

**Vestas**<sup>®</sup>

# Shareholder information 1/2016

**Wind.** It means the world to us.<sup>™</sup>

# 2015 – another step in the right direction

## The future is wind

2015 ended with the historical agreement at the COP21 conference in Paris. While one could always argue that a better deal could have been reached, the broad global backing of the agreement does highlight the fact that climate change is an issue that ranks top of the global agenda. At Vestas, we could not agree more. We have for long been advocating the benefits of renewable energy and wind power specifically. Wind power is a cost-competitive, reliable energy source that is CO<sub>2</sub> neutral and does not pollute and I am as thrilled to chair the wind market leader today as I was when I joined the board three years ago.

The wind power industry has matured in recent years and we are now seen as one of the main contributors to a more sustainable power generation footprint. Some years ago, some people were asking “why should wind power be part of the energy mix?” Today, people are asking “how can we best make use of wind power in the energy mix?” Thus, the outlook for the industry certainly remains positive. The industry now finds itself on a stable trajectory – one that still includes attractive levels of growth as seen in 2015, but which at the same time increasingly has characteristics typically observed in mature, mainstream industries, exemplified by the fact that approx 20 percent of all installed electricity generation in 2015 was coming from wind power.

## Strategy on track

For Vestas, 2015 has indeed been a year that has been characterised by growth and improved financial results, and as such continued to bring us closer to realising our vision to be the undisputed global wind leader. More specifically, the aspirations that follow from our vision are to:

- Be the market leader in revenue.
- Deliver best-in-class margins.
- Have the strongest brand in the wind power industry.
- Bring wind on a par with coal and gas.

We continuously work to deliver on all those four aspirations and 2015 was a year in which significant progress was achieved on each one of them. Our mission – to deliver best-in-class wind energy solutions and set the pace in the wind power industry to the benefit of Vestas’ customers and the planet – is also more relevant than ever. As the topic

of climate change becomes more and more important, Vestas finds itself in a sweet spot as a strong leader in an industry that provides the energy solutions for the future.

Our vision and mission serve as the beacons for executing our strategy, Profitable Growth for Vestas. The year was yet another step in the right direction as we saw significant progress within all the main objectives and targets that define the strategy:

- We have grown profitably in mature and emerging markets;
- the service business has grown well while delivering stable margins;
- our products and technologies continue to lower the cost of energy; and
- the operational efficiency of the company has further improved during the year.

## Shareholder value creation continues

The Board and I are pleased to see that the operational results, Vestas has achieved during the year have also manifested themselves into strong financial performance, allowing us to continue the journey we started last year by paying a dividend for the first time in 1.2 years. The Board’s ambition is to continue to provide value to the shareholders, and it will probably come as no surprise that the Board recommends that dividend payments will continue on the back of the 2015 results. On top of that, we also initiated and completed the first share buy-back programme in the history of the company.

In many ways, the combined dividend and share buy-back structure illustrates the Board’s view on how to manage the capital structure of the company. The clear intent of the Board is to adopt a long-term approach to the balance sheet but at the same time ensure that the shareholders benefit from the value a dividend provides. The share buy-back programme then serves as a more flexible tool to adjust the capital structure and further increase the total shareholder return.

In summary, it is the Board’s view that Vestas finds itself well positioned for the future. The direction has been set by a clear strategy which, combined with a strong management team and a dedicated group of employees, provides the best thinkable basis for taking a lead role in tomorrow’s energy market.

Bert Nordberg  
Chairman of the Board of Directors



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“ 2015 proved to be another step in the right direction for Vestas. The Board is pleased to observe the profitable growth delivered, which allows the company to continue its track record of providing stable shareholder returns.”

Bert Nordberg  
Chairman of the Board of Directors

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# Hard work has brought us to where we are today

## Strong results yet again

Vestas and the wind power industry continued to grow in 2015. Supported by a stable, regulatory environment in several countries, Vestas was, as the industry in general, given a good backdrop for finding itself in a better and more stable position today, than perhaps ever seen before.

Our financial performance continued to improve in 2015. Both revenue and EBIT margin came out at strong levels in 2015. We once again realised strong cash flows, and I believe it is important to highlight that the cash flow is increasingly created by the profits generated by earnings. With total investments of EUR 4.25m, we are also investing in the future, and we continue to believe that we can sustainably develop our business with investments in a corridor around the levels seen in recent years.

The execution of the Group's strategy is well on track, as the financial results and achievements in general in 2015 bear witness to. We have made some adjustments to the strategy during 2015, but our four strategic cornerstones remain unchanged as they have proven to provide a strong foundation for bringing Vestas to the next level.

An order intake and deliveries in 2015 of 8,943 and 7,486 MW, respectively, clearly support our ambition to grow profitably in both mature and emerging markets. We have seen good activity levels across all regions with an order intake from 34 countries. I'm pleased to see that the order intake in emerging markets is both substantial and well diversified and, importantly, order intake has grown significantly in our three strategic focus markets, Brazil, India, and China.

The year has obviously also been characterised by strong demand in the USA caused by the Production Tax Credit (PTC), which now seems set to continue. Vestas has historically been committed to the US market and with the recent PTC extension, that prioritisation has resulted in an excellent platform for us to remain a leading player in this attractive market.

So all in all, I'm pleased to be able to state that our global model continues to be a great asset for Vestas in securing a stable stream of orders.

During the year, the service business grew by 20 percent – without impact from currency rate developments the growth would have been 15 percent. Thus, I'm pleased to increase our ambitions for organic growth for the segment from previous 30 percent to now 40 percent over the mid-term.

On top of that, we acquired the American independent service provider UpWind Solutions, and, in early 2016, we announced that we have agreed to acquire the Germany-based company Availon. Both acquisitions will further support the acceleration of our growth in the service business.

It is still crucial to Vestas that growth does not collide with product quality and safety considerations, which have high priority by our customers and Vestas. Sadly, one of our colleagues died in a tragic industrial accident in Denmark on 23 October 2015. This accident was a reminder to all of us in Vestas that we must always put safety first to prevent injury and loss of life – no matter where in Vestas we work.

## Delivering strong technology to our customers

We continued to lower the cost of energy for our customers in 2015. Amongst other things, we launched the V136-3.45 MW™ turbine and we also announced a broader upgrade of the entire 3 MW platform. I personally find it of utmost importance to ensure that Vestas remains the technology leader in the industry. The investments we are making in R&D and technology allow us to maintain that advantage. It is hard work and a never-ending race to stay ahead. But it's a race we intend to continue to lead.

I have had the immense pleasure of spending a lot of time with our customers during the year. Whenever I meet them, I'm reminded about the strong position we have in the industry but also that the industry is highly competitive and one, in which satisfying our customers' needs for high quality, continuously lowering the cost of energy, and generally providing clean and reliable wind power solutions remain of key importance. We enjoy good relationships with our customers but should never rest on our laurels. It takes hard work and a committed company to achieve, and not least maintain, the position we enjoy today.

On that note, let me conclude by thanking all employees in Vestas for their hard work and dedicated efforts throughout the year. The employees' performance has been remarkable during a busy 2015 and I look forward to continuing the journey with my colleagues in what looks like an even more busy 2016.

Anders Runevad  
Group President & CEO

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**“ The results achieved in 2015 reaffirm our strategic direction and we will continue the strong execution of our strategy, Profitable Growth for Vestas.”**

Anders Runevad  
Group President & CEO

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# Highlights for the Group

mEUR	2015	2014	2013	2012	2011
<b>HIGHLIGHTS</b>					
<b>INCOME STATEMENT</b>					
Revenue	8,423	6,910	6,084	7,216	5,836
Gross profit	1,505	1,178	896	796	725
Profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	1,212	929	610	473	305
Operating profit/(loss) (EBIT) before special items	860	559	211	4	(38)
Profit before financial income and costs, depreciation and amortisation (EBITDA) after special items	1,258	977	530	299	305
Operating profit/(loss) (EBIT) after special items	906	607	102	(697)	(60)
Net financial items	(15)	(53)	(138)	(14)	(93)
Profit/(loss) before tax	925	523	(36)	(713)	(153)
Profit/(loss) for the year	685	392	(82)	(963)	(166)
<b>BALANCE SHEET</b>					
Balance sheet total	8,587	6,997	5,640	6,972	7,689
Equity	2,899	2,379	1,524	1,622	2,576
Provisions	458	390	388	353	329
Average interest-bearing position (net)	1,721	494	(862)	(1,189)	(990)
Net working capital	(1,383)	(957)	(596)	233	(71)
Investments in property, plant and equipment	220	163	73	167	406
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	1,472	1,126	1,248	(73)	840
Cash flow from investing activities	(425)	(285)	(239)	(286)	(761)
Free cash flow	1,047	841	1,009	(359)	79
Cash flow from financing activities	(360)	389	(1,150)	832	(13)
Change in cash at bank and in hand less current portion of bank debt	687	1,230	(141)	473	66
<b>RATIOS<sup>1)</sup></b>					
<b>FINANCIAL RATIOS</b>					
Gross margin (%)	17.9	17.0	14.7	11.0	12.4
EBITDA margin (%) before special items	14.4	13.4	10.0	6.6	5.2
EBIT margin (%) before special items	10.2	8.1	3.5	0.1	(0.7)
EBITDA margin (%) after special items	14.9	14.1	8.7	4.1	5.2
EBIT margin (%) after special items	10.8	8.8	1.7	(9.7)	(1.0)
Return on invested capital (ROIC) (%) before special items <sup>2)</sup>	117.2	35.3	7.7	0.2	(1.3)
Solvency ratio (%)	33.8	34.0	27.0	23.3	33.5
Net interest-bearing debt/EBITDA before special items	(1.9)	(1.5)	(0.1)	1.9	1.8
Return on equity (%)	26.2	20.1	(5.2)	(45.9)	(6.2)
Gearing (%)	17.1	25.5	39.9	108.0	35.7
<b>SHARE RATIOS</b>					
Earnings per share (EUR)	3.1	1.8	(0.4)	(4.8)	(0.8)
Book value per share (EUR)	12.9	10.6	7.5	8.0	12.6
Price / book value (EUR)	5.0	2.9	2.9	0.5	0.7
P / E ratio	21.2	17.2	neg.	neg.	neg.
Cash flow from operating activities per share (EUR)	6.6	5.0	6.1	(0.4)	4.1
Dividend per share (EUR)	0.91 <sup>3)</sup>	0.52	0.0	0.0	0.0
Payout ratio (%)	29.9 <sup>3)</sup>	29.9	0.0	0.0	0.0
Share price 31 December (EUR)	64.8	30.4	21.5	4.3	8.3
Average number of shares	224,074,513	221,674,711	203,704,103	203,704,103	203,704,103
Number of shares at the end of the year	224,074,513	224,074,513	203,704,103	203,704,103	203,704,103

1) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2015), ref. note 7.4 to the consolidated financial statements.

2) Adjustment for tax based on expected future effective tax rate of 26 percent.

3) Based on proposed dividend.

	2015	2014	2013	2012	2011
<b>OPERATIONAL KEY FIGURES</b>					
Order intake (bnEUR)	8.2	5.8	5.8	3.8	7.3
Order intake (MW)	8,943	6,544	5,964	3,738	7,397
Order backlog – wind turbines (bnEUR)	7.9	6.7	6.8	7.1	9.6
Order backlog – service (bnEUR)	8.9	7.0	6.7	5.3	3.9
Produced and shipped wind turbines (MW)	7,948	6,125	4,513	6,171	5,054
Produced and shipped wind turbines (number)	3,330	2,527	2,025	2,765	2,571
Deliveries (MW)	7,486	6,252	4,862	6,039	5,217
<b>SOCIAL AND ENVIRONMENTAL KEY FIGURES<sup>1)</sup></b>					
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>					
Total recordable injuries (number) <sup>2)</sup>	335	384	307	417	480
– of which lost time injuries (number)	56	53	66	110	132
– of which fatal injuries (number)	1	0	1	0	1
<b>CONSUMPTION OF RESOURCES</b>					
Consumption of energy (GWh)	516	501	586	630	586
– of which renewable energy (GWh)	283	278	325	327	223
– of which renewable electricity (GWh)	257	255	309	310	208
Consumption of fresh water (1,000 m <sup>3</sup> )	427	366	512	581	562
<b>WASTE DISPOSAL</b>					
Volume of waste (1,000 tonnes)	67	51	71	87	89
– of which collected for recycling (1,000 tonnes)	33	27	42	44	48
<b>EMISSIONS</b>					
Emission of direct CO <sub>2</sub> (1,000 tonnes)	49	50	56	59	58
Emission of indirect CO <sub>2</sub> (1,000 tonnes)	25	29	44	59	90
<b>LOCAL COMMUNITY</b>					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	3	1	1	3
<b>EMPLOYEES<sup>2)</sup></b>					
Average number of employees	18,986	16,325	16,598	20,284	21,503
Number of employees at the end of the period	20,507	17,598	15,192	17,238	22,084
– of which outside Europe, Middle East, and Africa	9,121	7,441	5,790	6,596	8,518
<b>SOCIAL AND ENVIRONMENTAL INDICATORS<sup>1)</sup></b>					
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>					
Incidence of total recordable injuries per one million working hours	8.7	11.8	9.8	10.7	11.8
Incidence of lost time injuries per one million working hours	1.5	1.6	2.1	2.8	3.2
Absence due to illness among hourly-paid employees (%)	1.9	2.3	2.5	2.4	2.3
Absence due to illness among salaried employees (%)	1.1	1.3	1.2	1.1	1.3
<b>PRODUCTS</b>					
CO <sub>2</sub> savings over the life time on the MW produced and shipped (million tonnes of CO <sub>2</sub> )	224	173	125	163	133
<b>UTILISATION OF RESOURCES</b>					
Renewable energy (%)	55	56	56	52	38
Renewable electricity for own activities (%)	100	100	100	89	68
<b>EMPLOYEES</b>					
Women in Board of Directors <sup>3)</sup> and Executive Management (%)	23	23	15	8	0
Women at management level (%) <sup>4)</sup>	18	18	17	17	18
Non-Danes at management level (%) <sup>4)</sup>	57	54	53	56	53

1) Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129.

2) In 2015, the accounting principles regarding counting of injuries and employees have been changed. Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129. Comparison figures have been updated.

3) Only Board members elected by the general meeting are included.

4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.



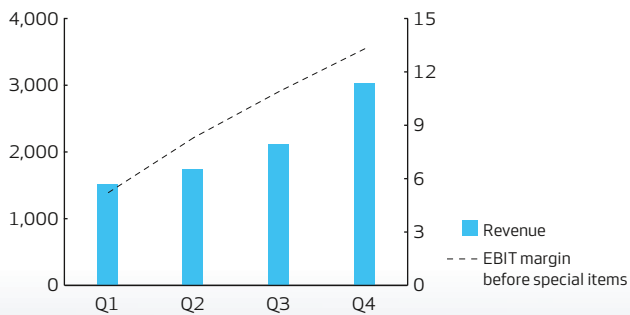
# Overview

## Fourth quarter 2015

As expected, the fourth quarter was characterised by high activity levels in terms of production and deliveries. This was also reflected in revenue, earnings, and free cash flow, which in the fourth quarter stood at the highest level during the year. Compared to 2014, revenue increased by 23 percent to EUR 3,035m. Operating profit (EBIT) before special items improved by EUR 152m to EUR 404m, equivalent to an EBIT margin of 13.3 percent – 3.1 percentage points higher than in 2014.

### Revenue and EBIT margin before special items

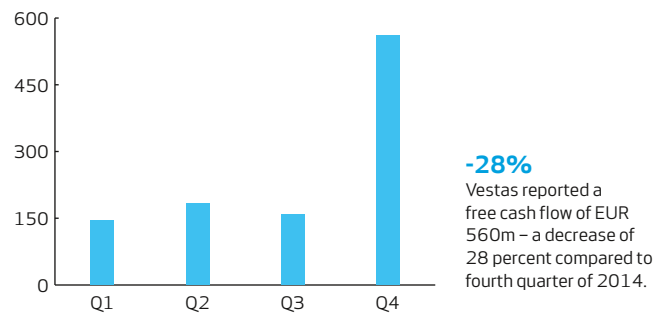
mEUR · Percent



The free cash flow amounted to EUR 560m in the fourth quarter, primarily impacted by an improvement in net working capital as well as a positive cash effect from net profit during the quarter.

## Free cash flow

mEUR



## Full year 2015

### Order backlog and activities - wind turbines

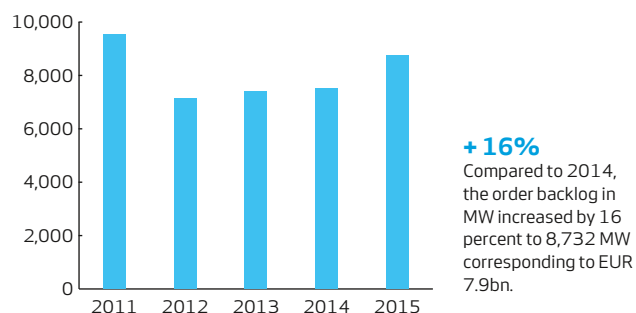
Compared to 2014, the order intake for the year increased by 37 percent to 8,943 MW, corresponding to EUR 8.2bn. A significant pick-up in the Asia Pacific and Latin American regions combined with another strong year in the USA and solid growth in Europe resulted in Vestas' highest order intake ever. Especially notable was the improvement in Vestas' strategic focus markets, China, India, and Brazil.

At the end of 2015, the wind turbine order backlog amounted to 8,732 MW corresponding to EUR 7.9bn against 7,513 MW and EUR 6.7bn at the end of 2014.



## Order backlog – wind turbines

MW



In 2015, Vestas produced and shipped 3,330 wind turbines with an aggregate capacity of 7,948 MW, which (as measured in MW) was a 30 percent increase compared to 2014, when Vestas produced and shipped 2,527 wind turbines totalling 6,125 MW. In 2015, final capacity delivered to the customers amounted to 7,486 MW – an increase of 20 percent compared to 2014. The growth was in particular driven by increased deliveries to the US market where deliveries almost doubled from 1,517 MW in 2014 to 2,999 MW in 2015. Deliveries in the Americas and Europe, Middle East, and Africa (EMEA) regions increased by 45 and 8 percent in 2015, respectively, while the Asia Pacific region saw a decrease of 16 percent.

By the end of 2015, Vestas has delivered 74 GW in 75 countries.

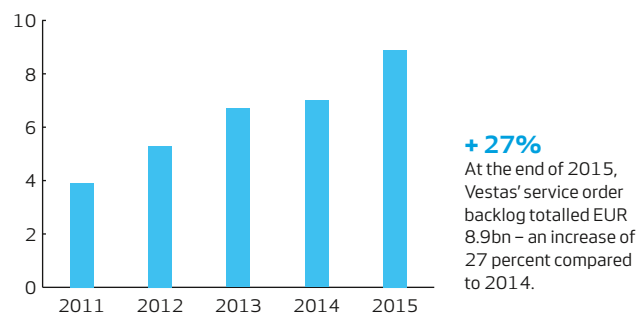
### Order backlog and activities – service

At the end of 2015, Vestas had service agreements with contractual future revenue of EUR 8.9bn – an increase of 27 percent compared

to 2014. Service revenue increased by EUR 174m to EUR 1,138m compared to 2014. The increase was mainly driven by organic growth supported by a positive impact from currency effects.

## Order backlog – service

bnEUR



The service EBIT margin before special items amounted to 17.7 percent – the same level as compared to 2014.

### Income statement

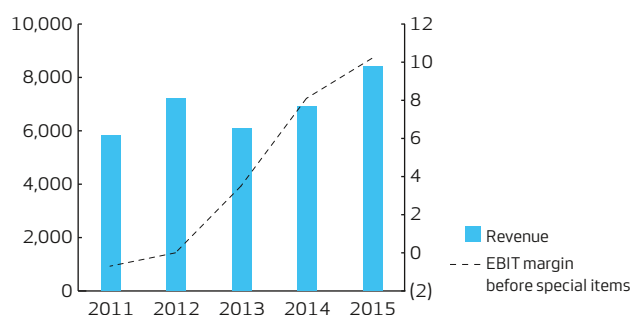
Revenue increased by 22 percent to EUR 8.4bn in 2015. EMEA accounted for 52 percent of annual revenue, while the Americas and Asia Pacific accounted for 41 and 7 percent, respectively.

The Group reported an operating profit (EBIT) before special items of EUR 860m in 2015, an improvement of EUR 301m relative to 2014. The EBIT margin before special items was 10.2 percent in 2015 against 8.1 percent in 2014.



## Revenue and EBIT margin before special items

mEUR · Percent



Profit after tax was EUR 685m in 2015 compared to EUR 392m in 2014, mainly driven by improved operating profit.

### Balance sheet

Vestas' total assets increased by EUR 1,590m to EUR 8,587m in 2015. This was primarily driven by an increase in cash and cash equivalents, which in turn was attributable to the strong cash flow during the year, as well as an increase in inventories preparing for a busy 2016.

At 31 December 2015, Vestas' net working capital amounted to EUR (1,383)m, which is an improvement of EUR 426m from 2014 and corresponds to (1.6) percent of annual revenue. The net working capital improvement during 2015 was primarily driven by increased payables, more than offsetting the effects from mainly increased inventories and receivables.

At the end of 2015, Vestas had a net cash position of EUR 2,270m, which is an improvement of EUR 859m compared to the end of 2014. The positive free cash flow was the main driver for Vestas increasing its net cash position. Cash and cash equivalents stood at EUR 2,765m and the financial debt of EUR 495m relates to the corporate bond.

The net debt/EBITDA ratio improved to (1.9) by the end of 2015 from (1.5) by the end of 2014 and the solvency ratio was 33.8 percent at the end of 2015 – a decrease of 0.2 percentage points compared to 2014.

### Cash flow and investments

In 2015, cash flows from operating activities before changes to net working capital amounted to EUR 1,075m, an increase of EUR 209m compared to 2014. This was driven by the improved profit for the year.

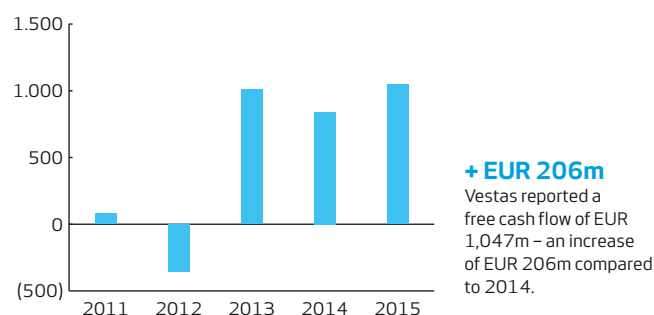
Cash flow from operating activities amounted to EUR 1,472m, compared to EUR 1,126m in 2014. The increase was driven by the improved profit as well as a stronger development in net working capital compared to 2014.

Cash flows from investing activities amounted to an outflow of EUR 425m, of which EUR 220m was property, plant and equipment.

Consequently, free cash flow increased by EUR 206m to EUR 1,047m, which was in line with the upgraded guidance of approx EUR 750m-950m from December 2015.

## Free cash flow

mEUR



### Social and environmental issues

Through the dedicated effort of its employees and supervised contractors, Vestas has managed to reduce the number of total recordable injuries. At the end of 2015, the incidence rate was 8.7 compared to 11.8 in 2014. The target for 2016 is 8.0.

In 2015, Vestas' share of renewable energy was 55 percent and share of renewable electricity 100 percent. For 2020 the target for share of renewable energy is 60 percent.

### Outlook 2016

Revenue is expected to be minimum EUR 9bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 11 percent with the service EBIT margin remaining stable.

Total investments are expected to amount to approx EUR 500m (incl. the acquisition of Availon Holding GmbH), and the free cash flow is expected to be minimum EUR 600m (incl. the acquisition of Availon Holding GmbH) in 2016.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped, and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections, and similar matters may thus cause delays that could affect Vestas' financial results for 2016. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2016.

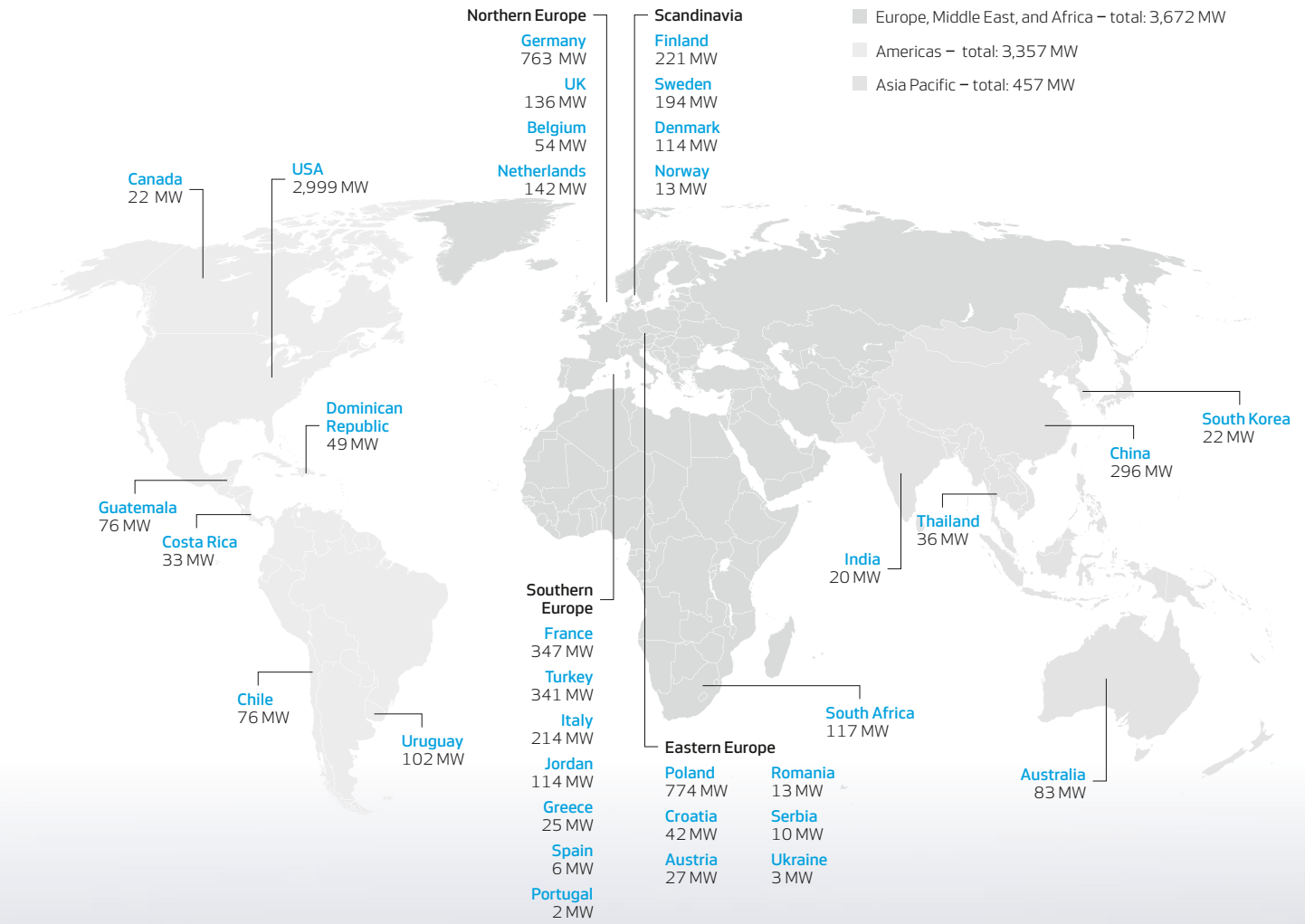
### Outlook 2016

	2016
Revenue (bnEUR)	min. 9
EBIT margin (%) before special items	min. 11
Total investments (mEUR)*	approx 500
Free cash flow (mEUR)*	min. 600

\* Incl. the acquisition of Availon Holding GmbH.



# 2015 deliveries worldwide



# Vestas' strategy – Profitable Growth for Vestas

## The corporate strategy continues to deliver strong results

Vestas has a strong global reach in both the wind turbine and service market and will continue to build its strength in those markets in 2016 and beyond. The overall strategic ambition to ensure profitable growth for Vestas remains, as does Vestas' ambition to maintain and expand its global leadership and create an even more flexible and robust company, able to consistently deliver best-in-class margins.

Vestas has taken a large step forward since the last strategy review in 2014 and is now more than ever capable of delivering profitable growth to its shareholders. The strong performance observed in recent years is a result of a clear strategic direction, the employees' commitment to implementing the priorities, and a supportive market situation in many of Vestas' core markets.

The 2015 strategy planning cycle once again had an aim to secure alignment of strategic priorities across the organisation, while at the same time ensuring that adequate adjustments are made. The strategic review has not given reason to materially change any parts of the Vestas strategy, neither have the vision and mission been changed.

### Vision and mission

Vestas' vision and mission serve as important beacons for uniting all Vestas' key stakeholders and not least its employees, setting a clear purpose and direction for where the company is heading and how the employees as individuals can support that journey.

Vision: To be the undisputed global wind leader, meaning:

- Be the market leader in revenue.
- Deliver best-in-class margins.
- Have the strongest brand in the wind power industry.
- Bring wind on a par with coal and gas.

Mission: Deliver best-in-class wind energy solutions and set the pace in the wind power industry to the benefit of Vestas' customers and the planet.

### Strategic plan adjusted

Vestas' strategy revolves around four strategic objectives which remain unchanged:

- Grow profitably in mature and emerging markets.
- Capture the full potential of the service business.
- Reduce levelised cost of energy.
- Improve operational excellence.

### Grow profitably in mature and emerging markets

Vestas will continue to focus on profitable growth in mature and emerging markets, partnering more closely with its customers, expanding its key account programme, involving customers in product development, and working closely with them to deliver tailored solutions.

With its strong global footprint, Vestas has a competitive edge, allowing it to grow profitably in both mature and emerging markets. Vestas will continue to scale production up and down in accordance with the level of demand in the different regions. Building on its long-standing global presence, Vestas will continue to pursue opportunities in markets where wind energy is set to expand.

As part of Vestas' ambitions to grow profitably in certain markets, Vestas has revised its current policy of only participating in project development to a limited extent. By entering into co-development activities under a more structured approach, Vestas expects to be able to engage earlier with certain customers and thereby potentially lock deals earlier

than what would in some cases otherwise be possible whilst simultaneously offering significant value to the customer. The short to medium term expected financial effect from such initiatives is expected to be limited in the context of the Vestas' overall financials.

Vestas' mid-term ambition to grow faster than the market remains unchanged and for 2015, it is Vestas' view that the ambition has been met as well.

### Capture the full potential of the service business

Having delivered an accumulated amount of 74 GW of wind power – a significantly higher amount than the closest competitor – Vestas has a unique platform from which to grow its service business, which today is already the largest in the wind power industry. With the acquisition of UpWind Solutions, Inc., in 2015, and the announcement of the agreement to acquire the Germany-based company Availon Holding GmbH in 2016, Vestas further accelerated that part of the strategy.

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

As a result of higher than anticipated growth in the service business, Vestas has decided to increase its strategic ambition for the area. The previous target of 30 percent organic growth in the service business over the mid-term has now been increased to 40 percent.

### Reduce levelised cost of energy

Vestas wants to remain the technology leader of the wind power industry. Continuing the recent years' focus on improvement and optimisation of the product and service offerings will be one of the most important enablers for Vestas to continue to hold that position in the future. While complexity has been reduced and offerings simplified as part of that journey, Vestas is now able to even better meet the demands of its customers and markets.

Also, Vestas will further reduce the levelised cost of energy (LCOE) by outsourcing and using standard components. With this, Vestas reduces manufacturing costs and time-to-market, and thereby lowers the cost of energy for its customers.

During 2015, Vestas introduced new variants and solutions to support the mid-term ambition to reduce LCOE faster than market average and as the strategic objective is on track, Vestas' ambition remains unchanged.

### Improve operational excellence

The lessons learned and the experiences gained through the turnaround period have not been forgotten and thus, cost savings and operational efficiency remain a priority area for everyone at Vestas.

Vestas has continued its site simplification programme and continues to increase its use of shared services, where various process and transactional tasks are relocated to low-cost areas, in particular Vestas' shared service centre in the Philippines. Vestas will also continue to increase efficiency by leveraging on the scale of its operations. In support of the Profitable Growth for Vestas strategy, cost savings and achieving cost leadership within the wind power industry is still a priority for the company. The first Accelerate Earnings programme was concluded by the end of 2014 with a considerable achievement in the area of short-term cost-out. The next phase, called Accelerate Earnings Pro, is planned to run until 2017, and will aim at a sustainable optimisation of the total cost on the full value chain. The ambition to achieve cost leadership within the wind power industry remains unchanged.





## Financial performance

### Another year of strong financial performance

2015 was a year characterised by high activity levels and our financial and operational performance clearly indicate that we are executing well on our strategy of profitable growth.

The higher activity levels resulted in a revenue increase of 22 percent compared to 2014, while at the same time fixed costs were kept firmly under control leading to a double-digit EBIT margin before special items of 10.2 percent – an increase of 2.1 percentage points – and the highest net profit ever.

The strong financial performance was also reflected in the cash flow generation. Combined with continued well managed operations, as measured by net working capital, free cash flow amounted to more than EUR 1bn. And yet again, as in 2014, the free cash flow was primarily generated by operating earnings confirming the good development of the company.

All in all, 2015 was a year well executed which is clearly reflected and summarised in the return on invested capital (ROIC) that increased to 117 percent at the end of 2015 – the highest level ever – and hence, the strong shareholder value generating capabilities of the company continues at a very high level.

### Capital structure and dividend

Once again, the company finds itself in a position of financial strength and stability. And although the capital structure targets were only partly met in 2015, with the solvency ratio ending slightly below target, the Board will again recommend the distribution of a dividend to our shareholders at the Annual General Meeting. And at an even higher DKK level per share than last year.

Vestas has therefore also chosen to revise its solvency ratio target from minimum 35 percent to a range of 30-35 percent to allow for more flexibility when distributing and allocating excess cash. While more flexible, the new target remains aligned with the ambition of being a financially strong and trustworthy partner for all our stakeholders.

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“2015 continued the positive trend with a double-digit EBIT margin and free cash flow above EUR 1bn – a strong piece of evidence that we are executing well on our strategy of profitable growth.”

**Marika Fredriksson**  
Executive Vice President & CFO

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# Wind turbines – Sales and market development

## Global trends

2015 was again a positive year for the wind power industry with an increase in onshore installations by 21 percent to 58 GW compared to 2014. Bloomberg New Energy Finance predicts the wind energy market will continue its growth.

Policy decisions, particularly on a national level, continue to influence renewable energy demand, exposing the market to changes and some unpredictability. A general trend can be seen, nonetheless, toward wind energy's growing competitiveness and the use of market-based mechanisms such as auctions, renewable certificates, and various renewable portfolio standards.

The signs for the wind power industry are positive and with its global footprint, Vestas finds itself well-positioned to reap the benefits from these developments.

## Vestas' market development 2015

With deliveries across 34 countries in 2015, our wide geographic diversification remains a key strategic strength, allowing it to balance out the inevitable ups and downs in any given market. Vestas' global presence in 75 countries across six continents underlines its ability to provide wind energy solutions anywhere in the world.

During 2015, we continued our focus on early customer engagement, thereby offering more attractive cost-effective wind energy solutions to the benefit of both the customer and Vestas. Combined with the ongoing efforts on expanding customer relationships and partnering with new customers, Vestas experienced growth in order intake across all regions and signed orders in a total of 34 countries in 2015.

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**“Order intake in 2015 was strong, driven by improvements across all regions and especially in the US market. Our strategic efforts in China, India, and Brazil are also paying off. Moreover, we managed to expand our geographic diversity.”**

**Juan Araluce**  
Executive Vice President & CSO

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## Service – Sales and market development

### Market trends and status on the service business

With an indication from the latest market reports that the service market is expected to grow by 10 percent over the next five years and reach a total installed base of 700 GW in 2020, the prospects for the service business are good and the competition also continues to intensify. Driven by customer demand, the ability of wind turbine manufacturers to offer attractive long-term service contracts along with wind turbine supply agreements is becoming an important competitive differentiator.

The service market is growing faster than the wind turbine market, while at the same time becoming more and more important to us as customers shift their focus from capital expenditure to total cost of ownership. The competition is strong, however, as some customers choose to build in-house service capabilities and the number of independent service providers increases.

Vestas' extensive data processing and asset management capabilities enable us to anticipate and plan service requirements. This means that we have been able to keep a Lost Production Factor consistently under 2 percent. Our technology and service know-how are mutually reinforcing elements in maximising wind power plant output and lowering the cost of energy.

During 2015, we have further built our capabilities in servicing non-Vestas turbines based on a larger fleet covering more platforms and markets. In December, Vestas acquired the independent US service provider UpWind Solutions, Inc., which will strengthen Vestas' offerings servicing a wider range of wind turbines in the USA and Canada. The acquisition is expected to further accelerate the profitable growth strategy within the service area, and contribute to the ambition of being our customers' preferred fleetwide lifetime service partner globally.

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**“With improved market opportunities and service order intake, we have raised the ambition for the mid-term and now aim at organic growth of the service business by 40 percent.”**

**Christian Venderby**  
Group Senior Vice President of Global Service

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# Technology

## Vestas' technology and service solutions

The Vestas technology strategy derives its strength from a market-driven product development and extensive testing at Vestas' test facility in Denmark – the largest test facility in the wind power industry. This enables us to continuously innovate new and integrate proven technologies to create high-performing products and services in pursuit of the over-riding objective: lowering the cost of energy.

During 2015, we upgraded our 3 MW platform, which among other enables the wind turbines to be used in higher wind classes than previously. Also included was an upgrade of the standard power rating to 3.45 MW, power modes of up to 3.6 MW (except on the V136-3.45 MW™ turbine) tower heights of up to 166 metres; and the introduction of a next-generation advanced control system.

In September 2015, we introduced the V136-3.45 MW™ turbine, the latest and as yet largest addition to the 3 MW wind turbine family, demonstrating the strong technological capabilities of the platform and how far Vestas has come in utilising the advantages of standardisation and modularisation. The V136-3.45 MW™ represents a performance upgrade in the low wind segment making it possible to increase annual energy production by more than 10 percent compared to the existing product (V126-3.3 MW™) depending on site-specific conditions.

Furthermore, the PowerPlus™ programme, a series of upgrades designed to improve the performance of existing wind power plants, was extended to include a wider range of wind turbines. Vestas Online Enterprise was also introduced, enabling customers to access data output from their wind turbines via a webserver.

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**"The introduction of the V136-3.45 MW™ turbine as well as various other upgrades once again proves our ability to develop very competitive offerings based on our existing product portfolio – and with a time-to-market consistent with our customers' needs."**

**Anders Vedel**  
Executive Vice President & CTO

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## Manufacturing and sourcing

### Manufacturing footprint

2015 was very busy as the number of MW produced and shipped reached 7,948 (3,330 wind turbines), compared to 6,125 MW (2,527 wind turbines) in 2014. To meet demand, further ramp-up of the production was called for, especially in the USA, where the MW produced and shipped increased by 70 percent compared to 2014.

In addition to the general high activity, resources have also been deployed for the implementation across the blades factories of the new structural shell production setup. The installation of the new moulds and the process for the new production lines for the V110 and V126 blades, were fully rolled-out by the end of 2015, with the V136 blades to follow in the coming years.

### Continued focus on growth markets

As announced earlier this year, we also intensified our efforts in India, where a new blade factory is planned to be built, supplementing the existing nacelle factory in Chennai, India. The new factory will support our operations in the Indian market as well as potentially servicing activities in other markets. It is expected to be fully operational by early 2017.

The Brazilian Development Bank (BNDES) has in recent years required increasing levels of local content supply for developers seeking the low-rate BNDES financing through the FINAME programme, which in turn reflects on the wind turbine manufacturers. To comply with local content requirements, we have signed partnership agreements with local suppliers, as well as invested in a new factory. The new Vestas facility started operations in December 2015. In the same month, Vestas' investments and focused strategy allowed Vestas to be included in the approved supplier list of BNDES.

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**“2015 was a busy year. Not only did we manage to increase MW produced and shipped by 30 percent, we also successfully continued the implementation of new production processes and technologies without compromising quality.”**

**Jean-Marc Lechêne**  
Executive Vice President & COO

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### Disclaimer and cautionary statement

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

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