

## **Company announcement from Vestas Wind Systems A/S**

Aarhus, 12 January 2012  
Company announcement No. 3/2012  
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### **Vestas reorganises to increase customer focus and earnings and to reduce investments required for future growth**

#### *Summary:*

- Vestas will reduce its fixed costs by more than EUR 150m – with full effect as from the end of 2012 – primarily through streamlining of support functions and closing of factories to align capacity with market demand. A total of 2,335 employees are expected to be made redundant.
- The reorganisation will make Vestas an even more inclusive organisation. Executive Management is extended to six members to allow greater functional focus on all key parts of the value chain and to drive a stronger performance management.
- A Global Solution and Services unit will contribute to improving the performance of both existing and upcoming wind power plants and accelerate the development of the services and solution business.
- Manufacturing is consolidated to capture cost synergies and reduce capital required for future growth as well as to increase flexibility in case of a prolonged industry slowdown.
- In addition to the planned layoffs of 2,335 employees in the coming months, Vestas prepares for a potential slowdown in the US in case the present Production Tax Credit (PTC) is not extended. This can result in lay off of an additional 1,600 employees at plants in the US. The potential savings in this respect will be in addition to the more than EUR 150m mentioned above.

### **Strategic reorganisation**

On 9 November 2011, in connection with the reporting of the third-quarter accounts for 2011, Vestas announced that it would undertake a strategic reorganisation to allocate more resources to direct customer-oriented activities in individual markets and reduce its capacity to reflect market demand.

#### *Fundamental assumptions and focus points*

As explained in the interim financial report for the third quarter of 2011, Vestas has spent the years since 2006 to build a strong, global organisation, with the objective of securing competitiveness by producing at low local costs, reducing transport costs both financially and in terms of environmental

footprint, improving relations with politicians, and, not least, improving relations with regional and international customers.

The new organisation has been designed on the basis of the following focus points:

- Vestas wants to further increase proximity to its customers, allowing the company to operate under market conditions characterised by reduced growth and fierce competition in the best possible way and to meet the interests of shareholders, employees and other stakeholders by working still more inclusively;
- Vestas' fixed cost base must be reduced to lower the company's break-even level in order to allow for a situation where, for instance, the US market may be reduced considerably in case the PTC is not extended;
- Vestas needs to increase economies of scale to a greater extent than previously in order to reduce its cost base to a level that supports a high single digit EBIT margin in the medium-term with a normalised US market;
- High-margin segments in the Vestas business model, such as aftermarket services, need to attract a larger share of total investments and management attention, enabling an even faster introduction of new services and solutions to support both the customers and the return on invested capital at Vestas;
- Vestas shall be able to take advantage of an industry supply chain that has improved significantly in recent years, in order for Vestas to reduce its inventories and its need for further investments;
- Vestas has to deliver solutions and product upgrades to the market faster and with lower risk;
- Vestas is developing a potentially leading offshore platform, V164, and will react proactively to enquiries from strategic partners in the offshore segment;
- Financial performance management needs to be further embedded throughout all parts of the Vestas value chain to strengthen cost discipline and controls while simultaneously implementing clear areas of responsibilities.

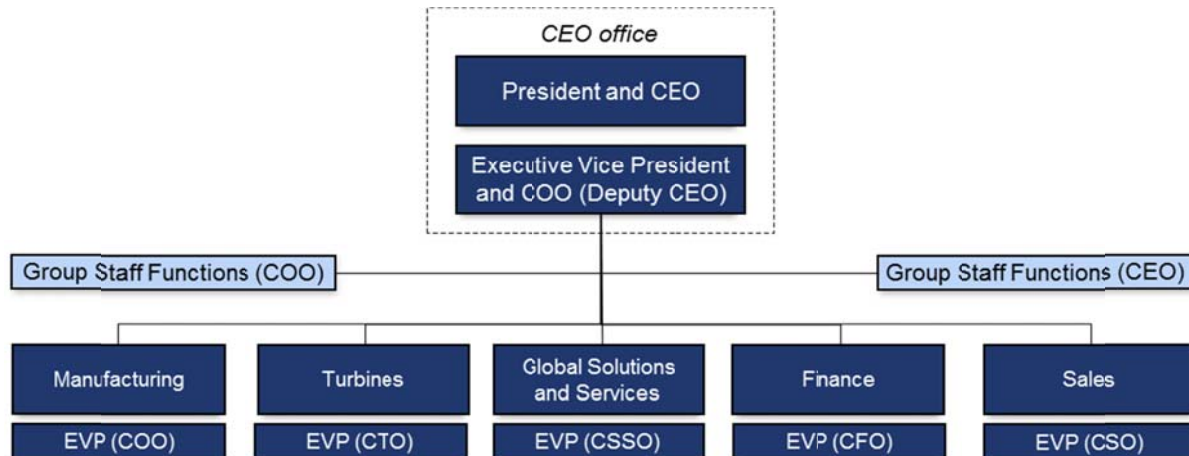
As mentioned in the company announcement No. 1/2012 of 3 January 2012, input from a number of the company's larger shareholders have been included in the organisational design process.

### **The new Vestas organisation**

The new Vestas operating model is designed to maintain Vestas global footprint and increase customer proximity, which remains one of Vestas' greatest strengths, while at the same time reducing costs to deliver solutions through functional consolidation.

Consequently, Vestas has decided to organise the company in accordance with the five main elements of the Vestas value chain. A notable change to the current organisation structure is the separation of Technology R&D into two dedicated units, allowing Vestas to exploit the increasingly diversified nature of Vestas business and revenue streams. Moreover, the separation of research and development into the two units described below will strengthen focus and improve time to market through dedicated attention to turbines and services, respectively, while simultaneously enabling better performance management through clear end-to-end responsibility for products and solutions.

The five main units in the line organisation will be supplemented by global and centrally led support and staff functions and competence centres within, for instance, Finance, People and Culture and IT. These functions will now have dotted reporting lines to management in the functional units. Additionally, Global Sourcing and Global Supply Chain and Planning functions will now be established.



#### *CEO office*

The CEO will be responsible for the overall management of the Vestas Group. Five staff functions will be reporting directly to the CEO. The functions are: Group Marketing and Communication, Group Government Relations, Group Quality, Group People and Culture and Corporate Secretariat and Strategy.

The CEO office will also be staffed by an Executive Vice President and COO (deputy CEO). Offshore and Global Sourcing will be reporting directly to the COO.

#### *Manufacturing*

The four current production units are consolidated into two units reporting to the COO. This reflects the fact that Vestas now has a global and fully established manufacturing setup, allowing the company to focus on capturing cost synergies and lowering the invested capital across the company's factories. While the four previous separate Production Business Units (PBUs) have been instrumental in the rapid build-out of a high-quality global footprint, Vestas now plans to create significant value through consolidation of factories and manufacturing support functions. The two manufacturing units will continue to rely on their own Quality, Production Excellence and Production Engineering resources, but all other support functions and services will now be centrally managed.

In addition, the creation of Global Sourcing reporting directly to the COO will further enable Vestas to focus on the opportunities created by an increasingly mature supplier base and facilitate increased use of outsourcing and more efficient use of external suppliers, thus reducing the need for investments.

### *Turbines*

Turbines will be headed by a Chief Turbines Officer (CTO), who will lead development and industrialisation of cost efficient wind turbines in a simpler and more focused operation. The Turbines product unit will continue to be responsible for the development of Vestas' turbine platforms and upgrades. The formation of a dedicated Industrialisation department within Turbines is expected to strengthen Vestas ability to bring products and platforms to the market more efficiently. The Turbines unit will also be responsible for global product management. Finally, the Turbines unit will be responsible for Vestas Global Research.

### *Global Solutions and Services*

Global Solutions and Services (GSS) will be headed by a Chief Solutions and Services officer (CSSO) and will develop and support delivery of advanced pre-sales services, after-market services, SCADA systems, wind and site services and spare parts. Also, GSS will develop solutions and new offerings supporting further integration of wind power into the grid.

Services already form a significant part of Vestas' business. Based on the recent entering of very large 10 to 15-year service agreements with globally leading wind power operators, Vestas is taking a significant step to further consolidate the company's position in services and solutions. Vestas also works to secure continued high margins based on consistently high performance of the fleet, as evidenced by a Lost Production Factor (LPF) of only 2 per cent. Service execution will remain in the sales business units and countries, but can now rely on consistent, global, high-performance support and solution development. In 2011, Vestas introduced SiteHunt®, SiteDesign®, Electrical PreDesign, PowerPlant Controller, VestasOnline Business® (SCADA). Similarly, Vestas will introduce a number of new services in 2012.

### *Finance*

Finance will be headed by a Chief Financial Officer (CFO) and will focus on providing business infrastructure and other business support services (such as IT, Shared Services, Legal and Contract Review and Treasury). The CFO will to a larger extent increasingly engage in Investor Relations activities.

To reflect the changed need for a more efficient performance management setup, Vestas will increase the scope and responsibility of the central Group Finance function. Instead of each BU having its own finance function, Group Finance will now be fully responsible for all finance processes and activities worldwide, and local finance functions in the units will report globally to the Group Finance function. Performance and financial management, including oversight of cost reductions, will be controlled centrally and in more detail than previously through a stronger central financial management.

Vestas believes this is a necessary step to capture cost synergies as well as improve the oversight of the Group. In addition, Investor Relations will now report to the CFO function, which in turn will allow the Vestas' Executive Management to further improve the quality of its dialogues with the financial markets.

### *Sales*

Sales will be headed by a Chief Sales Officer (CSO). The creation of a dedicated CSO function with full oversight of sales will strengthen sales performance management while at the same time allowing Vestas to continue the close collaboration with customers on developing tailored financial structures to enable large wind power plant investments, including new contractual structures and financing arrangements. Vestas believes that continued innovation in this area is a necessity for continued

investments in wind power in a capital-constrained environment. Secondly, by consolidating support functions Vestas will ensure that sales staff can spend maximum time on sales and service activities, that sales unit Presidents have direct line of sight to key sales and service units, and that Vestas can cost-effectively maintain and establish presence in all markets in a more flexible and rapidly scalable sales model.

Six geographically structured sales units will report to the CSO. These are Americas, Asia Pacific, Central Europe, China, Mediterranean and Northern Europe. They will to a large extent remain structurally unchanged, but will increasingly be relying on central support functions as described above. Supply Chain and Planning will also be reporting to the CSO.

To reflect the importance and complexity of the offshore segment, Offshore will now report directly to the COO as a global function. The increased executive focus on offshore reflects the requirement to have an integrated view of the value chain and business development. Planned cost savings also leave room for the company to proceed expeditiously with offshore product development – even in light of the more demanding industry environment and competitive dynamics – and at the same time to engage with potential strategic partners at the right level.

#### *Executive Management*

As a natural consequence of the reorganisation of the company along the five primary value chain elements, the Executive Management will be reorganised and expanded to now include six members.

Ditlev Engel will continue in his current capacity as Group President and CEO, and will be responsible for the daily management of the Executive Management team.

Henrik Nørremark will continue as Executive Vice President and COO (deputy CEO). Mr Nørremark will also act as CFO until a replacement has been found.

The position of Executive Vice President of Turbines (CTO) will be taken up by Mr Anders Vedel, who is currently Senior Vice President of Plant Operations in Technology R&D and head of the Technology R&D office in Chennai, India. In recent years, the Plant Operations area has been home to some of the biggest improvements for the customers like e.g. the VPDC monitoring system. Mr Vedel has been employed by Vestas for more than 15 years and has previously held senior positions in the company within R&D, production and service in Denmark, Italy and the United States. Mr Vedel will also head the Global Solutions and Services unit on interim basis until that position has been filled.

The position of Executive Vice President of Sales (CSO) will be taken up by Mr Juan Araluce, who is currently President of Vestas Mediterranean. Before joining Vestas, Mr Araluce held several senior positions in the BP group in both Spain and the UK from 1988 to 2007. Mr Araluce has led the successful transition of the Mediterranean business unit from being very reliant on the domestic Spanish market to now successfully operating on markets in the broader Mediterranean region and South America. Also, Mr Araluce has successfully closed Vestas multiyear turbine and service agreements with some of Vestas largest customers in Spain, France, Italy, and Latin America – most recently in Brazil.

The CSSO and CFO positions are currently vacant. Recruitment processes have been initiated, and Vestas will disclose company announcements as soon as the positions have been filled.

Detailed CVs of the two new members of the Executive Management can be found on the last page of this announcement.

The changes to the Executive Management team will be effective as from 1 February 2012.

## Implications of reorganisation

The strategic reorganisation of Vestas and adjustment to the production capacity based on market dynamics imply that Vestas expects to dismiss 2,335 employees. The planned layoffs will to a large extent take place in Denmark and the rest of Europe. However, the scope of the planned reorganisation implies that several sites across the global Vestas organisation will be impacted by the planned layoffs, in particular in relation to salaried employees.

Region	Function	Salaried employees	Hourly-paid employees	Total
Europe	Staff functions, administration in Technology R&D, administrations in production units in Hammel, Lem, Varde and Ringkøbing, cease of tower manufacturing in Varde (Towers), support functions in Spain, Germany, Italy and Sweden and streamlining of Control Systems in Denmark and Spain.	1,089	660	1,749
USA	Consolidation of support functions across factories and functions.	153	29	182
China and the rest of the world	Streamlining of business and production support	358	46	404
<b>Total planned layoff of staff (full-time employees)</b>		<b>1,600</b>	<b>735</b>	<b>2,335</b>

The majority of the layoffs will take place after finalisation of negotiations with relevant employee representatives, and any plans to close down additional facilities will be decided and executed during 2012, depending on the development of the individual markets.

The implementation of the organisational change and the expected reduction in capacity will reduce Vestas' fixed costs by more than EUR 150m, with full effect as from the end of 2012.

After implementation of the above mentioned reductions Vestas will employ around 20,400 employees.

On top of making 2,335 employees redundant in the coming months, Vestas prepares for a potential slowdown in the US market in case the PTC is not extended. This can result in layoff of an additional 1,600 employees at the US factories. The potential savings in this respect will be on top of the more than EUR 150m mentioned above.

## Vestas well-positioned for potential industry slowdown in coming years

Based on the new operating model, the Board of Directors and the Executive Management are confident that Vestas will continue to lead the wind industry. Despite a harsh operating environment and risk of slowdowns in key markets, the improved efficiency and scalability of Vestas new business model give confidence that Vestas can operate profitably through an industry downturn.

In addition, Vestas has begun 2012 from a strong starting point: an order intake in 2011 of 7.4 GW, resulting in the largest order backlog ever. An employee satisfaction survey performed in Q4 2011 shows a very committed and motivated organisation and higher employee satisfaction than in the prior year. The quality of Vestas' turbines is at an all-time high, with a Lost Production Factor of only 2 per cent thus securing continuous value-creation for Vestas' customers. Further, Vestas' commitment to delivering consistent high-quality customer services ensures strong service renewal rates, thereby supporting Vestas ambitions to grow the high-margin service segment.

Vestas will disclose its financial statements for the fiscal year 2011 on 8 February 2012 in Aarhus, Denmark, instead of as earlier announced London, UK and will in this connection comment further on the negotiations with the unions initiated today and their effects.

### **Press conference today**

A press conference will be held today, 12 January 2012 at 2.00 p.m. CET, at the Radisson Blu Royal Hotel in Copenhagen, Denmark. President and CEO, Ditlev Engel, will present and explain the strategic reorganisation of Vestas. Following the presentation, it will be possible to ask questions, in plenum as well as during one-on-one interviews.

The press conference can be followed live at [www.vestas.com](http://www.vestas.com).

### **Telephone conference for the investor community tomorrow**

A question and answer session will be held on Friday, 13 January at 10.00 a.m. CET.

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

Europe: +44 208 817 9301  
USA: +1 718 354 1226  
Denmark: +45 7026 5040  
Conference code: 6483 780

A replay will subsequently be available at one of the following numbers: +44 2077 696 425 or +45 7025 2601 – Conference code: 6483 780#.

## **Vestas Wind Systems A/S**

### **Executive Management**

Ditlev Engel  
*President and CEO*

Henrik Nørremark  
*Executive Vice President and CFO*

### **Board of Directors**

Bent Erik Carlsen  
*Chairman*

Torsten Erik Rasmussen  
*Vice Chairman*

Carsten Bjerg

Elly Smedegaard Rex

Freddy Frandsen

Håkan Eriksson

Jørgen Huno Rasmussen

Jørn Ankær Thomsen

Kim Hvid Thomsen

Kurt Anker Nielsen

Michael Abildgaard Lisbjerg

Sussie Dvinge Agerbo

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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](http://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.



## **CVs of the new members of the Executive Management**

### **Anders Vedel**

Current position: Managing Director at R&D Chennai, India. Senior Vice President, Vestas Technology R&D. Joined Vestas in 1995.

#### **Education**

- 2008 Business Program at IMD (International Institute for Management Development)
- 2002 Scandinavian International Management Institute
- 1991-1995 Mechanical Engineer at Ingeniørhøjskolen Horsens

#### **Former positions**

- 2006-2007 Vice President, CIM, Vestas Technology R&D
- 2005-2006 VP Operations at Vestas Americas
- 2004-2005 VP Service Northern Europe at Vestas Northern Europe
- 2003-2004 Service Manager at Vestas International
- 2000-2002 Technical Director at Vestas Italy
- 1995-2000 Various positions at Vestas Wind Systems A/S

### **Juan Araluce y Martinez de Azagra**

Current position: President, Vestas Mediterranean, Spain. Joined Vestas in 2007.

#### **Education**

- 2003-2004 Advanced Management Program, IESE, Barcelona (Spain) and Sales and Marketing Leadership Program, Kellogg School, Chicago (USA).
- 1992-1995 Doctorate level courses in Economics, ICADE, Madrid (Spain).
- 1988 Degree in Economics and Business Administration, Universidad Complutense de Madrid (Spain).

#### **Former positions**

- 2004-2007 Gas Performance Unit Leader Spain, BP Group, Gas, Power and Renewables Europe and Africa Business Unit (Spain)
- 2001-2003 Business Development Director, BP Group, Power and Renewables Europe and Africa Business Unit (Spain)
- 1999-2001 Sales Director, BP Group, Gas and Power Business Spain, Power and Renewables Europe and Africa Business Unit (Spain)
- 1995-1999 National Business Development and Distributors Network Director, Consumer Industry Division, BP Oil Spain (Spain)
- 1993-1995 Planning, Administration, and Systems Development Director/Retail SAP Implementation Director, Retails Division, BP Oil Spain (Spain)
- 1992-1993 Temporary Assignment, Polygon Retailing Ltd., (UK)
- 1991-1992 Global Customers Service Director, Oil Marketing Unit, BP Oil International (UK)
- 1989-1991 Retail Network Development Manager, BP Med. (Spain)
- 1988-1989 Business Analyst, Retail Division, BP Spain (Spain)