Vestas

Shareholder information 1/2012

Wind. It means the world to us.™

Very disappointing bottom line in sharp contrast to order intake and customer loyalty

The final quarter of the year had the effect that the expected profit changed to the first loss since 2005. On the other hand, the good news outnumbered the bad news when looking at how the customers rated Vestas. The strong order intake bears witness to the fact that the loyalty survey expressed more than mere words, and this in one of the most difficult years ever for the industry.

Vestas had a very disappointing end to 2011. There is no denying that fact, and we certainly won't attempt to do that. It ought to have been, and it could have been, much better, but the unforeseen challenges we faced in the fourth quarter prevented us from accomplishing the targets we had defined. The challenges were rooted in the commissioning of new technology at a factory in Germany and a substantial budget overrun primarily in relation to the industrialisation of our V112 turbine, which is very popular among our customers. Both issues were firmly dealt with immediately. Not only to sort out the problems in the areas as required, but also out of consideration for the management of the areas that have failed to meet the requirements.

" In view of the customer feedback we are getting, which is more positive than ever, I believe that Vestas is now well prepared to face a difficult market."

Ditlev Engel
President and CEO

Vestas reported a loss for the first time since 2005. But – and this is very important to remember: Vestas in 2005 and Vestas in 2011 are two very different businesses.

While back in 2004 and 2005, we suffered huge quality problems, incurred huge expenses for warranty repairs and the low customer loyalty was indeed a serious problem – and that in a market where customers were almost standing in line to buy wind turbines – today, the situation is almost the exact opposite. For by saying that the quality of Vestas' products and services is now at the very top of the range, I certainly do not exaggerate.

Quality, quality, quality

In reference to precisely the quality issues we struggled with in 2005, back then we established that Vestas' new mission – 'Failure is not an option' – was launched specifically to emphasise that for Vestas to get back on track and to restore confidence among our customers that our products were the best in the world, we needed to focus on quality, quality and more quality. For our customers, this translates into reliability, and that in turn translates into the turbines operating when they should, generating the return that our customers expect.

I believe that we have succeeded in this respect, and I will therefore touch upon this topic in this shareholder information because I wish to share with you the satisfactory developments we have witnessed in this area.

The quality and reliability of our products and services is what Vestas plans to live on going forward. That is the benchmark against which we are evaluated – not only by our customers but also by the banks and others who finance our customers' renewable energy investments, which, fortunately, are growing in terms of size and numbers.

These quality initiatives, which were launched back in 2005 (and which we will never discontinue), have resulted in reliability on an unprecedented scale (and probably the best in the industry), and as a result, provisions for unforeseen warranty repairs have declined steadily over the past few years.

At the same time, we have recorded growing customer loyalty over the past five years. The level of customer loyalty is all-time-high, and this at a time when the world market developed in a way, quite different from what we anticipated, and with customers no longer lining up outside our sales offices like they did in 2005.

A fourth quarter we could have done without

When I set out by describing our performance as 'very disappointing', it is primarily because we had to issue two profit warnings in only a few months. That is indeed not good enough, and unfortunately the year ended on a very negative note for everyone at Vestas.

First, we faced the previously mentioned problems of commissioning new technology at our generator factory in Travemünde, Germany. Such problems occur at regular intervals for most industrial corporations, and 'commissioning problems' may not sound like such a big challenge. The problem would probably not have been so big had it occurred in the first or the second quarter, because we would then have been able to rectify the issues before the end of the year.

Instead, the problems arose in the final quarter of the year, compelling us to defer a number of shipments to customers into the next financial year. However, since our accounting policies since 2010 have stipulated that many projects first can be recognised as income when they have been finally handed over to the customers, the deferred shipments had the effect that large income amounts could not, as projected, be recognised in the 2011 accounts.

The problems affected not just our bottom line. They also tarnished our reputation. I'm fully aware of that.

Profit warning number two fell in an entirely different, but no less unpleasant, category, and it was not identified until immediately after the turn of the year, when it also became clear that additional orders had to be deferred and thus could not be recognised as 2011 income as we had otherwise expected. The budget overrun primarily concerned unforeseen production costs relating to both the V112 turbine and the so-called GridStreamer™ technology.

We intend to work hard to reduce the production costs on these turbines over the course of the year.

A few bright spots in the accounts

Both of the above-mentioned factors in the fourth quarter compelled us to make very regrettable profit warnings, leading to financial results for the year that fell much short of our original forecast.

If I were to point out a couple of bright spots in our accounts, I would have to say that our free cash flows improved substantially – i.e. Vestas' ability to generate liquidity:

From an outflow of 733 million euros in 2010 to an inflow of 79 million euros at the end of 2011. The strong 812 million euros improvement was primarily attributable to the sharp reduction in our net working capital.

Furthermore, everyone at Vestas was of course encouraged by the fact that we achieved a significant order intake, which has only been higher on one previous occasion, in 2010. Compared with our order volume forecast of 7,000-8,000 megawatt, we landed orders for 7,397 megawatt. And this in a year that has been one of the most difficult ever for the industry. Preliminary independent research reports also indicate that Vestas landed more orders than anyone else in the industry.

We're very satisfied with this performance.

For more detailed comments on the financial figures and the relevant graphics, see pages 10-14 of this shareholder information and the annual report.

Factory utilisation up by nearly 40 per cent in 2012

Our present excess capacity attracts regular media attention (the fact that we are not currently utilising all of our factory capacity). And quite understandably so, given our substantial capacity extensions in recent years as part of the globalisation of Vestas. So let me also provide a few comments on the capacity utilisation.

Vestas is currently dimensioned to manufacture more turbines than what the market can absorb right now. This capacity was built as part of the globalisation of Vestas, but more or less at the time when we had completed that project, the financial crisis set in, and its impact has affected the entire industry since that time because, during certain periods, some of the production units needed to be put on partial standby.

The good news, at least for a large part of 2012, is that Vestas was busier than ever entering 2012 owing to the biggest backlog of orders we have ever had. Against this background, we expect to see an increase in factory utilisation of nearly 40 per cent relative to 2011, because the current production and shipment plan for 2012 projects about 7,000 megawatt, against 5,054 in 2011.

Summing up, you could say that this year, Vestas is to manufacture about 40 per cent more than we did in 2011, using fewer employees. Achieving this will be possible only because we have had the time to plan ahead, knowing there would be a lot more activity at our factories in 2012 than in 2011.

In any circumstance, 2012 will be extraordinarily challenging. I believe everyone in our industry would agree. However, the biggest challenges probably await us in 2013.

Consequently, it is this situation that we are currently preparing for, so that Vestas can emerge from it in the best possible condition. We need to get our earnings back on track, and with regards to 2012, I therefore wish to emphasise that we are now under extra pressure to generate the highest possible earnings. This means that the bonus targets for everyone at Vestas – Executive Management, executives, employees, everyone – are now such that all targets for a full bonus are at the high end or higher than the forecasts we have announced.

Cost savings of more than 150 million euros

The savings we announced in the third quarter of 2011 – that by the end of 2012, Vestas needs to reduce its costs by more than 150 million euros relative to the costs at the beginning of the year, are planned to be achieved during the course of the year.

Put shortly, we need to raise our level of activity by nearly 40 per cent while, by the end of the fourth quarter, we need to have identified cost savings of more than 150 million euros (with year-end 2011 as the baseline), in preparing our business for what will undoubtedly be a very challenging 2013.

Unfortunately, this means that globally we have to lay off 2,335 colleagues. It is always sad having to say goodbye to skilled and dedicated employees, but regrettably the current climate makes it inevitable. And in the present situation, this is what serves Vestas' best interests.

However, we will also identify savings by other means. Everywhere in our Group, we will identify savings that will reduce our fixed costs, thus contributing to further strengthening Vestas' competitiveness.

The two sources of income

Vestas is currently best known for manufacturing wind turbines, and we will certainly keep on doing just that. However – and this is not something that always comes to mind – over the past few years, we have witnessed a very positive trend in the new and advanced services and service packages that we market today with great success.

No one knows more about wind than Vestas does, and going forward, Vestas intends increasingly to be known as a 'two-legged operation', or as having two sources of income: 1) the turbines and 2) the associated services and service packages. Or what is commonly referred to as 'after sales'.

As a result of growth in the service business, nearly all new turbines are now sold with a service agreement. It gives the customer confidence, and therefore a service agreement often runs for several years.

These service solutions have quickly become very popular with our customers, not least because Vestas, partnering with some of the world's largest and most demanding power companies, has developed some unique core skills used for purposes such as measuring and predicting winds.

We believe that this will not only help improve our revenues and earnings. It will also be less capital-intensive than for example building a new factory, and at the same, the service business is more stable.

More scalable business model, reduced costs

Concurrently with our focus on the two sources of income, Vestas needs to substantially reduce its fixed costs. First and foremost to ensure that Vestas – for example in a situation where the US market is reduced severely if the PTC scheme is not extended – can handle such major fluctuations.

In addition, we need to increase our economies of scale to reduce the cost base to a level that will facilitate an earnings margin at the high single-digits in the medium term and given a normalised US market.

Scalability is the key word here; our business model, and specifically our cost base, needs to be adapted so that it can better absorb these externally impacted and very sharp market fluctuations.

These large fluctuations typically arise due to a number of external factors, which are outside Vestas' control but which, unfortunately, determine when we are allowed to recognise the turbines as income.

Examples of these external factors are snow in the latter months of the year, which often makes it impossible to install wind turbines. Also, we experience more and more often that our customers, contrary to their expectations, are unable to provide the necessary grid connection in time. The result is: the turbines cannot be handed over to our customers, and under our present accounting policies, that prevents Vestas from recognising what are often quite substantial amounts.

Investments with partners

The challenging outlook for the entire industry has also made us look into opportunities for adjusting our business model to better match the changing market challenges.

When we presented our accounts for the third quarter of 2011, we revealed the thoughts we had about letting our suppliers and business partners to a larger extent take part in the investments that are necessary for evolving the industry. At the same time, we established that Vestas would not rule out increasingly channelling investments towards less capital-intensive and more profitable areas such as Solutions and Services, which is the second of our two 'earnings legs'.

This is the exact reason why, in connection with the reorganisation in January 2012, we opted to set up an independent executive management area for these activities. This will ensure that the area is anchored in the senior management group, allowing both the Executive Management and the Board of Directors to retain focus on developing and expanding this interesting business area.

One of the principal reasons why we are now able to carry out this strategic diversification of the earnings potential we possess is that, over the past few years, we have invested heavily in production and test facilities. These facilities are now operational. As a result, we are now truly capable of marketing and selling a number of brand new solutions and services to our customers.

Growth rates that speak for themselves

To put things into perspective, by the end of 2011, we had service contracts totalling 35,206 megawatt. This is nearly three quarters of the total number of megawatt installed by Vestas. Compared with the total service revenue, which in 2007 amounted to 298 million euros, income from our service business rose to 705 million euros in 2011.

And this income is growing rapidly. In 2012, we thus expect to generate service revenue of 850 million euros with an EBIT margin of about 14 per cent. This translates into approx 120 million euros and the growth rates thus speak for themselves. In a year such as 2011, when, unfortunately, we were hit by financial challenges in other areas, the service business numbers underline why this is an extremely attractive business area for Vestas. And why in our new organisation we have made this an independent, new executive management area.

Scary reading

There is no doubt in my mind that the industry – having been on standby for a period of time due to the financial crisis – again will witness growth. Not only because the world's leading utility companies are increasingly subscribing to wind power, but also because time is running out if we are to avoid destroying the environment for good.

It is not my own dismal forecast I'm conveying here; in fact, it comes from what is one of the most reliable source in the field of energy – The International Energy Agency, IEA. If we fail to take dramatic action in terms of how we look at and consume energy, we will very soon pass the point of no return where the opportunity to repair climate change and global warming has passed.

This has been said before and was most recently communicated in November last year when the IEA published their annual World Energy Outlook. Scary reading, indeed. Nevertheless, we continue to ask whether the problem is really such a big threat.

I wonder what it will take for the politicians to grasp it? One year, they encourage the promotion of renewable energy, the next year they don't. In our world, this means that from one year to the next, revenue from a key market may drop to zero.

These developments may also characterise other industries, although I cannot seem to recall any. It happened a couple of years ago to wind turbine manufacturers in Spain, when new legislation slashed all orders for new wind turbines in a single chop. Right now, it would appear as if history might repeat itself in the USA if the PTC is not extended beyond 2012.

The US market may drop 80 per cent overnight

Introduced in 1992, the PTC is a scheme aimed at providing customers (not manufacturers) with a tax credit of 2.2 cents per kilowatt-hour of electricity produced. The last time the politicians abolished the PTC was in 2002, and according to the American Wind Energy Association, the abolition meant that more than 75 per cent of the market disappeared from one year to the next.

New research from research company IHS Emerging Energy Research (EER) shows that there is a risk of the US market dropping from approx 11 gigawatts in 2012 to just over 2 gigawatts in 2013 if the PTC is abolished. Such a 80 per cent decline would be even worse than what we witnessed a decade ago.

The price of one gigawatt is about one billion euro in round figures. Putting these figures into context, such a sharp drop in the

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> **Ditlev Engel**
> President and CEO

number of megawatts would lead to a corresponding dramatic decline in revenue. From about 11 billion euros to a mere 2 billion euros. I believe that everyone will understand that such a potential plunge places very special demands on a company and its employees.

We're talking politics here, and even though we engage with politicians around the world, it is of course not up to Vestas to formulate the legislation applicable in the individual countries. There are things we can change and some things that are out of our hands. That is how it is.

Accordingly, we spend our time on areas in which we can influence developments. Consequently, we are making our business more scalable – both up and down. And therefore, as mentioned above, we will focus more than ever before on the two sources of income.

1. Turbines (as always),

but now, to a growing extent, also:

2. The increasingly attractive services and service packages, or what is commonly referred to as 'after sales'.

With respect to the globalisation of Vestas, the number of countries in which Vestas turbines are generating clean, modern energy will soon reach 70. This is quite an achievement, not least given the fact that number two on the list of turbine producers only has a presence in about 30 countries.

So when analysts sometimes report that in fact there is only one global player, they are quite right. And this is Vestas.

Indisputable strengths

What in my opinion will make a decisive difference over the next many years with respect to the ongoing elimination race is how the customers look upon the various wind turbine manufacturers. Who are they prepared to deal with? Whether they are satisfied with the products and the ever-increasing number of more and more advanced services offered not least by Vestas, and whether they are even prepared to recommend us to others.

In this regard, prospects seem bright for Vestas, for the large sums of money we have invested over the past six to seven years have actually produced the intended results in the field of quality, reliability and with respect to confidence among existing and prospective customers. This means that our customers can adhere to their business plans. That we deliver the product we have promised. Put shortly, that the Vestas we operate today is extremely well prepared for the competition of the future.

The best way to illustrate this is to look at how effective the Vestas turbines covered by our extended service responsibility actually are in terms of 'harvesting' the winds that pass them – the so-called 'Lost Production Factor' (LPF).

Today, this figure stands at 98 per cent! In other words, only 2 per cent is 'lost', so to speak.

This is the kind of data that makes it a sound business to install a Vestas turbine. To the best of our knowledge, no one else in the industry have reported similar figures.

Our customers know this and, increasingly, it is something they consider important. In this context, Vestas is in a very strong position.

The first market figures are very positive for Vestas

During the past five years, including in 2011, we have recorded a steady increase in the level of customer loyalty. This despite the considerable turmoil that has surrounded our company. In fact, our industry has faced a host of challenges.

But as I believe many people have probably noticed through the media, the first calculations from external market researchers show that, in 2011, Vestas was able to land a significant share of the number of orders in the industry. These first indications are consistent with our own estimate. A very good development for Vestas, as you can safely say that growth in our market does not come easy.

At the same time, my colleagues deserve the greatest credit for this feat. Amidst the many challenges, their efforts have made a huge impression, and we will soon reach a very unique milestone in Vestas' history: during the first quarter of 2012, we will reach the 50,000 megawatt mark. We expect it to happen when we hand over six V112-3.0 MW turbines to the so-called "Örken" project for E.ON in Sweden.

Such achievements are very positive, but above all, we regard it as an expression of our customers' satisfaction with the quality of our turbines and the associated services, as I touched upon previously.

New Vestas flagship already a best-selling turbine

Our performance was driven primarily by the products we deliver; our high-technology and highly-advanced wind power plants. In this context, I'm proud to say that Vestas' latest wind turbine – the one we refer to as the V112-3.0 MW and which we started to install on a large scale in 2011 – has already become one of the best-selling turbines in the industry. To illustrate this performance, the combined V112 order intake now stands at more than two gigawatts.

The V100, which is available in a number of models, is also performing well, and the market has embraced it warmly. These two new turbines combined represented around 45 per cent of the total volume of orders, rising from below 15 per cent in 2010.

In my opinion, these improvements are another important part of the Vestas story. Perhaps especially now when the decision on which turbines to procure and install rests not only with the customers but just as much with the funding sources (banks and the like).

Valuation experts increasingly attach importance to reliability before a contract is signed. However, the V112 and V100 turbines have also left these experts with a positive impression of their reliability and high quality combined with the minimum servicing requirement.

In addition, Vestas' current flagship turbines have features that make them suitable for installation in weak or strong wind areas, and the V112 is available for both onshore and offshore use.

"We must be in control of customer loyalty". And we are!

Those who might find that Vestas is currently in a crisis only need to look back to 2004 and 2005. Again, I'm not in any way trying to downplay the very disappointing earnings in 2011, but if we look back seven or eight years, we are quickly reminded that Vestas was faced not only with massive quality problems. In fact, we were also battling with declining customer confidence and loyalty, in a situation that was almost life threatening to us.

We managed to turn the tides through our Will to Win strategy, and I believe that many of our shareholders will remember that our announcements at the time were very unambiguous:

We had to solve these problems. Not only because the substantial provisions to cover the large losses we were able to foresee would affect us due to the large number of warranty repairs, but first and foremost because of waning confidence in Vestas as a reliable supplier.

Our customers are our key stakeholders because they are the ones to decide whether Vestas has a future. In this context, I can't help but repeat a comment made by one of our large shareholders not long ago:

"To us as shareholders, nothing is as important as a high level of customer loyalty. That, and only that, is what you should live on going forward. So you need to have that under control."

Today, I can safely say that we have done just that.

With that in mind, I hope that the results we are announcing now on our customers' views on and opinions about Vestas will make good reading for our shareholders.

Reputation and customer loyalty: Better than ever

Since 2007, Vestas has published a customer loyalty index once a year. From a problematic score of 46 in 2007, we have now achieved a very satisfactory index rate of 69.

In popular terms, this is a 50 per cent improvement based on a five-point increase over the past year.

What is equally important is that all of our sales units reported a positive trend.

In 2011, we decided, extraordinarily, also to publish the strength of our current customer relations. On the international scene, the concept of Net Promoter Score is often used by many of the world's largest corporations to describe customer loyalty, and many of them regularly report about their performance to their shareholders.

Vestas' current Net Promotor Score has been calculated at +37, which we consider to be very satisfactory. We are not aware of any of our competitors publishing similar indicators, but compared with other industries, this score gives us a good ranking.

At the same time, it is worth mentioning that the people who have responded to the many questions in the survey all have in-depth knowledge of the wind power sector, many of them even being professional procurement specialists. In addition, many of them also represent some of the world's largest power companies, and that underline the value of their statements even further.

Companies are willing, but politicians must provide the framework

All in all, 2011 thus also brought truly positive trends and results, all of which point forward at a time when a lack of funding has constrained growth in most areas. Not least in the field of renewable energy. Unfortunately.

However, I hope and believe that this will change. At any rate, a number of the world's largest industrial corporations this year reiterated their message that we need to speed up the process towards a sustainable energy sector. The first time this happened was at the G20 summit in Seoul, South Korea, in 2010, and it was repeated at the 2011 G20 summit in Cannes, France.

The recommendations of the corporations can be summarised in four points, and I would ask you to note that these are not companies expecting special treatment or special considerations to their benefit. On the contrary – they merely acknowledge the fact that we have to think of our descendants by taking action now:

1. Make the price of CO_2 predictable and sufficiently high to cause people to change their behaviour and investment decisions.
2. Permit free trade in environment-friendly goods and services.
3. Increase initiatives in cleantech research and development.
4. Phase out government subsidies for fossil fuels no later than in five years.

The message, not only from Vestas but from all the supporting corporations, is simple:

- provide transparent and comprehensible framework conditions;
- provide freedom to plan and work with a long-term perspective;
- provide assurance that the framework conditions will not be changed dramatically overnight.

If we get that, we will most definitely create the many jobs that come with the advancement of green energy, and we will also be sure to make the necessary investments, because that would provide a sensible business proposition for us.

Fortunately – also in difficult times when other challenges need to be tackled – many coordinated efforts are being made to solve this huge task. Amongst these efforts, I have great expectations for the next G20 summit in Mexico and for the Corporate Sustainability Forum and the Rio+20 Conference, which are all being held in June.

However, Denmark's EU Presidency and the UN's efforts will also be valuable in terms of supporting the green agenda. And we are among the most active players in this field. For instance, Vestas is again invited to head one of the 'green working groups' up to and during the G20 meeting, where we, of course, will continue the work to promote the renewable development.

Organisation changed, expanding the Executive Management

In mid-January 2012, we announced a new Vestas organisation. However, our efforts to plan a more customer-oriented Vestas started already after last year's summer holiday period because we intended to retain the stable and strong momentum we had built. The trend clearly demonstrates that customers are increasingly attracted to Vestas, considering us a 'preferred partner'.

Vestas previously had a two-man Executive Management and a number of Presidents for the individual business units. With the launch of our new organisation, we will expand the Executive Management to six members with five executive management areas.

1. We will pool all existing production units in the Manufacturing unit, headed by a new Chief Operating Officer (COO).
2. Turbines will be developed in the Turbines R&D unit. This unit will be headed up by Anders Vedel, who joined Vestas in 1995, and consequently has a thorough knowledge of the company.
3. Global Solutions and Services is our new unit – and thus one of the two future sources of income. Some of the activities from the former Technology organisation and the business unit currently named Vestas Spare Parts will be transferred to Global Solutions and Services. We are in the process of identifying the person to head this unit, and until he or she has been found, Anders Vedel will also act as head of this unit.
4. Finance will become a more traditional finance function, and a new CFO will be recruited externally.
5. Finally, our Sales unit. We previously had a number of independent sales units, and since Vestas has benefited greatly from its globalisation strategy, we found that the time has come to strengthen our range of commercial operations through tighter coordination and, by extension, better utilisation. Our sales units have performed very well and were some of the principal contributors to securing last year's 7,397 megawatt order intake. This unit will also cover our offshore activities. Juan Araluce, who has headed Vestas Mediterranean since 2007, will be given the responsibility for our combined global sales.

Safety performance better than the target

In this shareholder information, I would once more like to say how pleased I am with the level of safety we have achieved at Vestas. Personal safety is always our top priority – not only because our employees are entitled to it, but also because our customers increasingly demand documentation that we actually have top-of-the range safety.

We have reduced the number of accidents every year, and the incidence of industrial injuries continues to fall, dropping to 3.2 injuries per one million working hours in 2011.

This was well below our 5.0 target and not least a great improvement on 2007, when the incidence rate was 20.8.

The target is 0.5 industrial injuries per one million working hours by 2015, the ultimate goal of course being to avoid accidents altogether.

Optimism persists in the face of difficult times

The fact that I use space in this shareholder information to emphasise the areas in which Vestas has performed well, very well in fact in several areas, should not, as I mentioned previously, be seen as an attempt to sugar-coat our unsatisfactory financial performance. However, during what is a very challenging period for everyone in our industry, I hope that our shareholders will also be pleased with the fact that Vestas obtained a significant order intake in 2011.

Adding to that the record-high customer loyalty level, I believe that there is reason to expect better times ahead. In spite of everything.

It will certainly not be easy sailing. Corporate announcements reveal that no-one in our industry expects that. At Vestas, we know that 2012 will bring many busy periods. We also know that 2013 may prove to be one of the most challenging years for our industry ever if the PTC scheme in the USA is abolished.

Consequently, I believe – as do many of our largest shareholders – that there is every reason to continue the dedicated efforts taking place everywhere in our organisation to serve our customers and provide top-of-the range services every time we meet with them. Having satisfied customers is paramount for our operations.

Our order backlog tells us that it pays off.

Our hard work has definitely been a sound investment. And we will continue along this track, further intensifying our efforts. This will be to the benefit not only of our customers, but certainly also of our shareholders.

As a shareholder myself, I am very much aware that 2011 was a dismal year. Unfortunately, this has characterised the entire 'green industry'. However, no one should doubt that everyone at Vestas is working very hard to turn the trend around.

An elimination race is ongoing. The contenders are some of the world's largest industrial conglomerates. This is the way it has been for many years. We are not intimidated and have just shown that we are capable of winning more orders than they are.

So, obviously, we intend to win the elimination race.

- Based on premium quality and reliability;

- based on the new and far more customer-oriented organisation we are building; and

- based on the customer feedback we are getting, which is more positive than ever before,

I believe that Vestas is well prepared to face a difficult market.

Yours sincerely

Ditlev Engel
President and CEO

Board of Directors

At the Board meeting of Vestas Wind Systems A/S which considered the annual report for 2011, the Chairmanship, Bent Erik Carlsen and Torsten Erik Rasmussen, announced that they do not intend to seek re-election to the Board of Directors at the Annual General Meeting to be held on 29 March 2012.

Freddy Frandsen, board member, has also notified the company that he does not wish to stand for re-election.

The remaining board members elected by the annual general meeting have all announced that they intend to stand for re-election.

For further information about the candidates who stand for election, please see the convening for Vestas Wind Systems A/S' Annual General Meeting at www.vestas.com/investor.

Change in the Executive Management of Vestas

The Board of Directors of Vestas Wind Systems A/S has today 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.

Register your email address – the next shareholder information will only be available electronically

At Vestas we aim to provide our shareholders with the best possible insight into our company's development and ambitions while also living up to our "As green as it gets" ambition.

Vestas has therefore decided that the next shareholder information, which will be published in connection with the disclosure of the interim financial report for the first half year 2012, only will be available electronically. We therefore recommend our shareholders to register their email address either via Vestas' InvestorPortal or via Vestas' News service.

If you want to receive future material from Vestas (inclusive of the shareholder information) electronically, please use one of the below links and follow the instructions on the screen:

www.vestas.com/investor/contact-ir (choose News service)
www.vestas.com/investor/shareholder (choose InvestorPortal)

Material from Vestas (inclusive of the shareholder information) will also be available at www.vestas.com/investor.

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 in the annual report 2011.

	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.

Overview

Full year 2011

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. Vestas recorded revenue of EUR 5.8bn and an EBIT margin before special items of (0.7) per cent in 2011, 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 are disappointing. It should be emphasised, however, that the projects in question 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 backlog. 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 wind 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 than in 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.

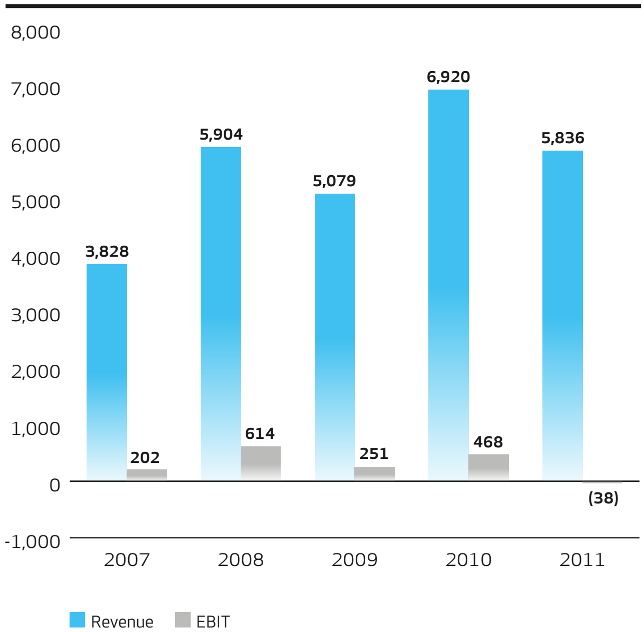
The gross profit amounted to EUR 725m, corresponding to a gross margin of 12.4 per cent. In 2010, the gross profit and gross margin amounted to EUR 1,175m and 17.0 per cent, respectively. The lower result was due to lower-than-expected deliveries and unforeseen high costs, primarily in connection with industrialisation of the V112-3.0 MW turbine and the GridStreamer™ technology for the 2 MW platform. The operating loss, EBIT, before special items 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 since 2010. The improvement was attributable especially to the reduction of component inventories following a successful make-to-order implementation, higher pre-payments and trade payables.

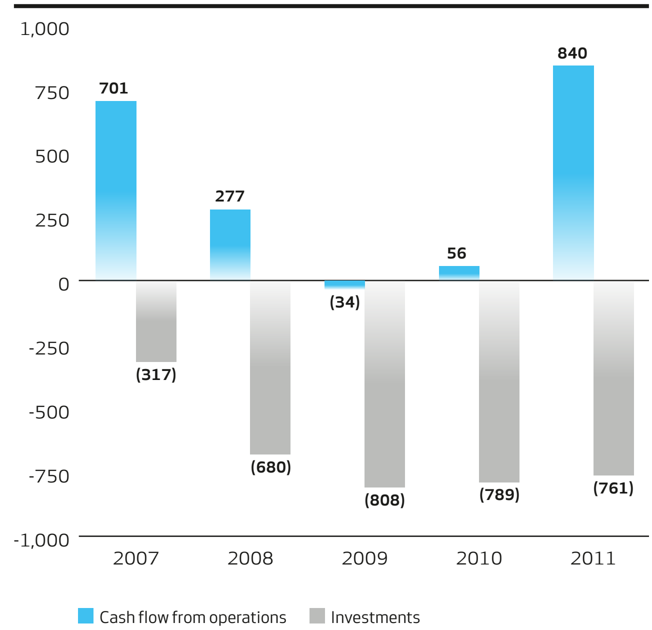
The free cash flow rose by EUR 812m to EUR 79m primarily as a result of the net working capital improvement. Vestas thus met the forecast to generate a positive free cash flow.

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.

Revenue and EBIT (mEUR)



Cash flow from operations and investments (mEUR)



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 has defined a goal that all electricity must come from renewable energy sources, subject to availability. For 2011, the goal was for 40 per cent of Vestas' energy consumption to be green, while the share of renewable electricity should be at least 95 per cent. The goal was not reached because it was not possible to buy renewable electricity in sufficient volumes in China and in parts of the USA and India in 2011. Vestas therefore invested in wind power plants in Eastern Europe, some of which, however, are not expected to be fully commissioned until in 2012. 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.

Fourth quarter 2011

Vestas' fourth-quarter order intake was 3,186 MW with a total value of EUR 3.3bn.

Vestas produced and shipped 721 wind turbines with an aggregate capacity of 1,478 MW in the quarter, against 845 wind turbines and 1,626 MW in the fourth quarter of 2010. Fourth-quarter shipments were among other things adversely affected by commissioning problems at the new generator factory in Travemünde, Germany. During the quarter, a total of 1,956 MW was delivered to Vestas' customers, against 2,557 MW in the fourth quarter of 2010.

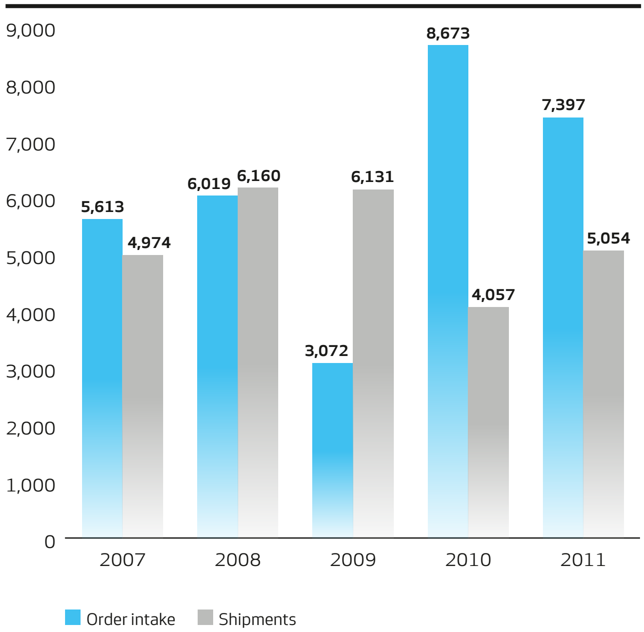
Fourth-quarter revenue amounted to EUR 2,038m in 2011, a decline of 35 per cent from EUR 3,123m in the fourth quarter of 2010. Europe and Africa accounted for 62 per cent of revenue, the Americas for 30 per cent and Asia Pacific for 8 per cent of revenue.

The gross profit was EUR 267m, or 13.1 per cent, against EUR 613m and 19.6 per cent, respectively, in the fourth quarter of 2010. EBIT before special items of EUR 22m, relating, among other things, to the tower factory in Varde, Denmark, fell to EUR 46m from EUR 416m in the fourth quarter of 2010. The EBIT margin before special items fell to 2.3 per cent from 13.3 per cent in the fourth quarter of 2010.

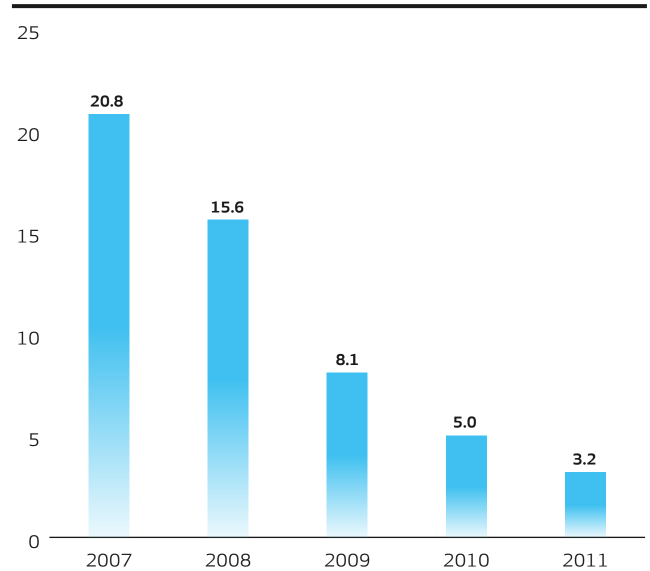
Warranty provisions in the quarter amounted to EUR 58m, equal to 2.8 per cent of revenue. In the fourth quarter of 2011, Vestas consumed warranty provisions totalling EUR 43m. The improved turbine performance is also reflected in the Lost Production Factor (LPF), which was reduced to just 2 per cent in the autumn of 2011. The LPF indicates the share of the wind not harvested by the turbines.

Cash flow from operating activities improved by EUR 173m to EUR 574m. The free cash flow rose to EUR 297m from EUR 145m in the fourth quarter of 2010, primarily as a result of the strong net working capital improvement in the quarter.

Order intake and shipments (MW)



Incidence of industrial injuries (per one million working hours)



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 deliveries 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, reflecting higher investments in the development of the V164-7.0 MW offshore turbine. Total research and development expenditure is expected to amount to EUR 450m in 2012.

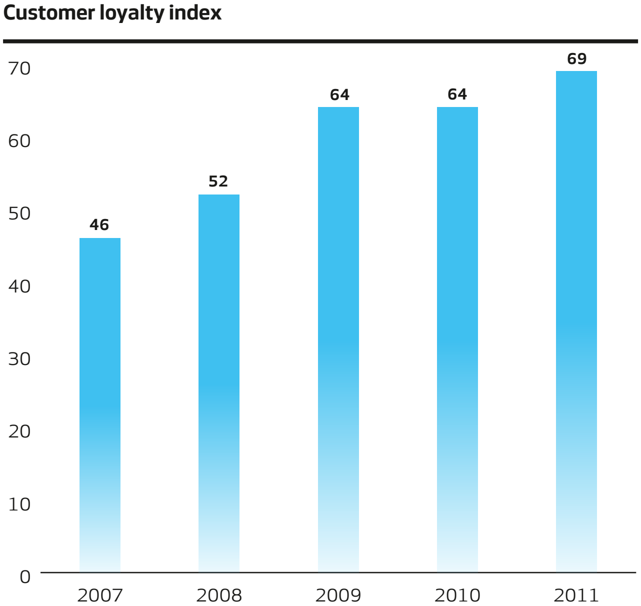
Special items in 2012 relative to lay-off of approx 2,335 employees, which was announced on 12 January 2012, are expected to amount to approx EUR 50m with full cash effect. Vestas expects to reduce fixed costs by more than EUR 150m with full effect as from the end of 2012.

The free cash flow is expected to be positive in 2012.

Vestas is aiming 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.

Customer loyalty index



Outlook for 2012 (mEUR)

Revenue	6,500-8,000
- of which service revenue	approx 850
EBIT margin (%)	0-4
EBIT margin, service (%)	approx 14
Investments, property, plant and equipment	200
Investments, intangible assets	350
Free cash flow	> 0
Warranty provisions (%)	< 3
Incidence of industrial injuries (per one million working hours)	≤ 3.0

Wind turbines delivered[1)]

	Quantity	Total MW
Turbine type		
Others	29,832	19,354
V52-850 kW	3,936	3,350
V60-850 kW	116	99
V80-1.8 MW	1,016	1,829
V80-2.0 MW	3,168	6,336
V90-1.8 MW	1,175	2,115
V90-2.0 MW	3,983	7,936
V90-3.0 MW	2,485	7,455
V100-1.8 MW	369	669
V112-3.0 MW	63	189
Total	**46,143**	**49,332**

MW delivered offshore[1)]

	Accumulated
United Kingdom	784
Netherlands	247
Denmark	197
Belgium	165
Sweden	13
Japan	1
Total	**1,407**

1) Delivered Vestas wind turbines as at 31 December 2011.

MW delivered onshore and offshore[1)]

	Accumulated
Europe and Africa	
Germany	7,795
Spain	3,749
Denmark	2,694
Italy	2,664
United Kingdom	1,781
Netherlands	1,548
Sweden	1,427
France	1,392
Greece	1,044
Portugal	664
Ireland	586
Turkey	556
Poland	495
Romania	488
Austria	433
Bulgaria	303
Belgium	295
Hungary	105
Cyprus	82
Egypt	79
Czech Republic	68
Marocco	50
Croatia	48
Finland	27
Others	110
Total	**28,483**
Americas	
USA	9,669
Canada	1,875
Brazil	204
Chile	117
Mexico	103
Argentina	87
Costa Rica	51
Jamaica	39
Others	92
Total	**12,237**
Asia Pacific	
China	3,465
India	2,711
Australia	1,261
Japan	510
New Zealand	346
South Korea	166
Taiwan	86
Others	67
Total	**8,612**
Total world	**49,332**

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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.

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.

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