Company announcement from Vestas Wind Systems A/S

Aarhus, 8 February 2012
Company announcement No. 8/2012

Annual report 2011
– 2011 was a tough year with two profit warnings

Summary: 2011 was a very challenging year for the wind industry. The same applies to Vestas which had to issue two profit warnings and abandon its Triple15 targets. In 2011, Vestas recorded revenue of EUR 5.8bn and an EBIT margin before special items of (0.7) per cent, slightly below the preliminary financial figures for 2011 announced on 3 January 2012 due to later-than-expected deliveries.

The results and revenue for the year are, however, substantially lower than the original expectations of an EBIT margin of 7 per cent and revenue of EUR 7bn, which is disappointing. It should be emphasised that the projects in questions have not been cancelled but postponed and that they are expected to be handed over and recognised as income in 2012, however, at a lower contribution margin due to higher costs than originally anticipated.

On the other hand, the intake of firm and unconditional orders of 7,397 MW with a value of EUR 7.3bn, was in line with expectations. In terms of MW, Europe and Africa accounted for 50 per cent, the Americas accounted for 34 per cent, and Asia Pacific accounted for 16 per cent of the order intake. The backlog of orders at the end of 2011 was 9,552 MW corresponding to EUR 9.6bn, which is the highest level ever recorded.

In 2011, Vestas produced and shipped 2,571 wind turbines with an aggregate capacity of 5,054 MW against 2,025 turbines and 4,057 MW in 2010. Vestas generated revenue of EUR 5.8bn in 2011; EUR 1.2bn lower than the original forecast and 16 per cent lower compared to 2010. Commissioning problems at the new generator factory in Travemünde, Germany, and poor weather towards the end of the year; for instance in Germany, where wind speed in December was 30 to 45 per cent higher than the average for the past ten years, caused a postponement of delivery and, by extension, recognition of a number of projects.

Revenue in the service business rose by 13 per cent to EUR 705m. The service business EBIT margin stood at 16 per cent.

The gross profit amounted to EUR 725m, corresponding to a gross margin of 12.4 per cent. In 2010, the gross profit and gross margin amounted to EUR 1,175m and 17.0 per cent. The lower result was due to lower-than-expected deliveries and unforeseen high costs, primarily in connection with industrialisation of the V112-3.0 MW turbine and the GridStreamer™ technology for the 2 MW platform.

The operating loss, EBIT, before special items, relating, among other things, to the tower factory in Varde, Denmark, was EUR (38)m, corresponding to an EBIT margin of (0.7) per cent, as compared to the original forecast of an EBIT margin of 7 per cent.

Net working capital amounted to EUR (71)m, an improvement of EUR 743m. The improvement was attributable especially to the reduction of component inventories following a successful make-to-order implementation, higher pre-payments and trade payables.

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The free cash flow rose by EUR 812m to EUR 79m, primarily as a result of the net working capital improvement. Vestas thus met the forecast to generate a positive free cash flow.

The Group achieved a return on invested capital before special items of (1.3) per cent, against 10.8 per cent in 2010. Other than the disappointing full-year financial performance, the decline was due to recent years' large-scale investments in new facilities and technology, not fully utilised in 2011.

Non-financial issues
Personal safety is always given top priority at Vestas because its employees are entitled to it and its customers request it. Through increased focus, intensive training and the dedicated efforts of its employees, Vestas has managed to reduce the number of accidents year after year. Continuing its decline, the incidence of industrial injuries was 3.2 per one million working hours in 2011, which was much below the 5.0 target and a great improvement on 2007, when the incidence rate was 20.8.

Vestas' share of renewable energy dropped to 38 per cent in 2011 from 42 per cent in 2010, and renewable electricity dropped to 68 per cent in 2011 from 74 per cent in 2010. The unsatisfactory development is due to the fact that it was not possible to buy renewable electricity in sufficient volumes in China and in parts of the USA and India in 2011.

Outlook
Based on, among other things, input from a number of the company's large shareholders, Vestas has decided to reduce the number of outlook parameters it provides to the public. Furthermore, Vestas has decided to introduce guidance ranges for earnings (EBIT), revenue and the free cash flow to take into account the heavy fluctuations characterising these items depending on timing of order intake, production, shipments and final delivery to the customers.

For 2012, Vestas expects to achieve an EBIT margin of between 0-4 per cent and revenue of EUR 6,500-8,000m, including service revenue, which is expected to rise to approx EUR 850m with an EBIT margin of around 14 per cent. The EBIT margin will be adversely affected primarily by too high production costs for the V112-3.0 MW turbine and the GridStreamer™ technology, which will be reduced in the course of the year and by an expected increase in depreciation and amortisation charges of approx EUR 100m. Total warranty and product provisions are expected to account for less than 3 per cent of the expected revenue for the year.

Shipments which are expected to increase to approx 7 GW with the present production plans will peak in the middle of the year, while deliveries may fluctuate heavily over the quarters. It should be emphasised that Vestas' accounting policies only allow it to recognise "supply-only" and "supply-and-installation" projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped and installed the turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections and similar matters may thus cause delays that could affect Vestas' financial results for 2012.

Total investments are expected to be EUR 550m, of which investments in intangible assets are expected to amount to EUR 350m, which among other things, includes higher investments in the development of the V164-7.0 MW offshore turbine. Total research and development expenditure is now expected to amount to EUR 450m in 2012. The lower investments in intangible assets and R&D expenditure are caused by a more focused R&D organisation.

Special items in 2012 relative to lay-off of around 2,335 employees, which was announced on 12 January 2012, are expected to amount to approx EUR 50m with full cash effect. Vestas expects to reduce fixed costs by more than EUR 150m with full effect as from the end of 2012.

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The free cash flow is expected to positive in 2012.

Vestas is aiming is to reduce the incidence of industrial injuries to no more than 3.0 industrial injuries per one million working hours.

In the medium term, Vestas expects to achieve a high single-digit EBIT margin, subject to a normalised US market.

2011 and outlook for 2012 in brief

mEUR	Outlook for 2012	Full year 2011	Full year 2010	Q4 2011	Q4 2010
Order intake, firm and unconditional orders (MW)	-	7,397	8,673	3,186	2,106
Revenue	6,500-8,000	5,836	6,920	2,038	3,123
- of which service revenue	approx 850	705	623	203	169
EBIT margin (%)	0-4*)	(0.7)*)	6.8*)	2.3*)	13.3*)
EBIT margin, service (%)	approx 14	16	14	-	-
Net working capital (%)	-	(1.2)	9.7	(1.2)	9.7
Investments - property, plant and equipment - intangible assets	 200 350	 406 344	 458 328	 138 105	 150 106
Free cash flow	> 0	79	(733)	297	145
Warranty provisions (%)	< 3.0	2.5	2.8	2.8	1.9
Incidence of industrial injuries	≤ 3.0	3.2	5.0	3.0	5.5

*) before special items.

Change in the management of Vestas

Executive Management

The Board of Directors of Vestas Wind Systems A/S has received a thorough briefing on the conditions which during the last months have led to profit warnings. As a consequence of this, CFO and Deputy CEO, Henrik Nørremark resigns.

Board of Directors

At Vestas Wind Systems A/S' board meeting discussing the annual report for 2011, the chairmanship, Bent Erik Carlsen and Torsten Erik Rasmussen, informed the Board that they will not stand for re-election for the Board of Directors at the Annual General Meeting on 29 March 2012.

Furthermore, board member, Freddy Frandsen, informed the Board that he will not stand for re-election.

The remaining board members elected by the annual general meeting have all informed the Board that will stand for re-election.

Press and analyst meeting in Aarhus, Denmark
Wednesday, 8 February 2012 at 2 p.m. (CET).

In connection with the disclosure of this annual report, an information meeting will be held **today, Wednesday at 2 p.m. (CET)** for analysts, investors and the media at:

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Further details at www.vestas.com/investor.

Any questions may be addressed to Ditlev Engel, President and CEO or to Lars Villadsen, Senior Specialist, Investor Relations, telephone +45 9730 4593.

Yours sincerely
Vestas Wind Systems A/S

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

Disclaimer and cautionary statement

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

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer-created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2011 (available at www.vestas.com/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

Highlights for the Group

mEUR	2011	2010	2009[1)]	2008[1)]	2007[1)]
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	5,836	6,920	5,079	5,904	3,828
Gross profit	725	1,175	836	1,125	584
Profit before financial income and expenses, depreciation and amortisation (EBITDA) before special items	305	747	469	749	338
Operating profit/(loss) (EBIT) before special items	(38)	468	251	614	202
Profit before financial income and expenses, depreciation and amortisation (EBITDA)	305	684	469	749	338
Operating profit/(loss) (EBIT)	(60)	310	251	614	202
Profit/(loss) of financial items	(93)	(72)	(48)	46	0
Profit/(loss) before tax	(153)	238	204	660	202
Profit/(loss) for the year	(166)	156	125	470	104
BALANCE SHEET					
Balance sheet total	7,689	7,066	7,959	6,327	5,298
Equity	2,576	2,754	2,542	1,587	1,188
Provisions	329	370	534	393	399
Average interest-bearing position (net)	(990)	(593)	(55)	395	179
Net working capital	(71)	672	317	(73)	(411)
Investments in property, plant and equipment	406	458	606	509	265
CASH FLOW STATEMENT					
Cash flow from operating activities	840	56	(34)	277	701
Cash flow from investing activities	(761)	(789)	(808)	(680)	(317)
Free cash flow	79	(733)	(842)	(403)	384
Cash flow from financing activities	(13)	568	1,075	(91)	(54)
Change in cash at bank and in hand less current portion of bank debt	66	(165)	233	(494)	330
RATIOS[2)]					
FINANCIAL RATIOS					
Gross margin (%)	12.4	17.0	16.5	19.1	15.3
EBITDA margin (%) before special items	5.2	10.8	9.2	12.7	8.8
EBIT margin (%) before special items	(0.7)	6.8	4.9	10.4	5.3
EBITDA margin (%)	5.2	9.9	9.2	12.7	8.8
EBIT margin (%)	(1.0)	4.5	4.9	10.4	5.3
Return on invested capital (ROIC) (%) before special items	(1.3)	10.8	9.5	43.4	21.3
Solvency ratio (%)	33.5	39.0	31.9	25.1	22.4
Net interest-bearing debt/EBITDA before special items	1.8	0.8	(0.3)	(0.1)	(1.8)
Return on equity (%)	(6.2)	5.9	6.1	33.9	9.0
Gearing (%)	35.7	33.2	13.8	7.8	12.6
SHARE RATIOS					
Earnings per share (EUR)	(0.8)	0.8	0.6	2.5	0.6
Book value per share (EUR)	12.6	13.5	12.5	8.6	6.4
Price / book value (EUR)	0.7	1.7	3.4	4.7	11.5
P / E-value (EUR)	(10.3)	30.8	71.0	16.3	123.3
Cash flow from operating activities per share (EUR)	4.1	0.3	(0.2)	1.5	3.8
Dividend per share (EUR)	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)	8.3	23.6	42.6	40.7	74.0
Average number of shares	203,704,103	203,704,103	197,723,281	185,204,103	185,204,103
Number of shares at the end of the year	203,704,103	203,704,103	203,704,103	185,204,103	185,204,103

1) The comparative figures have been adjusted in accordance with the new accounting policies.
2) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2010), ref. note 1 to the consolidated accounts.

	2011	2010	2009	2008	2007
NON-FINANCIAL KEY FIGURES[1)]					
OCCUPATIONAL HEALTH & SAFETY					
Industrial injuries (number)	132	201	306	534	534
– of which fatal industrial injuries (number)	1	0	0	0	0
PRODUCTS					
MW produced and shipped	5,054	4,057	6,131	6,160	4,974
Number of turbines produced and shipped	2,571	2,025	3,320	3,250	2,752
UTILISATION OF RESOURCES					
Consumption of metals (tonnes)	211,754	171,024	202,624	187,478	170,505
Consumption of other raw materials, etc. (tonnes)	105,031	107,485	126,600	129,207	111,541
Consumption of energy (MWh)	585,560	578,063	537,165	458,296	372,037
– of which renewable energy (MWh)	222,694	241,930	263,611	172,800	139,983
– of which renewable electricity (MWh)	207,534	209,351	238,462	167,311	138,035
Consumption of fresh water (m^3)	562,308	598,258	521,005	474,958	554,516
WASTE DISPOSAL					
Volume of waste (tonnes)	89,051	88,663	97,471	96,632	89,643
- of which collected for recycling (tonnes)	48,178	35,410	34,303	30,254	28,422
EMISSIONS					
Direct emission of CO_2 (tonnes)	58,444	56,547	50,532	41,832	32,798
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	10	16	15
Breaches of internal inspection conditions (number)	3	3	3	5	5
EMPLOYEES					
Average number of employees	22,926	22,216	20,832	17,924	13,820
Number of employees at the end of the year	22,721	23,252	20,730	20,829	15,305
NON-FINANCIAL INDICATORS[1)]					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of industrial injuries per one million working hours	3.2	5.0	8.1	15.6	20.8
Absence due to illness among hourly-paid employees (%)	2.3	2.6	2.8	3.3	3.6
Absence due to illness among salaried employees (%)	1.3	1.3	1.3	1.1	1.4
PRODUCTS					
CO_2 savings over the life time on the MW produced and shipped (million tonnes of CO_2)	133	108	163	164	143
UTILISATION OF RESOURCES					
Renewable energy (%)	38	42	49	38	37
Renewable electricity for own activities (%)	68	74	85	68	66
EMPLOYEES					
Women at management level (%)	18	19	19	17	N/C[2)]
Non-Danes at management level (%)	53	49	46	42	N/C
MANAGEMENT SYSTEM					
OHSAS 18001 – occupational health & safety (%)	97[3)]	98	97	98	84
ISO 14001 – environment (%)	96[3)]	98	97	100	80
ISO 9001 – quality (%)	94	98	98	98	98

1) Accounting policies for non-financial highlights for the Group, see page 32 in the annual report 2011.
2) Not calculated (N/C) for the year.
3) The technology centres in Singapore and the USA as well as the sales and service organisations in Canada and Vestas Offshore, UK, have not yet been certified against OHSAS 18001 and ISO 14001. The production facilities in Xuzhou, China, have not yet been certified against ISO 14001. Vestas' aim is for all new units to be certified within six months after commencing operations.