments	0	0
Pension expenses relating to current financial year	0	3
Calculated interest on obligations	0	0
Actuarial gains/(losses)	0	0
Pension expenses relating to prior financial year	0	0
Pensions paid	(1)	(1)
Net present value of defined benefit plan obligations at 31 December	**10**	**11**

Notes to the consolidated accounts (mEUR)

25 Pension obligations (continued)

	2007	2006
Development in fair value of pension assets:		
Pension assets at 1 January	7	7
Exchange rate adjustments	0	0
Estimated return on plan assets	0	0
Actuarial gains	1	1
Paid in by the Vestas Group	0	0
Pensions paid	0	(1)
Pension assets at 31 December	**8**	**7**
Pension expenses recognised in the income statement:		
Pension expenses relating to current financial year	1	2
Calculated interest on obligation	0	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	**1**	**2**
Pension assets break down as follows:		
European shares	2	2
European bonds	4	4
Cash funds	2	1
	8	**7**
Return on pension assets:		
Estimated return on plan assets	0	0
Actual return on plan assets	1	1
Actuarial gain/loss on plan assets	**1**	**1**

The Group expects to pay less than EUR 1m to the defined benefit plan in 2008.

The average assumptions underlying actuarial calculations at the balance sheet date are as follows:	2007	2006
Discount rate (%)	4.7	4.5
Estimated return on pension funds (%)	5.7	5.5
Estimated rate of pay increase (%)	3.5	2.5
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.

	2007	2006	2005	2004	2003
Actuarially calculated pension obligations	(10)	(11)	(10)	-	-
Pension assets	8	7	7	-	-
Deficit cover	**(2)**	**(4)**	**(3)**	**-**	**-**
Changes to obligations based on experience	0	0	0	-	-
Changes to pension assets based on experience	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 are exclusive of costs, which are not relevant.

Notes to the consolidated accounts (mEUR)

26 Financial debts

	2007	2006
Financial debts are recognised in the balance sheet as follows:		
Current liabilities		
Bank debt	1	2
Mortgage debt	8	6
Debt to credit institutions	16	3
	25	**11**
Non-current liabilities		
Mortgage debt	54	66
Debt to credit institutions	71	97
	125	**163**
1-5 years	79	97
> 5 years	46	66
Financial debts	**150**	**174**
Fair value	150	174
Nominal value	150	174

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:

	2007			2006		
	Minimum lease payment	Interest	Carrying amount	Minimum lease payment	Interest	Carrying amount
0-1 year	4	1	3	5	2	3
1-5 years	16	6	10	13	5	8
> 5 years	32	12	20	34	12	22
	52	**19**	**33**	**52**	**19**	**33**
Weighted effective interest rate at 31 December (%)			6.3			4.9

The fair value of financial debts amounts to EUR 33m (2006: EUR 33m).

The finance lease agreements of the Group mainly relate to administration and production buildings and service vans. Most material liabilities relate to buildings in Denmark and run for up to 20 years after the balance sheet date. The Group has the right to acquire the buildings in 2009 and 2017, and the agreements can be extended to 2027.

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)

27 Other liabilities

	2007	2006
Staff costs	68	41
Taxes and duties	105	82
Accruals	25	14
Other payables	73	51
	271	**188**

28 Adjustment for non-cash transactions

	2007	2006
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	128
Share of profit in associates	0	0
Warranty provisions in the year (net)	29	(14)
Pension provisions in the year	(1)	1
Other provisions in the year	14	41
Exchange rate adjustment	15	12
Financial income	(19)	(10)
Financial expenses	19	50
Corporation tax for the year	152	50
Gain on disposal of enterprises	0	(16)
Cost of share-based payments	3	0
Other adjustments	0	0
	348	**242**

29 Change in net working capital

	2007	2006
Change in inventories	(227)	(182)
Change in receivables	86	(21)
Change in prepayments from customers	166	437
Change in trade payables	82	288
Change in other liabilities	83	(146)
	190	**376**

Notes to the consolidated accounts (mEUR)

30 Acquisition and disposal of enterprises

	2007	2006
	Carrying amount prior to disposal	Carrying amount prior to disposal
Disposal of enterprises		
Non-current assets	0	13
Current assets	0	8
Non-current liabilities	0	(1)
Current liabilities	0	(2)
Net assets	**0**	**18**
Goodwill	0	2
Total disposal consideration	**0**	**20**
Profit on disposal of enterprises	0	16
Cash disposal consideration	**0**	**36**
Cash at bank and in hand	0	(6)
Net cash disposal consideration	**0**	**30**

In December 2006, Vestas sold its interests in four joint ventures as well as in a minor subsidiary. The activities of the sold enterprises comprise operation of wind farms. The total disposal consideration of EUR 36m was paid in cash.

	2007		2006	
Acquisition of enterprises	Fair value	Carrying amount prior to acquisition	Fair value	Carrying amount prior to acquisition
Total non-current assets	**0**	**0**	**0**	**0**
Trade receivables	1	1	0	0
Cash at bank and in hand	1	1	0	0
Other receivables	3	3	0	0
Total current assets	**5**	**5**	**0**	**0**
Total non-current liabilities	**0**	**0**	**0**	**0**
Trade payables	(2)	(2)	0	0
Other liabilities	(2)	(2)	0	0
Total current liabilities	**(4)**	**(4)**	**0**	**0**
Net assets	1	1	0	0
Goodwill	0		0	
Total purchase consideration	**1**		**0**	
Of which cash at bank and in hand less current position of bank debt	(1)		0	
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 a 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 for 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.

31 Cash at bank and in hand

Cash at bank and in hand with disposal restrictions, EUR 14m (2006: EUR 38m) primarily consist of prepayments from customers regarding projects, and the amounts are released in line with the fulfilment of the related contractual obligations.

32 Fees to auditors appointed by the Annual General Meeting

	2007	2006
Audit services:		
PricewaterhouseCoopers	3	3
KPMG	1	1
	4	**4**
Non-audit services:		
PricewaterhouseCoopers	1	1
KPMG	0	1
	1	**2**
	5	**6**

Notes to the consolidated accounts (mEUR)

33 Management's option programme and shareholdings

	2007	2006

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

In 2007, a new option programme was introduced for the same members as in 2006. The programme grants 580,080 options, which were priced on 15 May 2007 with a market value of EUR 12m (Black-Scholes) over a five-year period. 155,102 of the options, which are 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 dependent on the programme. Exercise of the options can only occur in the periods where executives are allowed to trade with shares in accordance with the Group's internal rules, being within the four weeks following the company announcement regarding the annual report and the quarterly financial reports.

Options are granted when the Board of Directors approves the final annual report for each year. No options have been forfeited or expired in 2007.

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
The targets were not met in 2006, hence no options were allotted. 56,448 options will be allotted for 2007 with a value of EUR 1m at the grant date. 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 participants in 2007, 2008 and 2009 will be allotted options, at a value equivalent to 60 per cent of their annual salary for 2006 if they are still employed when the Board of Directors approves the annual report for the respective years. 207,952 options were allotted in 2007, leaving 189,002 and 183,126 options for 2008 and 2009, 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 options can be exercised within two years when three years have elapsed after they have been allotted. 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 can be exercised from 2010 to 2012. 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		2006
	2007 programme	2006 programme	2006 programme
Share price at grant (DKK)	380.5	167.0	167.0
Volatility (%)	44	54	54
Exercise price (DKK)	380.5	147.6	142.0
Risk-free interest rate for options (%)	4.3	3.8	3.7
Annual dividend per share(DKK)	0	0	0
Years to expiry	5	5	5

33 Management's option programme and shareholdings (continued)

	Group Executive Management	Other executives	Total	Exercise price per option	Grant date Fair value per option	Grant date Total fair value	31 December Total fair value
	pcs	pcs	pcs	DKK	DKK	kEUR	kEUR
Outstanding at 1 January 2006							
Granted 2006 programme	27,562	82,738	110,300	142.0	86	1,272	-
Lapsed	(27,562)	(82,738)	(110,300)	142.0	86	(1,272)	-
Exercised	0	0	0	-	-	-	-
Expired	0	0	0	-	-	-	-
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**
Number of exercisable options at 31 December 2006	**0**	**0**	**0**				
Number of exercisable options at 31 December 2007	**0**	**0**	**0**				

Average remaining life of the options outstanding at 31 December 2007 is five years (2006: 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 of 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*) kEUR
The Board of Directors					
Bent Erik Carlsen	98,120	-	-	98,120	7,264
Torsten Erik Rasmussen	3,837	-	-	3,837	284
Arne Pedersen	2,960	-	-	2,960	219
Freddy Frandsen	403	3,250	-	3,653	270
Jørgen Huno Rasmussen	500	-	-	500	37
Jørn Ankær Thomsen	229,500	-	-	229,500	16,990
Kim Hvid Thomsen	2,563	-	100	2,463	182
Kurt Anker Nielsen	1,300	300	-	1,600	118
Sussie Dvinge Agerbo	1,772	-	-	1,772	131
Svend Åge D. Andersen	2,892	-	292	2,600	192
	343,847	**3,550**	**392**	**347,005**	**25,687**
Executive Management					
Ditlev Engel	224	-	-	224	17
Henrik Nørremark	3,213	-	-	3,213	238
	3,437	**-**	**-**	**3,437**	**255**

*) The calculation of the year-end market value is based on the share price quoted on the OMX Nordic Exchange Copenhagen at the end of the year (DKK 552.00).

Notes to the consolidated accounts (mEUR)

34 Related party transactions

2007	2006

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. Related parties furthermore 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 2.1m on an arm's length basis (2006: EUR 1.6m) 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 2007 amounted to EUR 0.3m (2006: EUR 0.1m).

Seven people (2006: 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, which take place on an arm's length basis in total amounted to EUR 0.5m in 2007 (2006: EUR 0.4m). The outstanding amount of purchases from related parties at 31 December 2007 amounted to less than EUR 0.1m (2006: 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.

No members of the Board have been employed by the Group in 2007 with the exception of the Board members elected by the employees.

Transactions with associates and joint ventures
Related parties also include associates over which Vestas Wind Systems A/S has control or significant influence.

The Vestas Group no longer has interests in joint ventures, see note 16 to the consolidated accounts.

The Vestas Group’s associates and the Vestas Group’s related shareholdings, are listed under 'Group companies' on pages 90-91.

The Vestas Group has sold blades and components to its former associate Vestas RRB India Ltd. in the period 1 January - 5 September 2006 at a value of EUR 19m.

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.

35 Government grants

The Group has received a number of government grants, of which less than EUR 1m has been offset against incurred expenses (2006: EUR 1m) and EUR 2m has been offset against the cost of non-current assets (2006: EUR 4m).

Notes to the consolidated accounts (mEUR)

36 Mortgages and security

	2007	2006

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 also issued mortgage deeds registered to the mortgagor and all-money mortgages which are secured on the above-mentioned 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.

	2007	2006
Total mortgage loans	62	72
Mortgage deeds and all-money mortgages:		
Norminal value of mortgage deeds and all-money mortgages	74	74
Carrying amount of pledged assets	193	161
Other security in assets:		
Norminal value of mortgage deeds and all-money mortgages	0	5
Carrying amount of pledged assets	0	0
Other mortgage deeds and all-money mortgages in the possession of the Group	52	52
Security for credit facilities:		
Security of cash at bank and in hand and other current financial assets	86	82
Carrying amount	86	82
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Letters of credit	2	2
Bank guarantees	471	546
	473	**548**

37 Contractual obligations

	2007	2006
The minimum lease obligations relating to operating leases fall due:		
0-1 year	20	22
1-5 years	46	56
> 5 years	62	38

Operating leases comprise irrevocable operating leases regarding buildings and vehicles. The main obligation relates to buildings in Germany and runs for up to 25 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.

Operating lease agreements include leases of buildings with options to purchase in 2008. There are no possibilities of extensions incorporated in the agreements.

Costs recognised in the income statement relating to operating leases amount to EUR 11m in 2007 (2006: EUR 22m).

The Group has entered into binding contracts concerning purchase of plants in 2007 at a value of EUR 74m (2006: EUR 11m).

The Group has entered into binding contracts concerning purchase of components for the production for delivery in 2008 and thereafter at a total value of EUR 1,745m (2006: EUR 1,659m.).

Notes to the consolidated accounts (mEUR)

38 Contingent liabilities

	2007	2006

Pending lawsuits

The German company, Enercon GmbH/Mr Aloys Wobben, has in 2005, 2006 and 2007 taken out writs against Vestas, claming that Vestas infringes Enercon GmbH/Mr Aloys Wobben's patents in the area of grid connections in England & Scotland, the Netherlands, Canada and Ireland.

England & Scotland

On 14 November 2007, the British High Court acquitted Vestas. All patent claims (except for two) in the four patents regarding grid connection were ruled invalid. Furthermore, the High Court established that even if the patents had been valid, the technology used by Vestas does not infringe the patents. Enercon GmbH/Mr Aloys Wobben has appealed the judgment to the Court of Appeal.

The Netherlands

On 16 January 2008, the Dutch District Court acquitted Vestas. Two patents regarding grid connection were ruled invalid. A third grid code patent will be heard at the Dutch District Court in February 2008 and the decision is not expected until later this year.

Canada og Ireland

Enercon GmbH/Mr Aloys Wobben has also initiated proceedings regarding grid code patents in Canada and Ireland. Judgements are not expected until the end of 2008.

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.

39 Derivative financial instruments, risk and capital management

Group policy for managing financial risks

The Vestas Group is exposed to changes in exchange rates, interest rate levels 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 Group 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 policy for managing financial risks remains unchanged from last year, except for the policies for hedges of copper and nickel as described below. 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 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 the contract. If Vestas does not receive security for the payments 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 prior to the signing of the contract.

84 per cent (2006: 86 per cent) of Vestas' customers have not exceeded the deadline for payment at 31 December 2007. 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 on national and international markets. These companies are considered to be reputable companies. All outstanding trade debtors are from reputable companies.

The value of cash assets with disposal restrictions is EUR 14m (2006: EUR 38m) at 31 December 2007.

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

Credit risks relating to bank balances 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, Vestas has internal 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.

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.

	2007	2006
Maximum credit risk without taking into account security received for trade receivables	660	711
Maximum credit risk related to bank balances, securities and derivative financial instruments	778	451
Maximum credit risk related to construction contracts and other receivables	396	449
	1,834	**1,611**

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 21, have significantly improved the Group's gearing as compared to 2006, and sufficient cash reserves are maintained to meet expected operational and financial obligations as well as unforeseen operating expenses.

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.

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

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

	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 debt	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 used for hedging purposes						
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
Cash at bank and in hand	764	764	764	0	0	764
	1,820	1,820	1,807	13	0	1,820
Derivative financial instruments used for hedging purposes						
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	**1,834**	**1,834**	**1,821**	**21**	**2**	**1,844**

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

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

	2006					
	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 debt	72	72	6	39	47	92
Debt to credit institutions	100	100	3	74	59	136
Bank debt	2	2	2	0	0	2
Trade payables	808	808	808	0	0	808
Other liabilities	173	173	173	0	0	173
	1,155	1,155	992	113	106	1,211
Derivative financial instruments used for hedging purposes						
Interest SWAPS (gross):						
Floating-rate obligation	1	1	4	8	2	14
Currency hedging agreements						
Cash flow hedges	0	0	0	0	0	0
Fair value hedges	0	0	0	0	0	0
	1	1	4	8	2	14
Total financial liabilities	**1,156**	**1,156**	**996**	**121**	**108**	**1,225**
Measured at amortised cost (receivables and deposits)						
Trade receivables	711	711	711	0	0	711
Construction contracts and other receivables	449	449	427	22	0	449
Cash at bank and in hand	445	445	445	0	0	445
	1,605	1,605	1,583	22	0	1,605
Derivative financial instruments used for hedging purposes						
Interest SWAPS (gross):						
Floating-rate assets	1	1	4	7	1	12
Currency hedging agreements						
Cash flow hedges	4	4	4	0	0	4
Fair value hedges	1	1	1	0	0	1
	6	6	9	7	1	17
Total financial assets	**1,611**	**1,611**	**1,592**	**29**	**1**	**1,622**

Cash flows for both 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 37 to the consolidated accounts.

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

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 related 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.

It is Group policy to hedge the currency risk at the time of entering into a binding agreement in a 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 of investments in Group enterprises 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, current hedging of such long-term investments will not be optimal from an overall risk and cost perspective.

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

	2007	2006
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:		
USD:		
Equity	1	3
Profit for the year	3	3
CAD:		
Equity	6	0
Profit for the year	0	0
GBP:		
Equity	3	1
Profit for the year	0	0

Currencies with a 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 effect, but with the opposite sign, for both equity and income statement. The differences between effects for 2007 and 2006 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 of the Group at 31 December are used for and qualify as cash flows hedges:

	2007				2006			
	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	336	8	328	27	150	4	146	12
SEK	35	1	34	13	26	0	26	10
CAD	116	(2)	118	22	19	0	19	12
GBP	1	0	1	1	0	0	0	-
EUR	(487)	0	(487)	27	(193)	0	(193)	11
DKK	(1)	0	(1)	9	(1)	0	(1)	10
	0	7	(7)		1	4	(3)	

*) 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).

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital 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:

	2007				2006			
	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	30	3	27	7	3	0	3	4
CAD	-	-	-	-	12	1	11	1
AUD	24	2	22	1	-	-	-	-
EUR	(54)	0	(54)	4	(15)	0	(15)	4
DKK	-	-	-	-	-	-	-	-
	0	5	(5)		0	1	(1)	

*) 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 (2006: EUR 8m).

Fair value adjustments caused by movements in the hedged risk on hedged instruments amounted to EUR 0m (2006: EUR 0m).

The Vestas Group's fair value hedges relate to receivables outside euro-based countries, primarily in USD and AUD, with equivalents in EUR.

All fair value changes are recognised in the income statement.

Commodity price risks

For the production of wind turbines, Vestas uses copper and nickel, among other raw materials. Where the risks of price changes on such raw materials are not transferred to the customer, Vestas' gross margin per turbine depends on the development 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 to hedge the price of nickel and copper outstanding at the balance sheet date amounts to EUR (2)m (2006: EUR 0m), 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 are specified as follows:

	2007	2006
10 per cent increase		
Equity	2	2
Profit for the year	0	2
10 per cent decline		
Equity	(2)	(2)
Profit for the year	0	(2)

The hedging of copper and nickel is considered effective cash flow hedges 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. Vestas did not hedge copper and nickel in 2006.

The difference between the effects in 2007 and 2006 are solely due to differences in the volumes of copper and nickel purchased, and the fact the Vestas did not perform any hedging in 2006.

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

	2007	2006
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 eurozone to be affected by changes in the USA. Based on trends in the USA, Vestas expects that the level of interest rates in the eurozone may increase or decline by up to 1 percentage point. An increase or decline of 1 percentage point in the level of interest rates will have the following effect on equity and the income statement:

	2007	2006
1 percentage point increase		
Equity	9	7
Profit for the year	8	6
1 percentage point decline		
Equity	(9)	(7)
Profit for the year	(8)	(6)

The Group's interest-bearing financial assets and liabilities have the following times of contractual review or maturity, depending on which date occurs first. The differences in the effects between 2007 and 2006 are solely due to differences in the interest bearing assets and liabilities.

2007

	Time of review/maturity < 1 year	1-5 years	> 5 years	Total	Fixed-interest part	Effective interest rate (%)
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**	

2006

	Time of review/maturity < 1 year	1-5 years	> 5 years	Total	Fixed-interest part	Effective interest rate (%)
Financial liabilities						
Mortgage debt	6	34	32	72	26	4.8
Debt to credit institutions	3	63	34	100	15	4.5
Bank debt	2	0	0	2	0	4.5
	11	**97**	**66**	**174**	**41**	
Financial assets						
Trade receivables	711	0	0	711	0	
	711	**0**	**0**	**711**	**0**	

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

Notes to the consolidated accounts (mEUR)

39 Derivative financial instruments, risk and capital management (continued)

	2007	2006

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 a EUR 1m (2006: EUR (1)m), which has been recognised in equity. The principal of interest rate swaps entered into, amounts to EUR 11m (2005: EUR 13m).

Financial management
In connection with financial management it is the Group's objective to create the necessary stability to implement the 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.

Generally, the Board of Directors intends to distribute 25-30 per cent of the net profit for the year as dividends. However, dividends will always be distributed with due consideration of the Group's growth plans and cash requirements.

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 borrowings, 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.

40 Subsequent events

Orders
In 2008, Vestas has announced large orders for supply of wind turbines with a total capacity of more than 600 MW. Vestas' company announcements and press releases regarding these orders are available at www.vestas.com.

Litigation
In January 2008, Vestas announced a status on the patent disputes with Enercon GmbH, Mr Aloys Wobben in connection with the District Court in The Hague, the Netherlands, deciding in favour of Vestas. Two patents were ruled invalid, and a third patent will be heard in the Court in February 2008, and the decision is expected later in the year, see note 38 to the consolidated accounts.

Announcement regarding the expected annual result
In February 2008, Vestas released an announcement regarding the expected 2007 result. The announcement contained among other things information about revenue, EBIT margin and net working capital.

In the announcement, Vestas adjusted the expectations for the revenue for 2006 from EUR 4.5bn to EUR 4.85bn. Expectations for the year's EBIT margin were adjusted from approx 8 per cent to approx 9 per cent, while the expectations for the net working capital were changed to approx (1) per cent.

41 New accounting regulation

The following standards, amendments of existing standards and interpretations adopted by the EU relevant to the Consolidated Financial Statements of Vestas take effect for the 2007 financial year:

IFRS 7 on disclosure of financial instruments, including financial risks, as well as the amendment to IAS 1 on capital disclosures take effect for financial years starting on or after 1 January 2007. The implementation of this will not affect recognition and measurement, but only the note disclosures in the annual report.

IFRIC 7 on applying the restatement approach under IAS 29. The interpretation concerns financial reporting in hyperinflationary economies and takes effect for financial years starting on or after 1 March 2006. The company does not operate in hyperinflationary economies, and therefore the interpretation is not relevant to the company.

IFRIC 8 on the scope of IFRS 2. The interpretation concerns valuation of share-based payments to non-employees in cases where receipt of goods and services cannot specifically be identified. The interpretation takes effect at 1 May 2006 or later. The company will not, and does not expect to, grant shares, etc. where receipt of goods and services cannot specifically be identified.

IFRIC 9 on reassessment of embedded derivatives. The interpretation clarifies the time when an entity becomes a party to a contract. The interpretation takes effect for financial years starting on or after 1 June 2006. The interpretation is not expected to have material effect for Vestas.

IFRIC 10 which prescribes that an impairment loss recognised in interim financial reporting in respect of goodwill and equity instruments measured at cost, or impairment losses in the income statement in respect of equity instruments available for sale should not be reversed. This interpretation is in accordance with Vestas' previous policy and is therefore of no consequence.

IFRIC 11 on the accounting treatment of share-based payments in groups describes how share-based payments should be treated in a subsidiary's own annual report under IFRS. The accounting treatment depends on whether it is the parent company or the subsidiary that has the obligation to make share-based payments to the employees of the subsidiary.

New standards and interpretations not yet in effect which are relevant to Vestas and have not yet been adopted by Vestas

IFRS 8 requiring identification of segments and segment reporting based on management reporting, which is a change from the existing IAS 14 on segment reporting, which requires identification based on return and risk and reporting based on business segments and geographical areas. The implementation of IFRS 8 will not affect recognition and measurement, but will only affect the note disclosures on segments in the annual report.

The following standards and interpretations not adopted by the EU and not yet in effect have not been early adopted by Vestas:

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.

Amendment of IAS 23 on borrowing costs implying that borrowing costs are to be included in the cost of assets with a long production period.

Amendment of IAS 27 on consolidated financial statements, according to which a loss 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.

Amendment of IFRS 3 on business combinations. The amendment of IFRS 3 has a large number of other implications on business acquisitions. Among other things, it will be possible to calculate goodwill on the minority interest (in future, the uncontrolled share), and conditional consideration should always be recognised at fair value. Changes to conditional consideration beyond a maximum of 12 months should be recognised in the income statement. Transaction costs should not be included in the cost of acquired businesses. The cost will also have to include the fair value of the investments in the new subsidiary held prior to the acquisition.

IFRIC 12 describes the accounting treatment of concession agreements. The interpretation is currently of no relevance to Vestas.

IFRIC 13 on customer loyalty programmes. Vestas has not to date used such programmes and the interpretation is therefore of no consequence to the Group.

IFRIC 14 on the limits according to IAS 19 on recognition of net assets on covered pension schemes.

Group Companies[1)]

Name	Place of registered office	Share capital		Votes and ownership
Parent company				
Vestas Wind Systems A/S	**Randers, Denmark**	**kDKK**	**185,204**	**-**
Production units				
Vestas Nacelles A/S	**Randers, Denmark**	**kDKK**	**343,000**	**100%**
Vestas Machining A/S	Randers, Denmark	kDKK	52,000	100%
Vestas Assembly A/S	Randers, Denmark	kDKK	300,000	100%
Vestas Nacelles Italia S.r.l	Taranto, Italy	kEUR	16,423	100%
Vestas Nacelles Deutschland GmbH	Lübeck, Germany	kEUR	25	100%
Vestas Nacelles Spain S.A	Viveiro, Spain	kEUR	601	100%
Vestas Castings Magdeburg GmbH	Magdeburg, Germany	kEUR	260	100%
Vestas Castings Group AS	Kristiansand, Norway	kNOK	40,000	100%
Vestas Castings Guldsmedshyttan AB	Guldsmedshyttan, Sweden	kSEK	11,000	100%
Vestas Castings Kristiansand AS	Kristiansand, Norway	kNOK	10,500	100%
Valle Modelverksted AS	Kristiansand, Norway	kNOK	350	100%
Vestas Blades A/S	**Randers, Denmark**	**kDKK**	**91,000**	**100%**
Vestas Blades Deutschland GmbH Lauchhammer	Lauchhammer, Germany	kEUR	26	100%
Vestas Blades Italia S.r.l.	Taranto, Italy	kEUR	21,364	100%
Vestas Blades UK Ltd.	Isle of Wight, England	kGBP	44,000	100%
Vestas Blades Australia Pty. Ltd.	Portland (VIC), Australia	kAUD	16,000	100%
Vestas Wind Technology (China) Co. Ltd.	Tianjin, China	kCNY	191,636	100%
Vestas Blades America Inc.	Windsor (COL), USA	kUSD	12,000	100%
Vestas Blades Spain S.L	Madrid, Spain	kEUR	18,000	100%
Vestas Control Systems A/S	**Randers, Denmark**	**kDKK**	**11,000**	**100%**
Vestas Control Systems Spain S.L.U.	Olvega, Spain	kEUR	384	100%
Vestas Towers A/S	**Randers, Denmark**	**kDKK**	**55,000**	**100%**
Vestas Torres Spain S.L.U.	Zaragoza, Spain	kEUR	500	100%
Sales and service units				
Vestas Americas A/S	**Randers, Denmark**	**kDKK**	**50,000**	**100%**
Vestas - American Wind Technology Inc.	Portland (OR), USA	kUSD	105,856	100%
Vestas - Canadian Wind Technology Inc.	Kincardine (ON), Canada	kCAD	92,010	100%
Vestas Central Europe A/S	**Randers, Denmark**	**kDKK**	**57,000**	**100%**
Vestas Deutschland GmbH	Husum, Germany	kEUR	16,873	100%
Vestas Services GmbH	Husum, Germany	kEUR	25	100%
Vestas Benelux B.V.	Rheden, The Netherlands	kEUR	1,362	100%
Vestas Österreich GmbH	Moosbierbau, Austria	kEUR	7,035	100%
Vestas Czechia s.r.o.	Olivova, Czech Republic	kCZK	200	100%
Vestas Hungary Kft.	Budapest, Hungary	kFT	500	100%
Vestas Bulgaria EOOD	Sofia, Bulgaria	kLEVA	5	100%
Vestas CEU Romania S.R.L	Buresti, Romania	kLEI	8	100%
Vestas Central Europe Zagreb d.o.o	Zagreb, Croatia	kHRK	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**	**kDKK**	**75,000**	**100%**
Vestas - Celtic Wind Technology Ltd.	Warrington, England	kGBP	8,200	100%
Vestasvind Svenska AB	Falkenberg, Sweden	kSEK	1,000	100%
Vestas Poland Sp.z.o.o.	Szczecin, Poland	kPLN	435	100%
NEG Micon UK Ltd.	Cheltenham, England	kGBP	4,000	100%
Vestas Asia Pacific A/S	**Randers, Denmark**	**kDKK**	**33,000**	**100%**
Vestas Asia Pacific Wind Technology Pte. Ltd.	Singapore, Singapore	kSGD	1,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Melbourne, Australia	kAUD	15,000	100%
Vestas Korea Wind Technology Corp.	Seoul, South Korea	kKRW	500,000	100%
Vestas New Zealand Wind Technology Ltd.	Wellington, New Zealand	kNZD	100	100%
Vestas Taiwan Ltd.	Tapei City, Taiwan	kNT	500	100%
Vestas Wind Technology (Beijing) Co. Ltd.	Beijing, China	kCNY	8,171	100%
Vestas - Danish Wind Technology A/S	Ringkøbing, Denmark	kDKK	30,000	100%
Vestas Wind Technology India Pvt Limited	Chennai, India	kINR	100,000	100%
Vestas Wind Technology Japan Co. Ltd.	Tokyo, Japan	kJPY	110,000	82%
Vestas Mediterranean A/S	**Randers, Denmark**	**kDKK**	**50,000**	**100%**
Vestas Italia S.r.l	Taranto, Italy	kEUR	3,000	100%
Vestas Hellas Wind Technology S.A.	Athen, Greece	kEUR	510	100%
Vestas Eólica SAU	Barcelona, Spain	kEUR	13,180	100%
Vestas France SAS	Montpellier, France	kEUR	5,040	100%
Vestaspor Serviços de Tecnología Eólica Lda.	Maia, Portugal	kEUR	6,000	100%
Vestas Mexico S.A. de C.V.	Condesa, Mexico	kUSD	15	100%
Vestas do Brasil Ltda.	Rio de Janeiro, Brazil	kUSD	3	100%
Vestas Argentina S.A.	Buenos Aires, Argentina	KtUSD	22	100%
Vestas Offshore A/S	**Randers, Denmark**	**kDKK**	**20,000**	**100%**
Vestas Offshore Applications B.V.	Ijmuiden, The Netherlands	kEUR	18	100%
Vestas Offshore UK Ltd.	Warrington, England	kGBP	3,000	100%
Other subsidiaries and associates				
NEG Micon A/S	Randers, Denmark	kDKK	267,110	100%
Wind Power Invest A/S	Ringkøbing, Denmark	kDKK	25,000	100%
Vestas Technology UK Limited	Isle of Wight, England	kGBP	90	100%
Vestas Technology Singapore Pte. Ltd.	Singapore, Singapore	kSGD	1,500	100%
Vestas Technology Chennai Pte. Ltd.	Chennai, India	kINR	40,000	100%
GREP A/S	Randers, Denmark	kDKK	12,000	100%
Vindkompaniet Svenska AB	Falkenberg, Sweden	kSEK	1,824	100%
GREP USA Inc.	California, USA	kUSD	2,001	100%
GREP Wind Power Inc.	California, USA	kUSD	1,100	100%
Pecsa, Plantas Eólicas De Canarias Sociedad Anónima	Las Palmas, Spain	kEUR	1,496	49,8% [2]
Planta Eólica Europea S.A.	Tarifa, Spain	kEUR	1,442	44,0% [2]
Windco, LLC	California, USA	kUSD	39	38,0% [2]

[2] Associates.

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 2007.

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 2007 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 2007.

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

Randers, 27 February 2008

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

Freddy Frandsen

Jørgen Huno Rasmussen

Jørn Ankær Thomsen

Kim Hvid Thomsen

Kurt Anker Nielsen

Sussie Dvinge Agerbo

Svend Åge D. Andersen

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 2007, 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 96-98, respectively in respect of which a separate statement has been issued on page 99.

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 Groups's financial position at 31 December 2007 and of the results of its operations and its cash flows for the financial year 1 January - 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements fovr 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 2007 and of the results of its operations and its cash flows for the financial year 1 January - 31 December 2007 in accordance with the Danish Financial Statements Act.

Copenhagen, 27 February 2008

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Aarhus, 27 February 2008

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Carsten Gerner	**Søren Skov Larsen**	**Jesper Koefoed**	**Torben Ahle Pedersen**
State Authorised Public Accountant	*State Authorised Public Accountant*	*State Authorised Public Accountant*	*State Authorised Public Accountant*

Non-financial issues

Non-financial issues

Comments on non-financial highlights for the Group

Specific non-financial highlights and development data for the individual sites are provided in the description of the specific sites. The site descriptions describe the most important processes at the individual site and environment and occupational health & safety aspects for the site. Also included is a description of the initiatives for 2007 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 www.vestas.com / About Vestas / Sustainability / Statements.

Products

Wind power is a natural component of the electricity supply as it can ensure that the world's rising energy consumption can be covered without a corresponding increase in greenhouse gas emissions. The turbines that Vestas supplies are considered material for Vestas' non-financial issues, as CO_2 reductions relative to electricity generated by conventional resources represent the greatest impact. In 2007, Vestas delivered 4,502 MW, an increase of 6 per cent compared with 2006. The annual electricity output generated by the turbines delivered corresponds to the annual electricity consumption of approx 2,900,000 EU households.[1] The electricity generated annually by the turbines delivered results in savings of more than 6 million tonnes of CO_2 in relation to conventional electricity production. The production of electricity in Europe on average results in emissions of 546 grams of CO_2/kWh.[2] By way of comparison, a V82-1.65 MW onshore wind turbine emits 6.6 grams of CO_2/kWh.

During their 20-year design lifetime, the wind turbines will generate electricity production corresponding to savings of approx 129 million tonnes of CO_2. This corresponds to about 10 per cent of Germany's CO_2 emissions in 2003.[3]

Utilisation of resources

The consumption of energy for Vestas' own activities are important indicators due to the significant scope. Energy consumption has increased from index 100 in 2006 to index 103 in 2007. The increase is primarily due to the increase of the energy consumption at Vestas' foundry in Kristiansand, Norway and the blade factories in Lem, Denmark and Tianjin, China.

The share of Vestas' electricity consumption generated by renewable energy dropped from 68 per cent in 2006 to 66 per cent in 2007. The reduction is primarily due to the increase in new reporting units whose proportional use of electricity from renewable energy sources is lower than the consumption from the units who have reported until now, as well as a decline in the share of renewable electricity at Vestas' foundry in Lidköping in Sweden. Vestas retains its policy of contributing to the proliferation of renewable energy through the purchase of renewable electricity for its own activities.

Emissions, waste and scrap

The waste and scrap index has increased from index 100 in 2006 to index 102 in 2007. The increase primarily stems from Vestas' foundries in Kristiansand, Norway and Lidköping, Sweden and the blade factory in Lem, Denmark.

Vestas' direct CO_2 emission has increased from index 100 in 2006 to index 109 in 2007. The increase is due to an increased consumption of fuel and gas primarily at Vestas' blade factories on the Isle of Wight, UK and in Tianjin, China and Vestas' new assembly factory in Tianjin.

Occupational health & safety

Vestas' intensive focus on safety resulted in a decline in the incidence of industrial injuries of 13 per cent in 2007. The drop in the incidence of industrial injuries from 36.5 in 2006 to 31.6 in 2007 was attributable to Vestas' factories as well as its sales and service units.

In spite of a 32 per cent reduction in the incidence of industrial injuries over the past two years, a rate of 31.6 is still not acceptable, and Vestas will retain massive focus on the issue in the years ahead.

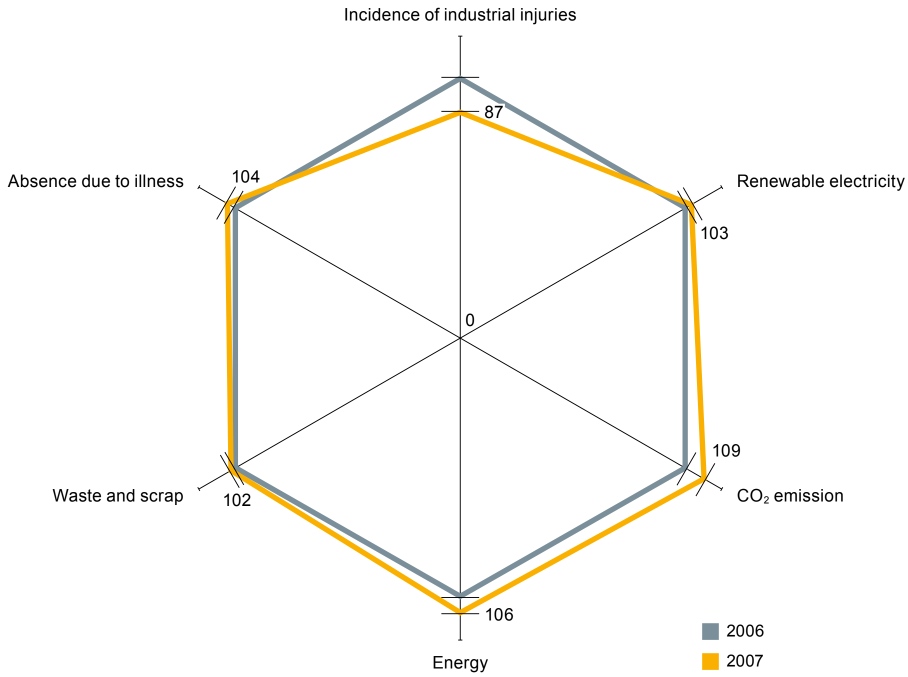
The level of absence due to illness rose by 5 per cent in 2007. This means that in 2007, Vestas had a total of approx 750,000 hours of absence due to illness. This equals 390 full-time jobs a year.

Absence due to illness for blue-collar employees rose from 3.2 per cent in 2006 to 3.6 per cent in 2007. Absence due to illness for white-collar employees declined from 1.5 per cent in 2006 to 1.4 per cent in 2007, and the overall level of absence due to illness was higher than the target level of 2.8 per cent for 2007. The increase in absence due to illness for blue-collar employees is unsatisfactory, and focus will be retained on reducing the level.

The local community

Being a production business, Vestas finds it important to maintain a close dialogue with relevant stakeholders, including neighbours and the local communities where Vestas' wind turbines are manufactured, transported and installed. The aim is to align external

[1] In general, an EU household used 4,000 kWh electricity in 2005, based on statistics from EUROSTAT, 2007.
[2] PE Europe GmbH: 'GaBi 4 - Software and Database for Life Cycle Engineering'. Stuttgart, 2005.
[3] Total emissions of CO_2 in Germany in 2003 were 1,017 million tonnes of CO_2. UNFCCC: 'KEY GHG DATA'. Bonn, 2005.



Environment and occupational health & safety index

The figure illustrates the development of the most significant environmental and occupational health & safety aspects at Vestas. The base year is 2006 which thus constitutes index 100. 2006 has been chosen as index 100 as this is the first year where all units are included in the annual report. An improvement of any of the aspects will result in the relevant index figure moving closer to the centre of the coordinate system. CO_2 emissions, energy and waste and scrap are indexed in proportion to delivered MW.

Selected highlights for indexation

	2007	2007 index	2006	2006 index
Incidence of industrial injuries per million working hours	31.6	87	36.5	100
Renewable electricity (%)	66	103	68	100
CO_2 emission (tonnes)	32,798	109	28,396	100
Energy (MWh)	372,037	106	330,106	100
Waste and scrap (tonnes)	89,643	102	82,739	100
Absence due to illness (%)	2.8	104	2.7	100

expectations with Vestas' reality and reduce any inconvenience caused by Vestas' operations. Vestas received 15 neighbour complaints in 2007 against 26 in 2006. Most of the complaints were related to noise from activities such as transport, ventilation plants, and production noise due to open gates. In addition, complaints have been filed concerning odours, dust and safety.

All neighbour complaints will be handled by Vestas in interaction with its stakeholders. The authorities will be involved if the complaint relates to legal obligations.

Management system

Vestas is working systematically to improve environment and occupational health & safety aspects. The introduction of environment and occupational health & safety management is considered an important tool in this context. Vestas' objective is for all Vestas activities to be certified according to the ISO 14001 environmental management standard and the OHSAS 18001 occupational health & safety standard by the end of 2008. It is therefore satisfactory that an additional 7 percentage points (measured by number of employees) now work at sites certified according to the OHSAS 18001 standard, and additional 4 percentage points work at sites certified according to ISO 14001. In total, 80 per cent was certified according to ISO 14001, and 84 per cent was certified according to OHSAS 18001 at the end of 2007. The Group policy for the new sites is that they must be ready for certification after six months of operations at the latest.

Accounting policies for non-financial highlights for the Group

All companies wholly owned by the Vestas Group are now covered by the reporting. The same measurement and calculation methods are applied at all Vestas sites.

Supplied MW

Supplied MW is stated as installed effect of the wind turbines that were transferred to the customer in the accounting period.

CO_2 savings from the supplied MW

CO_2 savings are calculated on the basis of a capacity factor of 30 per cent of the delivered MW, an expected design lifetime of 20 years of the delivered MW and a standard factor for the average CO_2 emission in Europe of 546 g CO_2/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. 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 the Group's 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.

Waste and scrap

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.

CO_2 emission

Emission of CO_2 is calculated on the basis of purchased 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.

Occupational health & safety

Occupational health & safety is measured for all activities under the organisational structure. Industrial injuries 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. The incidence of injuries is defined as the number of injuries per 1 million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system and pre-scribed working hours for white-collar employees. 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 (blue-collar employees) and absence records (white-collar employees), respectively.

Complaints from neighbours

Complaints from neighbours are stated as the number of complaints received which have resulted in operating or layout changes on the sites in question.

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

Environmental accidents are stated as the accidents that occur and which shall be or have been reported to the authorities.

Management systems

Percentage of Vestas certified according to ISO 14001 and OHSAS 18001, respectively is stated on the basis of the number of employees employed in the certified departments.

The independent auditor's statement concerning non-financial highlights for 2007

We have made an assessment of Vestas Wind Systems A/S' non-financial key figures and indicators for 2007, stated on page 7, in the annual report for 2007.

Criteria for the preparation of reporting on non-financial highlights

Pages 18-19 and 96-97 of the annual report for 2007 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 2007 according to the accounting policies for non-financial highlights for the Group applied and described on page 98.

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 2007 have been stated in accordance with the criteria mentioned.

Copenhagen, 27 February 2008

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Søren Skov Larsen
State Authorised Public Accountant

Birgitte Mogensen
State Authorised Public Accountant


15


Vestas
Vestas

Vestas Wind Systems A/S

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 the OMX Nordic Exchange 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 48. 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:

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 before tax' in the income statement include the proportionate share of the profit before tax less goodwill amortisation, whereas the share of tax of subsidiaries is included in the item 'Corporation tax'.

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	2007	2006
Net revenue	1	406	232
Cost of sales	2	(466)	(256)
Gross loss		**(60)**	**(24)**
Selling and distribution expenses	2	0	(2)
Administrative expenses	2, 3	(140)	(101)
Operating loss		**(200)**	**(127)**
Share of profit in subsidiaries before tax	4	576	221
Financial income and expenses (net)	5	51	51
Profit before tax		**427**	**145**
Corporation tax	6	(152)	(50)
Profit for the year		**275**	**95**
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		287	96
Retained earnings		(12)	(1)
Dividends		0	0
Profit for the year		**275**	**95**

Balance at 31 December for Vestas Wind Systems A/S – Assets, equity and liabilities

mEUR	Note	2007	2006
Intangible assets	7	199	248
Property, plant and equipment	8	207	148
Investments in subsidiaries	9	1,551	1,272
Total fixed assets		**1,957**	**1,668**
Inventories	10	14	6
Receivables from subsidiaries		1,076	680
Other receivables	11	39	34
Corporation tax		6	0
Deferred tax	12	57	22
Total receivables		1,178	736
Cash at bank and in hand		503	305
Total current assets		**1,695**	**1,047**
Total assets		**3,652**	**2,715**
Share capital		25	25
Reserve for net revaluation under the equity method		495	218
Retained earnings		931	970
Total equity		**1,451**	**1,213**
Warranty provisions	13	164	166
Other provisions	14	12	13
Total provisions		**176**	**179**
Mortgage debt	15	50	55
Debt to credit institutions	15	63	77
Total long-term debt		**113**	**132**
Short-term share of mortgage debt and debt to credit institutions	15	6	6
Trade payables		38	30
Payables to subsidiaries		1,840	1,128
Other liabilities		28	27
Short-term debt		**1,912**	**1,191**
Total debt		**2,025**	**1,323**
Total equity and liabilities		**3,652**	**2,715**
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

mEUR	2007			
	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
Capital increase	0	0	0	0
Cost of capital increase	0	0	0	0
Acquisition of treasury shares	0	0	(30)	(30)
Equity at 31 December	**25**	**495**	**931**	**1,451**

	2006			
	Share capital	Reserve under the equity method	Retained earnings	Total
Equity at 1 January	**23**	**125**	**781**	**929**
Exchange rate adjustments from conversion to EUR	0	0	1	1
Exchange rate adjustments relating to foreign entities	0	(3)	0	(3)
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	8	8
Fair value adjustments of derivative financial instruments	0	0	3	3
Tax on changes in equity	0	0	(3)	(3)
Profit for the year	0	96	(1)	95
Capital increase	2	0	190	192
Cost of capital increase	0	0	(6)	(6)
Acquisition of treasury shares	0	0	(3)	(3)
Equity at 31 December	**25**	**218**	**970**	**1,213**

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

Staff costs are specified as follows:

	2007	2006
Wages and salaries, etc.	90	70
Pension schemes	5	4
Other social security costs	0	0
	95	**74**

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 33 to the consolidated accounts.

	2007	2006
Average number of employees	1,264	951

3 Fees to auditors appointed by the General Meeting

	2007	2006
Audit:		
PricewaterhouseCoopers	1	1
KPMG C.Jespersen	1	1
	2	**2**
Non-audit services:		
PricewaterhouseCoopers	1	1
KPMG C.Jespersen	0	0
	1	**1**
	3	**3**

4 Share of profit in subsidiaries before tax

	2007	2006
Share of profit in subsidiaries before tax	519	336
Change in intercompany profit	71	(99)
Adjustment of goodwill relating to disposals	0	(2)
Amortisation of goodwill	(14)	(14)
	576	**221**

5 Financial income and expenses

	2007	2006
Financial income from subsidiaries	88	70
Financial expenses to subsidiaries	(37)	(1)
Exchange rate adjustments	3	5
Other financial income	11	3
Other financial expenses	(14)	(26)
	51	**51**

Notes to the annual accounts for Vestas Wind Systems A/S (mEUR)

6 Corporation tax

	2007	2006
Current tax on profit for the year	0	2
Deferred tax on profit for the year	(37)	(37)
Tax on share of profit in subsidiaries	202	87
Change to tax rate	3	0
Adjustments relating to previous years (net)	(16)	(2)
Total corporation tax for the year	**152**	**50**
Tax on entries in equity relating to deferred tax	1	3
Tax on entries in equity	**1**	**3**
Total tax for the year	**153**	**53**

7 Intangible assets

	2007				
	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January	255	19	5	81	360
Additions	0	0	26	54	80
Disposals	0	0	0	(24)	(24)
Transfers	5	0	0	(5)	0
Cost at 31 December	260	19	31	106	416
Amortisation at 1 January	109	3	0	0	112
Amortisation for the year	103	1	1	0	105
Impairment for the year	0	0	0	24	24
Reversal of amortisation of disposals in the year	0	0	0	(24)	(24)
Amortisation at 31 December	212	4	1	0	217
Carrying amount at 31 December	**48**	**15**	**30**	**106**	**199**
Amortisation period	3-5 years	5-20 years	3-5 years		

Notes to the annual accounts for Vestas Wind Systems A/S (mEUR)

8 Property, plant and equipment

2007	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	159	14	11	12	196
Additions	45	2	4	26	77
Disposals	(6)	(4)	0	0	(10)
Transfers	1	9	0	(10)	0
Cost at 31 December	199	21	15	28	263
Depreciation at 1 January	34	9	5	0	48
Depreciation for the year	6	4	3	0	13
Reversal of amortisation on disposals in the year	(2)	(3)	0	0	(5)
Depreciation at 31 December	38	10	8	0	56
Carrying amount at 31 December	**161**	**11**	**7**	**28**	**207**
Assets held under finance leases included above amount to:	20	0	0	0	20
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 93m.

9 Investments in subsidiaries

	2007
Cost at 1 January	1,053
Exchange rate adjustments from conversion to EUR	1
Additions	1
Disposals	0
Cost at 31 December	1,055
Value adjustments at 1 January	219
Exchange rate adjustments	(10)
Profit shares for the year before tax	519
Tax on profit shares	(202)
Dividend	(87)
Disposals	0
Amortisation of goodwill	(14)
Change in intercompany profit	71
Value adjustments at 31 December	496
Carrying amount at 31 December	**1,551**
Remaining positive difference included in the above carrying amount at 31 December	228

The companies in the Vestas Group are listed on pages 90-91 in the consolidated accounts.

Notes to the annual accounts for Vestas Wind Systems A/S (mEUR)

10 Inventories

	2007	2006
Raw materials and consumables	14	6
Work in progress	0	0
Finished goods	0	0
	14	**6**

11 Receivables

The carrying amount of receivables approximates their fair value.

12 Deferred tax

	2007	2006
Deferred tax at 1 January	22	16
Deferred tax on profit for the year	37	37
Tax on entries in equity	(1)	(3)
Change in corporate tax rate	(3)	0
Adjustment relating to previous years	2	(28)
Deferred tax at 31 December (net)	**57**	**22**

13 Warranty provisions

	2007	2006
Warranty provisions at 1 January	166	136
Provisions for the year	179	177
Used warranty provisions for the year	(181)	(147)
Warranty provisions at 31 December	**164**	**166**
The warranty provisions are expected to be payable as follows:		
0-1 year	131	112
1-5 years	33	54
	164	**166**

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 20 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.

Notes to the annual accounts for Vestas Wind Systems A/S (mEUR)

14 Other provisions

	2007	2006
Other provisions at 1 January	13	6
Provisions for the year	2	7
Used other provisions during the year	(3)	0
Other provisions at 31 December	**12**	**13**
Other provisions are expected to be payable as follows:		
0-1 year	6	7
> 1 year	6	6
	12	**13**

15 Long-term debt

	2007	2006
Short-term share of long-term debt breaks down as follows:		
Mortgage debt	5	5
Debt to credit institutions	1	1
	6	**6**
Long-term debt breaks down as follows:		
1-5 years	67	81
> 5 years	46	51
	113	**132**

The following amounts recognised in mortgage debt and debt to credit institutions relate to assets held under finance leases:

	2007			2006		
	Minimum lease payment	Interest	Carrying amount	Minimum lease payment	Interest	Carrying amount
0-1 year	2	1	1	2	1	1
1-5 years	9	6	3	7	4	3
> 5 years	32	12	20	33	13	20
	43	**19**	**24**	**42**	**18**	**24**

The finance leases of the parent company relate to administration and production buildings.

Notes to the annual accounts for Vestas Wind Systems A/S (mEUR)

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.

	2007	2006
Total mortgage loans	55	61
Mortgage deeds and all-money mortgages relating to the company's mortgage loans:		
Nominal value of mortgage deeds and all-money mortgages	58	38
Carrying amount of pledged assets	141	104
Other mortgage deeds and all-money mortgages in the possession of the company	48	42

17 Contractual obligations

	2007	2006
The lease obligation relating to operating leases falls due:		
0-1 year	1	5
1-5 years	1	11
> 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

	2007	2006
Provided work and payment guarantees	390	428
Guarantees for bank debt of subsidiaries	30	54

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 38 to the consolidated accounts.

19 Related party transactions

For transactions with related parties refer to note 34 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 39 to the consolidated accounts.

21 Subsequent events

For subsequent events refer to note 40 to the consolidated accounts.

Shareholders and the stock exchange

Capital structure

Vestas Wind Systems A/S' shares are listed on the OMX Nordic Exchange Copenhagen under the symbol VWS. The share capital amounts to DKK 185,204,103.00 (185,204,103 shares) and consists of a single class of shares. Each share carries one vote and is freely negotiable.

Share turnover

Turnover of Vestas shares amounted to approx DKK 178bn (EUR 24bn) in 2007, making Vestas among the fifteen most traded shares in the OMX Nordic 40 index and the most traded share on the OMX Nordic Exchange Copenhagen.

Share price performance

The share closed the year at DKK 552.00, equal to a market capitalisation of DKK 102bn (EUR 14bn). During 2007, the price of the Vestas share rose by 131 per cent.

Authorities granted to the Board of Directors

Vestas' Articles of Association contain three authorities granted to Vestas' Board of Directors concerning an increase of the company's share capital. See article 3 of the Articles of Association.

With respect to these authorities, the new shares must be registered in the name of the holder and recorded in the company's register of shareholders. The shares are negotiable instruments and otherwise rank pari passu with the existing shares in all respects, including in respect of redemption and restrictions on transferability. The new shares carry a right of dividend from such date as may be determined by the Board of Directors, however, not later than from the first financial year following the capital increase.

The Board of Directors fixes the terms of the warrants issued and capital increases carried out in accordance with the authorities. See articles 3.1-3.3 of the Articles of Association.

Capital increase

The share capital may be increased in one or more issues by a total nominal amount of up to DKK 18,500,000.00 (18,500,000 shares) as directed by the Board of Directors with respect to time and terms. The authority remains in force until 1 January 2011, and it may be extended by the General Meeting for one or more periods of up to five years each.

The increase may be effected for cash or other consideration. The capital increase may be effected without pre-emption rights to the company's existing shareholders provided the shares are issued at market price or as consideration for the company's acquisition of an existing operation or specific assets of a value that equals the value of the shares issued. In all cases other than those set out above, the company's existing shareholders are entitled to subscribe for new shares in proportion to their existing shareholdings.

Employee shares

Furthermore, the Board of Directors is authorised until 1 January 2011, to increase the share capital in one or more issues without pre-emption rights to the existing shareholders, up to the sum of DKK 1,776,895.00, nominal value (1,776,895 shares) in connection with the offering of such shares to the employees of the company and its affiliated companies.

The new shares are issued at a subscription price to be determined by the Board of Directors, which price may be at a discount to the prevailing or future market price.

Warrants

Furthermore, the Board of Directors is authorised until 1 January 2011 to carry out one or more issues of warrants without pre-emption rights to the existing shareholders, up to the sum of DKK 368,000.00, nominal value (368,000 shares) to executives and/or members of the Board of Directors of the company and its affiliated companies. However, the Board of Directors may only be granted warrants for subscription of shares with a total nominal value of up to DKK 41,000.00 (41,000 shares). No consideration is made in respect of the grant of warrants.

Share indices

The Vestas share is a component of these and other major indices:

- Dow Jones STOXX 600 Large Index
- OMX Nordic 40 index (OMXN40)
- OMX Copenhagen 20 index (OMXC20)
- FTSE4Good Index Series
- Standard & Poor's EuroPlus Index, Europe 350 Index and Global 1200 Index
- Standard & Poor's Global Thematic Indices.

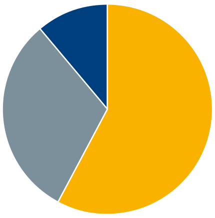
Ownership

At the end of the year, Vestas had 77,124 registered shareholders, who combined represented 166,561,609 shares, or approx 90 per cent of the Vestas share capital. At 31 December 2007, approx 70 per cent of Vestas' registered share capital was held by the company's 50 largest shareholders, including custodian banks.

Based on the information available as at 31 December 2007, an estimated 65 per cent of Vestas' total share capital, including shares not registered by name, was believed to be held by shareholders outside Denmark.

Share capital distribution at 31 December (%)

	2007	2006	2005	2004
International shareholders	58	48	46	39
Danish shareholders	31	42	47	53
Shares not registered by name	11	10	7	8



Major shareholder

As per 26 February 2008, Vestas' largest shareholder is Fidelity International, USA, which owns 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

Vestas has 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, cf. company announcement No. 22/2007.

Since the company was established, 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 at the time in question. See section 48 of the Danish Public Companies Act. At the Annual General Meeting to be held in 2008, the Board of Directors will once again ask the shareholders for such authority.

Vestas shares held by management

At 31 December 2007, members of Vestas' Board of Directors held a total of 347,005 Vestas shares, and Vestas' Executive Management held 3,437 Vestas shares. At 31 December 2007, these shareholdings represented a combined market value of EUR 26m, see note 33 to the consolidated accounts page 77.

The members of Vestas' Board of Directors and Executive Management are registered on the Vestas list of insiders. 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. These persons have a duty to report any share transactions, and a list of announced insider transactions made during the year is available at www.vestas.com / investor.

Investor Relations

Vestas pursues an investor relations and communications policy which involves ensuring timely, adequate and simultaneous information about the Group, and Vestas strives to be visible and accessible to current and prospective shareholders, investors and stakeholders with due consideration to legal requirements and rooted in corporate governance standards.

A more detailed description of Vestas' investor relations and communications policy is available at www.vestas.com / Investor.

Investor relations activities

Vestas maintains an ongoing dialogue with its existing and potential shareholders, and equity 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 monthly conference calls/meetings with analysts and institutional investors.

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 Group's present status and 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 www.vestas.com / Media.

Following the financial presentations in 2007, 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, Spain, Sweden, and the USA. The roadshow schedule for 2008 is available at www.vestas.com / Investor.

In 2007, Vestas also attended the Danish Investor Show (Dansk Aktiemesse) in Copenhagen and 'Aktiesparanas Stora Aktie- & Fonddagen' in Gothenburg, Sweden.

Annual General Meeting

The Annual General Meeting of Vestas Wind Systems A/S will be held on 2 April 2008 at 2 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

In light of the company's developments and expectations for future growth, continuity in the composition of the Board of Directors has been a major advantage to the company, and the Board of Directors believes that there is still a need for such continuity. As a result, the seven external members currently serving on the Board of Directors will be standing for re-election at the company's Annual General Meeting. The longest sitting member has held his seat on the Board of Directors since 1995, whilst the most recent member elected by the shareholders joined the Board of Directors in 2006.

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.

The Board of Directors does not expect to table proposals for amendments to Vestas' Articles of Association.

Agenda and full wording of the proposals will be published on Monday, 10 March 2008, on which date invitation and shareholder information No. 1/2008 will also be forwarded to all registered shareholders.

As from 10 March 2008, registration to the Annual General Meeting will be possible through www.vestas.com / Investor. Vestas recommends that the shareholders use their voting rights, and if unable to participate in the Annual General Meeting that they download the proxy form at www.vestas.com, fill it out and send it to VP Investor Services by fax +45 43 58 88 67.

To make it possible for the increasing part of foreign shareholders to participate in Vestas' Annual General Meeting, this year the Annual General Meeting will be interpreted into English.

Dividend policy

In general, the intention of the Board of Directors is to pay dividend of 25-30 per cent of the profit for the year. However, distribution of dividends will always be decided with due consideration to the Group's plans for growth and liquidity requirements and the aim of maintaining a solvency ratio of at least 40 per cent.

As announced in the interim report for the third quarter of 2007 dated 6 November 2007, 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 2007 in spite of Vestas' strongly improved cash flow.

Investor Relations

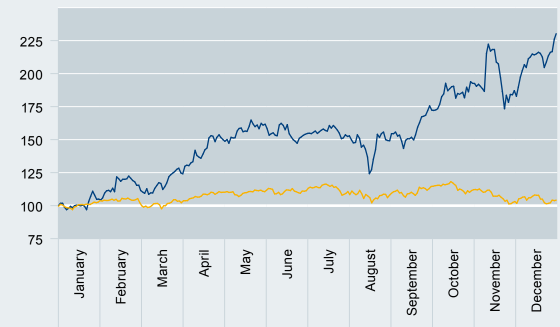
Vestas Wind Systems A/S
Investor Relations
Alsvej 21
8900 Randers
Denmark

Tel.: +45 97 30 00 00
ir@vestas.com

Financial calendar 2008

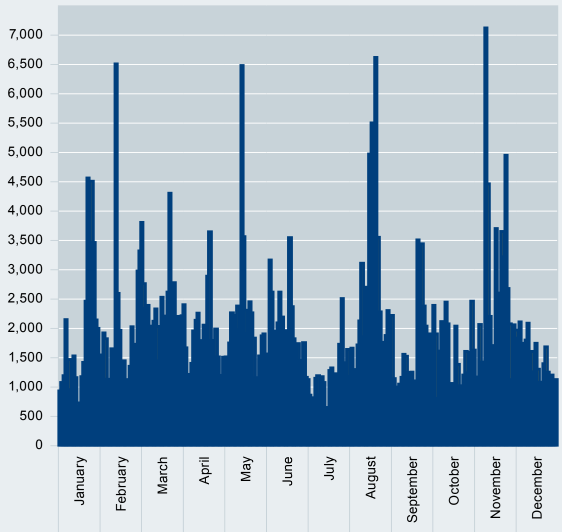
27/02/2008	Publication of annual report 2007
10/03/2008	Convening for Annual General Meeting
02/04/2008	Annual General Meeting
08/05/2008	Publication of quarterly report for Q1 2008
15/08/2008	Publication of quarterly report for Q2 2008
06/11/2008	Publication of quarterly report for Q3 2008

Share price index 2007



2007 share price index for the Vestas share.
Share price index for the OMXN40 index.

Trading in Vestas shares 2007 (1,000)



Company announcements

During the period 1 January 2007 to 26 February 2008, Vestas has issued the below company announcements, which can be downloaded from www.vestas.com / Investor. Stakeholders, who wish to receive Vestas Wind Systems A/S' company announcements and press releases by email, may also subscribe to Vestas' distribution list at www.vestas.com / Investor.

02.01.2007	01/2007	Vestas receives 100 MW order in the USA for delivery in 2007
17.01.2007	02/2007	Large orders for Vestas placed by Toyota Tsusho Corporation
02.02.2007	03/2007	Vestas receives large orders in China
09.02.2007	04/2007	Vestas' expected 2006 result
13.03.2007	05/2007	Vestas receives large order for V90-3.0 MW turbines for Turkey
20.03.2007	06/2007	Annual report 2006
21.03.2007	07/2007	Trading in Vestas Wind Systems A/S shares by Executives and persons closely associated with an Executive
23.03.2007	08/2007	Announcement of Vestas' Executives tradings with securities
23.03.2007	09/2007	Financial calendar 2008
29.03.2007	10/2007	Vestas receives 145 MW order in the USA for delivery in 2007
29.03.2007	11/2007	Announcement of Vestas' Executives tradings with securities
02.04.2007	12/2007	Previously announced patent case expanded to the Netherlands
04.04.2007	13/2007	Vestas receives 70 MW US order for delivery in 2008
10.04.2007	14/2007	Orders for V80-2.0 MW wind turbines from the Chinese market
12.04.2007	15/2007	Status on patent disputes with Enercon GmbH, Aloys Wobben
17.04.2007	16/2007	Vestas receives two orders for a total of 80 MW for Spain
17.04.2007	17/2007	Vestas receives 150 MW order in the USA for delivery in 2007/2008
26.04.2007	18/2007	Vestas Wind Systems A/S' annual general meeting on 26 April 2007 at 7 p.m.
08.05.2007	19/2007	Vestas has received an order for a total of 94 units of the V90 turbine for Spain
15.05.2007	20/2007	Interim financial report, first quarter 2007 – Profit on track
15.05.2007	21/2007	Announcement of Vestas' Executives tradings with securities
22.05.2007	22/2007	New incentive programme – elaboration on the conditions
25.05.2007	23/2007	Status on lightning protection patent dispute with Enercon GmbH, Mr Aloys Wobben
01.06.2007	24/2007	Disclosure requirement regarding share capital and number of voting rights as at 1 June 2007
04.06.2007	25/2007	Previously announced patent case with Enercon GmbH/Mr Aloys Wobben expanded to Ireland
08.06.2007	26/2007	Announcement of Vestas' Executives tradings with securities
29.06.2007	27/2007	Vestas receives order for V82-1.65 MW turbines in the USA
02.07.2007	28/2007	Vestas receives large order in the USA
07.07.2007	29/2007	Major shareholder announcement
03.08.2007	30/2007	Vestas receives major orders from the Chinese market
08.08.2007	31/2007	Vestas receives order for V90-2.0 MW and V90-3.0 MW turbines in Germany
21.08.2007	32/2007	Interim financial report, second quarter 2007

01.10.2007	33/2007	Expansion of incentive programme
05.11.2007	34/2007	Vestas receives order for V90-3.0 turbines for the US
06.11.2007	35/2007	Interim financial report, third quarter 2007
09.11.2007	36/2007	Major shareholder announcement
13.11.2007	37/2007	Major shareholder announcement
14.11.2007	38/2007	Status on patent disputes with Enercon GmbH, Mr Aloys Wobben
22.11.2007	39/2007	Major shareholder announcement
11.12.2007	40/2007	Election of company employee representatives for the Board of Directors of Vestas Wind Systems A/S
13 .12.2007	41/2007	Election of group representatives for the Board of Directors of Vestas Wind Systems A/S
14 .12.2007	42/2007	Major shareholder announcement
17 .12.2007	43/2007	Vestas receives order for V90-3.0 MW wind turbines in Canada
18 .12.2007	44/2007	Updated status on patent issue with Enercon GmbH, Mr Aloys Wobben
21 .12.2007	45/2007	V82-1.65 MW order for Vestas in the USA
21 .12.2007	46/2007	Vestas receives 400 MW order in the USA
27 .12.2007	47/2007	Vestas receives order for 36 wind turbines for Spain
27 .12.2007	48/2007	Vestas receives another order for Spain
27 .12.2007	49/2007	Vestas receives large order for V90-3.0 MW turbines
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

Information about the company

Company reg. No.

10 40 37 82

Company

Vestas Wind Systems A/S

Alsvej 21
8900 Randers
Denmark

Board of Directors

Bent Erik Carlsen, Chairman
Torsten Erik Rasmussen, Deputy Chairman
Arne Pedersen
Freddy Frandsen
Jørgen Huno Rasmussen
Jørn Ankær Thomsen
Kim Hvid Thomsen
Kurt Anker Nielsen
Sussie Dvinge Agerbo
Svend Åge D. Andersen

Executive Management

Ditlev Engel, President and CEO
Henrik Nørremark, Executive Vice President and CFO

Lawyers

GORRISSEN FEDERSPIEL KIERKEGAARD

H. C. Andersens Boulevard 12
1553 Copenhagen V
Denmark

Thelen Reid Brown Raysman & Steiner LLP

101 Second Street
Suite 1800
San Francisco, CA 94105
USA

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab
Strandvejen 44
2900 Hellerup
Denmark

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab
Værkmestergade 25
8100 Aarhus C
Denmark

Banks

Nordea Bank Danmark A/S

Strandgade 3
0900 Copenhagen C
Denmark

Dresdner Kleinwort Ltd.

PO Box 52715
30 Gresham Street
London EC2D 2XY
Great Britain

Société Générale

29, Boulevard Haussmann
75009 Paris
France

Banco Español de Crédito

Paseo de la Castellana, 103
28046 Madrid
Spain

Head office

Vestas Wind Systems A/S

Alsvej 21
8900 Randers
Denmark
Tel. +45 97 30 00 00
Fax +45 97 30 00 01
vestas@vestas.com
www.vestas.com

Sales business units

Vestas Americas

1881 SW Naito Parkway
Suite 100
Portland, OR 97201
USA
Tel. +1 503 327 2000
Fax +1 503 327 2001
vestas-americas@vestas.com
www.vestas.com

Vestas Asia Pacific

1 HarbourFront Place
HarbourFront Tower One #09-01
Singapore 098633
Tel. +65 6303 6500
Fax +65 6278 6500
vestas-asiapacific@vestas.com
www.vestas.com

Vestas Central Europe

Otto-Hahn-Str. 2 - 4
25813 Husum
Germany
Tel. +49 4841 971 0
Fax +49 4841 971 360
vestas-centraleurope@vestas.com
www.vestas.com

Vestas Mediterranean

c/ Can Rabia 3-5, 4 Planta, Edificio B
Sarrià Forum
08017 Barcelona
Spain
Tel. +34 932 41 98 00
Fax +34 932 41 40 80
vestas-mediterranean@vestas.com
www.vestas.com

Vestas Northern Europe

Grophusgatan 6
215 86 Malmö
Sweden
Tel. +46 40 376 700
Fax +46 40 376 720
vestas-northerneurope@vestas.com
www.vestas.com

Vestas Offshore

Alsvej 21
8900 Randers
Denmark
Tel. +45 97 30 00 00
Fax +45 97 30 00 01
vestas@vestas.com
www.vestas.com

Production business units

Vestas Blades

Smed Hansens Vej 19
6940 Lem
Denmark
Tel. +45 97 30 00 00
Fax +45 97 30 66 23
vestas-blades@vestas.com
www.vestas.com

Vestas Control Systems

Frankrigsvej 15
8450 Hammel
Denmark
Tel. +45 97 30 86 00
Fax +45 97 30 86 01
vestas-controlsystems@vestas.com
www.vestas.com

Vestas Nacelles

Smed Sørensens Vej 3
6950 Ringkøbing
Denmark
Tel. +45 97 30 00 00
Fax +45 97 30 65 67
vestas-nacelles@vestas.com
www.vestas.com

Vestas Towers

Engdraget 20
6800 Varde
Denmark
Tel. +45 97 30 00 00
Fax +45 97 30 56 10
vestas-towers@vestas.com
www.vestas.com

Index

Vestas Wind Systems A/S
Alsvej 21
8900 Randers
Denmark
Tel.   +45 97 30 00 00
Fax   +45 97 30 00 01
vestas@vestas.com
www.vestas.com