# Company announcement from Vestas Wind Systems A/S

Aarhus, 3 January 2012
Company announcement No. 1/2012


**Preliminary financial highlights for the financial year 2011**

Based on the first reported figures concerning Vestas' level of activity as per 31 December 2011, which have not yet been consolidated and reviewed, the below preliminary financial highlights for the financial year 2011 can be disclosed. Some of the figures may also be affected by the final exchange rate statement. The annual report for 2011 will be presented on 8 February 2012:

- Order intake for 2011 amounted to 7.4 GW at a total value of approx EUR 7.3bn. The forecast was 7-8 GW.

- Preliminary statements of Vestas' cash at bank and in hand indicate that Vestas still expects to realise a positive free cash flow in 2011, in spite of the fact that shipments amounted to 5.1 GW compared to previous expectations of 5.5 GW. Together with order intake, shipments are the most important factors for cash flow generation.

- Revenue of approx EUR 400m with an EBIT of approx EUR 130m is expected to be deferred from 2011 to the first quarter of 2012 due to delays in transfer of risk from Vestas to the customers.

- Costs are expected to be approx EUR 125m higher than expected, of which EUR 100m is predominantly related to the development costs for industrialisation of the V112-3.0 MW turbine, the GridStreamer technology for the 2 MW platform and the higher-than-expected product costs.

- As a consequence of the deferred revenue and earnings as well as the higher-than-expected costs, revenue for 2011 is now expected to amount to approx EUR 6bn and the EBIT margin to approx 0 per cent.

- During the fourth quarter of 2011, Vestas expects to generate revenue of approx EUR 2.2bn and an EBIT of approx EUR 85m.

- The earlier mentioned commissioning problems at the generator factory in Travemünde, Germany, have been brought under control and are being solved. They are not expected to have a negative effect on operations in 2012.

- The preparation of the implementation of the new organisation is progressing faster than originally expected. Accordingly, the significant change of the whole organisation will now be presented on Thursday, 12 January 2012. At the same day, a press meeting will be held at 2 pm CET at the Radisson Blu Royal Hotel in Copenhagen, Denmark.

The figures mentioned in this company announcement, will be finally confirmed in connection with the disclosure of the annual report for 2011 on 8 February 2012.

**Vestas Wind Systems A/S**

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Company Reg. No.: 10 40 37 82
Company Reg. Name: Vestas Wind Systems A/S

**Order intake of 7.4 GW in 2011 as expected**

Although some of Vestas' customers have chosen to postpone signing of contracts for a number of major orders from 2011 to 2012, the intake of firm and unconditional orders amounted to 7.4 GW in 2011 – corresponding to an order value of approx EUR 7.3bn. Order intake thus falls in the range of the company's expectations of an intake of firm and unconditional orders of 7-8 GW.

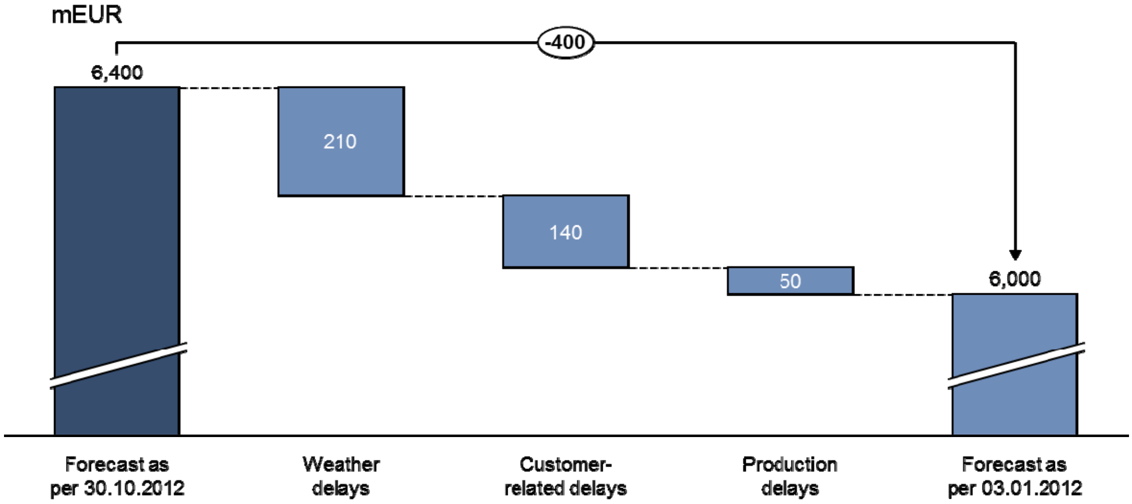
**Free cash flow in 2011**

The preliminary statements of Vestas' cash at bank and in hand at year-end indicate that Vestas as announced, still expects to generate a positive free cash flow in 2011.

**Revenue to be deferred from 2011 to 2012**

During the fourth quarter of 2011, the activity level at Vestas has been very high in relation to installations. However, due to delays related to bad weather, customer conditions like grid connections and other disruptions, a number of projects under construction are not expected to be recognised as revenue until the first quarter of 2012. Consequently, revenue for 2011 is now expected to amount to approx EUR 6bn, against an earlier estimate of approx EUR 6.4bn, ref. Vestas Wind Systems A/S' company announcement No. 44/2011 of 30 October 2011 concerning the commissioning problems in Travemünde, Germany, which led to deferral into 2012 of EUR 600m of the year's originally expected revenue of EUR 7bn.

***Reasons for revenue adjustment***




The total revenue change from 2011 to 2012 of approx EUR 1bn compared to the year's original expectations, is expected to be recognised as income during the first three quarters of 2012.

**Earnings for 2011 to be adjusted**

Expectations for EBIT for 2011 are reduced from approx EUR 255m to approx EUR 0, equivalent to a reduction in the EBIT margin from approx 4 per cent to approx 0 per cent.

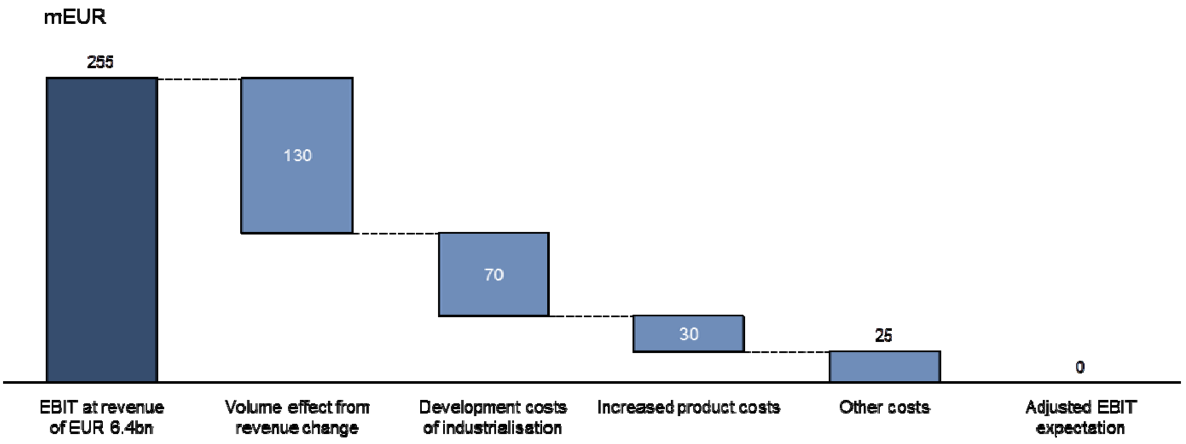
The aforementioned delays and the consequent deferral of revenue for 2011 imply that EBIT is expected to be reduced by approx EUR 130m in 2011.

Of the remaining expected reduction of approx EUR 125m, EUR 100m is predominantly related to the development cost for industrialisation of the new products the V112-3.0 MW turbine and the GridStreamer technology, which ensures that the 2 MW platform complies with new regulatory demands.

The calculations used for determining the manufacturing cost for these new technologies are not expected to be kept at the anticipated cost level in the fourth quarter of 2011. Contrary to normal product development costs, all development costs related to industrialisation of new products are immediately expensed. The development costs of industrialisation for these new technologies are now expected to be EUR 70m higher than originally anticipated due to wrongly produced items, additional R&D costs and production stoppage at the suppliers as well as at Vestas. To this should be added EUR 30m covering additional installation costs at the sales units, raw materials and scrap of items in the fourth quarter of 2011. Furthermore, provisions and write-downs of EUR 25m are expected to be made for discontinued products and two specific projects.

During the fourth quarter of 2011, 2 GW was handed over and 1.5 GW was shipped. The total production and product costs per MW are expected to decline during 2012, however, the result will be negatively affected by approx 430 MW, that has been produced at relatively high costs during the fourth quarter of 2011 and which will be delivered in 2012.

***Reasons for EBIT adjustment***




The above expectations for revenue and EBIT are based on preliminary estimates and assessments in relation to, among other things, status of formal transfer of risk of a number of projects. Consequently, the figures are subject to uncertainty. As mentioned in Vestas Wind Systems A/S' company announcement No. 44/2011 of 30 October 2011 disruptions in production and challenges in relation to installation of turbines during the last months of the year, such as bad weather, lack of grid connections and corresponding conditions may still have caused unrecognised delays that may have an effect on Vestas' results for 2011.

The accounting principles with which Vestas complies allows Vestas to recognise "supply-only" and "supply-and-installation" projects as income only when the risk of these projects has been finally transferred to the customer, no matter whether Vestas has already delivered and installed the turbines.

**Commissioning problems at the generator factory in Travemünde are under control**

In spite of the unexpected and very high start-up costs that are now expected in the fourth quarter in connection with the implementation of the GridStreamer technology, the previously mentioned commissioning problems at the high-technology Travemünde factory have now been brought under control and are being solved. The weekly production is now able to meet the demand from Vestas' assembly factories, and the generator factory is thus not expected to have a negative impact on operations in 2012.

**New organisation to be presented on 12 January 2012**

A still more global and more efficient Vestas will help to enhance Vestas' competitive strength in 2012 and 2013. Therefore, in connection with the disclosure of the interim financial report for the third quarter of 2011, Vestas announced that it would change and adjust the company's organisation in connection with the disclosure of the annual report for 2011, with a view to reducing overhead costs and at the same time allocate more resources to direct customer-related activities. The new organisation will include input received by the company from a number of institutional investors. It is still Vestas' intention to reduce the fixed cost base by at least EUR 150m with full effect as from the end of 2012.

If the Production Tax Credit scheme in the USA is not extended, 2013 will become a very challenging year for the wind industry due to a significantly reduced US market. The whole Vestas organisation is already now taking such development into consideration, in spite of an expected high level of activity in the US market in 2012.

The preparation of the implementation of the new organisation is progressing faster than originally expected. Accordingly, the significant change of the whole organisation will now be presented on Thursday, 12 January 2012. At the same day, a press meeting will be held at 2 pm CET at the Radisson Blu Royal Hotel in Copenhagen, Denmark.

**Conference call**

In continuation of this announcement, a conference call for analysts, investors and the media will be held today, on 3 January 2012 at 6.30 pm CET.

President and CEO, Ditlev Engel, and Executive Vice President and CFO, Henrik Nørremark, will present the main elements of this announcement. The conference call will then be open for questions.

The conference call will be held in English, and the telephone numbers for the conference call are:

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|---|---|
| Europe: | +44 845 634 0041 |
| USA: | +1 718 354 1226 |
| Denmark: | +45 70 26 50 40 |

A replay will subsequently be available at one of the following numbers: +44 20 7769 6425 or +45 7025 2100 – Conference code: 6435 145#.

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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 2010 (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.

This announcement is available in Danish and English. In case of doubt, the Danish version shall apply.