

News release from Vestas Wind Systems A/S

Aarhus, 9 November 2011
News release No. 20/2011
Page 1 of 2

Vestas announces a change of the organisation to further strengthen its customer focus and will reduce costs to counter the difficult market conditions

Earlier today, Vestas released a company announcement with the financial results for the third quarter of 2011.

At 11:00 am today, Ditlev Engel, President and CEO, will inform Vestas' employees about the company's future focus areas. In the short term, these focus areas will be marked by difficult market conditions and uncertainty, but in the longer term Vestas will remain strongly positioned as the only truly global supplier of turnkey wind power systems solutions.

As mentioned in the company announcement, Vestas aims to reduce its fixed costs globally by at least 150 million euros annually by the end of 2012, and the 'Triple15' growth target is abandoned. Instead, Vestas will refocus its business to become even attentive to its four principal stakeholders: customers, shareholders, employees and politicians.

"The Board of Directors unanimously shares the view that Vestas must develop its business in the coming years and at the same time be in a position to address the deteriorating global economic outlook, so the Board fully supports this strategy. This does not change the Board's view that wind power remains a fundamentally attractive sector in the long term," said Bent Erik Carlsen, Chairman of the Board of Directors of Vestas Wind Systems A/S.

In spite of unsatisfactory earnings in 2011, Vestas retains a strong financial and market position in a world of economic hardship. This is confirmed by the fact that Vestas' free cash flow for the first nine months of 2011 improved by 660 million euros relative to the same period of last year.

"We have satisfied customers, all of our production units are extremely busy, and we recorded a strong order intake in October. However, we believe that at least the Western economies are heading for even more economic difficulties in the years ahead. This will affect Vestas and the rest of the wind power industry," said Ditlev Engel, President and CEO.

"We will inform our employees that we will present and implement a whole new Vestas organisation on 8 February 2012. Our new organisation must be even more customer-focused and scalable, allowing us to swiftly and effectively realign our operations to the extensive market fluctuations that are likely to characterise the wind market going forward," Ditlev Engel said.

"Vestas is the world's largest renewable energy company, and we intend to emerge stronger from the financial crisis. Consequently, in addition to adjusting our organisation, we also need to substantially reduce our fixed costs. In a number of markets, our fixed costs are too high relative to the market situation that is likely to develop," Ditlev Engel said.

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News release No. 20/2011
Page 2 of 2

"Unfortunately, this will lead to redundancies across Vestas in 2012. Our cost level is too high – especially in a number of the markets currently seeing the weakest growth rates. Furthermore, Vestas overall must improve its ability to absorb adverse events, for example if the PTC tax scheme in the USA is not extended after the end of 2012," Ditlev Engel said.

The PTC is the tax credit scheme that traditionally has been paramount for the US wind power market, which is also one of Vestas' most important markets. Due to uncertainty about the PTC, Vestas has received an extraordinarily large number of orders from the USA for installation by the end of 2012, and this situation will change for the worse if the tax credit lapses from 2013.

"The agenda for wind and sustainable energy is more important than ever before. Paradoxically, the price of not investing in sustainable energy supply now far exceeds the short-term savings achieved by not taking any action. We will continue our intensive dialogue with politicians in order to retain focus on the world's serious climate challenges and the need for more wind power in the global energy supply. However, we need to realign our organisation to the changed economic conditions. We announce the changes now, and in three months, we will present the details of the adjustments to our employees, customers and shareholders," said Ditlev Engel.

A meeting for the media and analysts will be held today at 1:00 pm at Vestas' headquarters: Hedeager 44, DK-8200 Aarhus N, Denmark.

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