

Company announcement from Vestas Wind Systems A/S

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Annual report 2008

- No. 1 in Modern Energy with wind power at the top of the energy agenda

Vestas continued its growth in 2008 with the biggest fourth quarter ever – a revenue of EUR 2,481m with an EBIT margin of 15.4 per cent compared to a revenue of EUR 1,884m and an EBIT margin of 12.3 per cent in fourth quarter 2007. Total revenue in 2008 rose to EUR 6,035m from EUR 4,861m in 2007. At the same time, EBIT margin increased to 11.1 per cent from 9.1 per cent the year before. From the end of 2007 to the end of 2008, net working capital rose by EUR 367m to EUR 299m equivalent to 5 per cent of revenue. The increase is due to increased stocks and receivables. The latter is due to the large shipments at the end of the year. Cash flow from operations amounted to EUR 277m against EUR 701 in 2007. The growth in Vestas' underlying profitability is expected to continue in 2009, however, at a lower rate than realised during the last three years.

The No. 1 in Modern Energy strategy has put wind power at the top of the global energy agenda. Vestas expects that the installed wind power capacity on average will experience an annual growth rate of about 20 per cent in the coming ten years mainly due to the fact that wind power neither uses water nor emit CO₂ when generating electricity. At the same time, modern energy creates local jobs and reduces the dependence on fossil fuels which is often imported. Vestas expects that wind power will account for at least 10 per cent of the world's electricity consumption by 2020.

	Full year 2008	Full year 2007
Revenue (mEUR)	6,035	4,861
EBIT (mEUR)	668	443
EBIT margin (%)	11.1	9.1
Profit for the year (mEUR)	511	291
Net working capital (%)	5	(1)
Financial items, net (mEUR)	46	0
Tax rate (%)	28	34
Investments		
- property, plant and equipment (mEUR)	509	265
- intangible assets (mEUR)	169	82

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2008 at a glance

Revenue of EUR 6,035m exceeded expectations by more than EUR 300m which is due to effective shipments in the fourth quarter. Compared to 2007, revenue increased by 24 per cent.

The increase of EUR 367m in net working capital, due to increased stocks, together with the year's late shipments have reduced cash flow from operations from EUR 701m in 2007 to EUR 277m in 2008. At the end of 2008, prepayments from customers amounted to EUR 1,489m against EUR 1,092m at the end of 2007.

At the end of 2008, the interest-bearing net position stood at EUR 40m against EUR 614m at the end of 2007. The decrease is due to the year's investments of EUR 678m and repayment of debt and lease commitments totalling EUR 63m.

In 2008, Vestas shipped wind power systems with an aggregate capacity of 6,160 MW and handed over wind turbines with a capacity of 5,580 MW to its customers – an increase of 24 per cent each in relation to 2007. In spite of the financial crisis, which has made many projects more expensive or even obstructed them, order intake for the year increased by 406 MW to 6,109 MW, and at 31 December 2008, the order backlog amounted to 4,806 MW against 4,415 at the end of 2007. Measured in value the order intake increased by 8 per cent over the course of the year to EUR 5.2bn at 31 December 2008. New market players especially from China are sharpening competition. Again in 2008, Vestas had unutilised internal capacity considering the year as a whole.

Vestas improved its interaction with many sub-suppliers during 2008, but late deliveries and poor quality continue to cost Vestas and its suppliers money. By the end of 2008, the majority of Vestas and many key suppliers were at a quality and management level corresponding to 4 Sigma, which contributes to the improvements in profitability and competitiveness. However, further efficiency gains may still be realised internally at Vestas, and the professional level may also be further strengthened.

As part of Vestas' capacity development to "10 in 10" – Vestas will be able to produce, ship and install 10,000 MW in 2010 – the number of employees rose in 2008 from 15,305 to 20,829, of whom 15,507 work in Europe, 1,891 in the Americas and 3,431 in Asia/Pacific. Due to the financial crisis, a number of employments have been deferred, and the recent years' massive intake in the number of employees is not expected to continue in 2009. The large number of new employees in 2008 has been recruited under the "People before megawatt" principle in order to secure the necessary competencies before expanding the business volume. This is an investment in flawless execution.

Vestas operates with the principle of Safety First, and will consequently continue to make wind turbine production and the wind turbines as safe as possible in order to further reduce the incidence of industrial injuries. During the last three years, the incidence of industrial injuries measured as the number of industrial injuries per one million working hours has been almost halved from 46.7 to 24.5 among Vestas' employees.

As part of an ongoing process Vestas is expanding its production capacity in its principal markets. In Colorado, USA, Vestas' blade capacity will more than double to 4,000 blades in 2010. As a parallel to the establishment of the world's largest tower factory in Colorado, Vestas is establishing its first nacelle factory in the USA – also in Colorado. At the end of 2010, Vestas' in-house production capacity in the USA will amount to 3,000 MW. In China, where Vestas is building a new foundry, the new factory in Hohhot, Inner Mongolia, will deliver its first kW turbines in the second quarter of 2009. In the longer term, the expansion outside the euro zone will contribute to ensuring improved currency equilibrium between Vestas' income and expenses.

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In 2008, Vestas intensified its efforts to make wind turbine production as green as possible. Under the motto "as green as its gets", Vestas' new buildings must be more energy efficient and wherever possible, renewable energy must be procured. In 2010, more than 90 per cent of Vestas' internal electricity consumption must be green and half of the total energy consumption must be green. As metal extraction and processing account for about 50 per cent of the total energy consumption for turbine production, the most effective way for Vestas to lower its impact on the environment, climate and its local communities is to increase the turbines' efficiency measured as MWh output per kg of wind turbine. Vestas' massive investments in new development facilities will secure continuous progress and thus reduce Cost of Energy.

Outlook for 2009

Revenue is forecast to rise to EUR 7.2bn, and EBIT margin is expected to increase to 11-13 per cent. Based on the present market conditions, net financial items are expected to amount to approx EUR (20)m, and the tax rate to 28 per cent.

Investments will amount to EUR 1.2bn at the end of the year and net working capital will not exceed 10 per cent of revenue, as it will fluctuate significantly during the year.

The above expectations for investments are subject to Vestas experiencing an improvement in the order intake up till the reporting for the first quarter of 2009 on 28 April. If this does not materialise, the investment programme will be adjusted, and the general cost level will also be further reduced. To date, Vestas has not experienced cancellations or postponements in its order backlog.

New turbines in Vestas' product programme

In the coming months, Vestas will launch two new turbines – first a V112-3.0 MW turbine and shortly thereafter a V100-1.8 MW turbine. Marketing of the new turbine types will commence now, and the first turbines will be ready for delivery in 2010.

Press and analyst meeting in New York,

Wednesday, 11 February 2009 at 9 a.m. (EST – New York time)/3 p.m. (CET)

In connection with the publication of the annual report, an information meeting will be held today Wednesday at 9 a.m. (EST – New York time)/3 p.m. (CET) for analysts, investors and the press at:

Four Seasons Hotel
"Cosmopolitan Suite"
57 East 57th Street
New York 10022
USA

Further details at www.vestas.com.

Any questions may be addressed to Ditlev Engel, President and CEO of Vestas Wind Systems A/S, or to Peter Wenzel Kruse, Senior Vice President of Group Communications at Vestas Wind Systems A/S, both on telephone +45 9730 0000.

Yours sincerely
Vestas Wind Systems A/S

Bent Carlsen
Chairman of the Board of Directors

Ditlev Engel
President and CEO

Financial highlights for the Group

mEUR	2008	2007	2006	2005	2004
HIGHLIGHTS					
Income statement					
Revenue	6,035	4,861	3,854	3,583	2,363
Gross profit	1,179	825	461	84	120
Profit before financial income and expenses, depreciation and amortisation (EBITDA)	803	579	328	9	64
Operating profit/(loss) (EBIT)	668	443	201	(116)	(49)
Profit/(loss) of financial items	46	0	(40)	(42)	(41)
Profit/(loss) before tax	714	443	161	(158)	(89)
Profit/(loss) for the year	511	291	111	(192)	(61)
Balance sheet					
Balance sheet total	5,308	4,296	3,654	3,085	2,881
Equity	1,955	1,516	1,262	962	1,162
Provisions	274	305	265	239	181
Average interest-bearing position (net)	395	179	(299)	(560)	(625)
Net working capital	299	(68)	122	498	686
Investments in property, plant and equipment	509	265	153	95	89
Cash flow statement					
Cash flow from operating activities	277	701	598	148	(30)
Cash flow from investing activities	(680)	(317)	(144)	(137)	(201)
Cash flow from financing activities	(91)	(54)	(101)	(46)	458
Change in cash at bank and in hand less current portion of bank debt	(494)	330	353	(35)	227
Employees					
Average number of employees	17,924	13,820	11,334	10,300	9,449
Number of employees at the end of the year	20,829	15,305	12,309	10,618	9,594
RATIOS					
Financial ratios¹⁾					
Gross margin (%)	19.5	17.0	12.0	2.4	5.1
EBITDA margin (%)	13.3	11.9	8.5	0.3	5.0
EBIT margin (%)	11.1	9.1	5.2	(3.2)	(2.1)
Return on invested capital (ROIC) (%)	34.1	30.9	11.9	(13.2)	(3.8)
Solvency ratio (%)	36.8	35.3	34.5	31.2	40.3
Return on equity (%)	29.4	21.0	10.0	(18.1)	(6.9)
Gearing (%)	6.3	9.9	13.8	51.2	50.1
Share ratios¹⁾					
Earnings per share	2.8	1.6	0.6	(1.1)	(0.5)
Book value per share	10.6	8.2	6.8	5.5	6.6
Price / book value	3.9	9.0	4.7	2.5	1.3
P / E-value	14.8	47.1	52.8	(12.7)	(18.2)
Cash flow from operating activities per share	1.5	3.8	3.2	0.8	(0.2)
Dividend per share	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Share price 31 December (EUR)	40.7	74.0	32.0	13.9	8.8
Average number of shares	185,204,103	185,204,103	182,722,520	174,911,173	150,815,322
Number of shares at the end of the year	185,204,103	185,204,103	185,204,103	174,911,173	174,911,173

1) The key ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2005).