

Company announcement from Vestas Wind Systems A/S

Aarhus, 27 September 2013
Company announcement No. 41/2013
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Vestas and Mitsubishi Heavy Industries form a joint venture dedicated to offshore wind energy

Vestas Wind Systems A/S (Vestas) and Mitsubishi Heavy Industries Ltd. (MHI) have agreed to form a joint venture (JV) dedicated to offshore wind energy (ref. [company announcement No. 33/2012 of 27 August 2012](#)).

The JV will combine Vestas' and MHI's current capabilities within offshore wind turbines. Vestas will transfer the development of the V164-8.0 MW, the V112 offshore order book, existing offshore service contracts and approx 300 employees to the JV. MHI will inject EUR 100m in cash into the JV and will inject another EUR 200m based on certain milestone achievements reflecting the natural early product life cycle of the V164 turbine. As part of the JV it has been agreed between the parties that Vestas is contracted by the JV to finalise the planned development of the V164-8.0 MW on behalf of the JV. In addition, Vestas and MHI will provide various services to the JV. The JV will start its business with the current V112 offshore and the V164-8.0 MW turbines. At a later stage, the JV will explore the possibilities of integrating the MHI hydraulic DDT technology into the 8 MW platform which would make the JV positioned to offer a product line-up variety that best suits customer demands.

Leveraging on the respective strengths of each organisation, the JV will be well-positioned to win an expanding share of the offshore wind turbine market and become a global leader in this attractive and high-growth market; with Vestas' comprehensive technological capabilities and long-standing track record within the overall wind power market, and the offshore wind segment specifically, and MHI's strong and long-standing presence in global power markets and related technologies, the JV will benefit from significant synergies.

The head office of the JV will be located in Aarhus, Denmark, from where the company will handle all aspects from design, further development, procurement and manufacturing related to the V164-8.0 MW turbine as well as all marketing, sales and after-sales service related to offshore wind. Vestas will continue to manufacture and supply the V112 turbines which the JV will offer for offshore projects.

Masafumi Wani will become Chairman of the Board of Directors (Executive Senior Vice President and Head of Power Systems of MHI), Anders Runevad Vice Chairman (Group President & CEO of Vestas) and Jens Tommerup CEO of the JV (currently President of Vestas Asia Pacific & China). Equity ownership ratios will be 50 per cent for each of MHI and Vestas with an option for MHI to change the ownership ratio to 51 per cent for MHI and 49 per cent for Vestas in April 2016.

The transaction is subject to customary closing conditions including approval from relevant competition authorities in Europe and Asia and closing is expected to take place around the end of March 2014.

From a financial perspective, the establishment of the JV will not have any impact on Vestas' annual accounts for 2013 and is only expected to have a marginal impact on Vestas' 2014 revenues and earnings due to the deconsolidation of the offshore wind division. An expected gain on the JV transaction of around EUR 40m will be booked as a special item at closing. Any capex related to the development of the V164-8.0 MW turbine after 1 September 2013 will be reimbursed to Vestas by the JV following closing.

At the time of closing, Vestas expects the following balance sheet impacts:

- a decrease in development projects in progress of approx EUR 270m as the V164 project is transferred to the JV,
- an increase in investments in associates of approx EUR 200m as the JV will be treated as an associated company in Vestas' accounts from the time of closing,
- an increase in cash at bank and in hand of approx EUR 60m as Vestas will be reimbursed for capex conducted from 1 September 2013,
- an increase of net working capital of approx EUR 50m as a result of the offshore service projects being transferred to the JV and
- an increase in retained earnings of approx EUR 40m due to the expected gain on the JV transaction.

The main markets for offshore wind turbines are the North Sea coastal countries, particularly the UK and Germany. In these and all other markets, today, measures are being taken to support the introduction of wind power generation equipment to supersede outdated coal-fired and nuclear plants, and solid growth in this area is expected to continue going forward. The establishment of the JV between MHI and Vestas is the two partners' joint response to this market's robust growth potential.

Vestas and MHI will work closely with the new company and offer their total support to the development of its business operations.

Goldman Sachs International, Nordea Investment Banking and SEB Corporate Finance acted as joint financial advisers to Vestas.

Press and analyst meeting

For analysts, investors and the media, an information meeting will be held today, Friday 27 September at 10.00 a.m. CEST/9.00 a.m. BST at the Bella Sky Comwell Hotel, Center Boulevard 5, Copenhagen S, Denmark. The information meeting may be attended electronically via vestas.com and a replay of the meeting will subsequently also be available from vestas.com.

About Vestas

Today, Vestas has delivered wind energy in 73 countries, providing jobs for around 17,000 passionate people at service and project sites, research facilities, factories and offices all over the world. With 62 per cent more megawatts installed than the closest competitor and more than 50,000 wind turbines equivalent to 57,000 MW of cumulative installed capacity worldwide, Vestas is the world leader in wind energy.

About MHI

MHI is one of the world's leading manufacturers of machinery within power systems, nuclear energy and commercial aviation and aerospace. The company has approx 68,000 employees and consolidated sales of JPY 2,818bn in the fiscal year of 2012. Since delivering Japan's very first wind turbine for commercial use in 1982, MHI has supplied a total of more than 4,200 units worldwide, having a combined output of almost 4,400 MW. Presently, MHI is undertaking development of a 7 MW wind turbine (known as the "Sea Angel") adopting the world's first digitally controlled hydraulic drivetrain. The company is also taking part in a floating wind power plant demonstration and research project being conducted offshore in the Fukushima Prefecture in Japan.

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