

The image shows a low-angle, upward-looking view of a white wind turbine against a bright blue sky filled with scattered white clouds. The turbine's tower, nacelle, and three long, slender blades are visible, extending towards the top of the frame. The blades are positioned at different angles, suggesting they are in motion. The overall composition is clean and emphasizes the height and scale of the renewable energy infrastructure.

**Vestas®**

# **Annual report 2010**

**Wind.** It means the world to us.™



In the region  
**for the region**

## **Vestas Americas**

Vestas' largest order for a single wind power plant was signed in the USA in 2010 – an order for 190 V90-3.0 MW turbines for the Alta Wind Energy Center project in California. The major part of blades and towers for the project will be delivered from Vestas' US factories whereas the nacelles will be delivered from Europe.

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## Annual report 2010

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# Tough, but on track

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Two decisions have helped ensure that Vestas remains the world's leading wind turbine manufacturer; the regionalisation of the production and dedication to quality, research and technology development. The elimination race after the credit crisis has increased the value of local presence and quality of products and services. This is to Vestas' benefit.

Bent Erik Carlsen, Chairman of the Board of Directors

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2010 was a tough year, because two people employed by our business partners were killed in industrial injuries; we had to make a profit warning and lay off some three thousand colleagues; a change in our accounting policies caused uncertainty; the outlook for 2011 was a disappointment, and the share price was down by almost 50 per cent in the warmest year recorded for more than a hundred years. On 25 January 2011, one of our colleagues lost his life in an assumed industrial injury in India.

But Vestas is on track, because our customers and their banks still appreciate our products and services; our order intake was the largest ever; we have implemented our regionalisation; our turbines perform consistently better to the benefit of their owners and the environment; we are able to retain and recruit skilled staff; the green wave rolls on, and Vestas has emerged from the credit crisis with reduced debt despite having pursued a very ambitious investment programme. Furthermore, on 18 January 2011, Vestas won the Zayed Future Energy Prize for its long engagement within wind power.

The climate debate has changed. Green thinking is well underway to becoming part of our everyday lives. Companies in an increasing number of industries are adopting "CO<sub>2</sub> free" or "carbon light" concepts.

At the political level, the challenges are handled in different ways. Some countries employ a "top-down" green strategy; others opt for "bottom up". The EU's "3 x 20" target has not been revised and China continues to invest heavily in cleantech.

Sustainable growth and green jobs were on the agenda at the G20 summit in Seoul, South Korea, and COP16 in Cancun, Mexico, was yet another step in the right direction. Unfortunately, we still have not seen a long-term federal climate and energy plan for the USA.

At Vestas we believe that the most effective way of creating a greener economy is by establishing long-term stable framework conditions for the business community, by putting a price tag on CO<sub>2</sub> that will change consumer behaviour and by abolishing the large number of subsidies for fossil fuels so that consumers pay market prices. To this market price should be added the extra healthcare costs caused by the combustion of fossil fuels. Mountaintop mining and tar sand oil extraction are also not cost-free for humans or the environment.

Irrespective of climate considerations, the world must get used to paying a much higher price for fossil fuels than has been the case for many years. In 2008, oil, gas and coal cost the same as in 1982 in terms of real prices. Prices are rising again following significant falls. Wind, on the other hand, is free and the price of wind power is falling.

At the same time, more and more people are giving increasing priority to sustainability. Vestas has therefore, together with the UN and other international organisations and businesses, launched the WindMade™ eco label, which allows consumers to select products from companies using wind energy in their production.

Two decisions have helped ensure that Vestas remains the world's leading wind turbine manufacturer; the regionalisation of the produc-





tion and dedication to quality, research and technology development. Each area represents huge investments, which appear even more dramatic because they coincided with the credit crisis and the sharp decline in order intake. The latter trend has now been reversed, and we have a very satisfactory order backlog going into 2011.

The transfer of the production from Europe to the USA and China has substantially lowered manufacturing costs and reduced transport needs. As a result, Vestas no longer has huge amounts of money tied up in large inventories during transport, and soon transportation by lorries will be replaced by rail transportation, which is a cheaper solution measured in euro, cents and CO<sub>2</sub>.

Compared with 2006, four times as many employees currently develop and design not only wind turbines but entire wind power plants and model wind landscapes to identify the optimum location for each turbine. As a result, Vestas turbines at many locations harvest nearly all the wind that they are designed to harvest.

The cornerstone of our development activities is the wish to increase output per kilogram turbine and to build the turbine using easily accessible materials that can be broken down or recycled. The turbine is energy-neutral after less than nine months – the cost of conventional energy sources cannot be recovered in terms of energy produced.

The elimination race after the credit crisis has increased the value of quality in new and existing products and services. Combined with

regional production and far closer collaboration with our customers, Vestas achieved a very satisfactory order intake in a market which, in the short term, is not as large as we anticipated and prepared for a few years back.

Vestas currently develops, manufactures, sells, maintains and monitors wind power plants in many parts of the world. We have built closer relations with our customers and the politicians and are able to deliver products at an ever-increasing pace because not only Vestas, but also our suppliers are in better shape than ever before.

However, there is still a long way to go, and in the years ahead, Vestas must perform even better and at lower costs. Shorter deadlines, lower inventories, fewer employees per MW and fewer injuries are focus areas together with more renewable energy and many product launches. An increasingly effective Vestas heading towards Wind, Oil and Gas.

Thank you to our owners. Everyone at Vestas knows that the shareholders' confidence is pivotal to our future.

Bent Erik Carlsen  
Chairman of the  
Board of Directors

Ditlev Engel  
President and CEO

# Highlights for the Group

mEUR	2010	2009 <sup>1)</sup>	2008 <sup>1)</sup>	2007 <sup>1)</sup>	2006 <sup>1)</sup>
<b>HIGHLIGHTS</b>					
<b>INCOME STATEMENT</b>					
Revenue	6,920	5,079	5,904	3,828	4,179
Gross profit	1,175	836	1,125	584	464
Profit before financial income and expenses, depreciation and amortisation (EBITDA) before one-off costs	747	469	749	338	331
Operating profit/(loss) (EBIT) before one-off costs	468	251	614	202	204
Profit before financial income and expenses, depreciation and amortisation (EBITDA)	684	469	749	338	331
Operating profit/(loss) (EBIT)	310	251	614	202	204
Profit/(loss) of financial items	(72)	(48)	46	0	(40)
Profit/(loss) before tax	238	204	660	202	164
Profit/(loss) for the year	156	125	470	104	113
<b>BALANCE SHEET</b>					
Balance sheet total	7,066	7,959	6,327	5,298	3,732
Equity	2,754	2,542	1,587	1,188	1,121
Provisions	370	534	393	399	350
Average interest-bearing position (net)	(593)	(55)	395	179	(299)
Net working capital	672	317	(73)	(411)	11
Investments in property, plant and equipment	458	606	509	265	153
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	56	(34)	277	701	598
Cash flow from investing activities	(789)	(808)	(680)	(317)	(144)
Free cash flow	(733)	(842)	(403)	384	454
Cash flow from financing activities	568	1,075	(91)	(54)	(101)
Change in cash at bank and in hand less current portion of bank debt	(165)	233	(494)	330	353
<b>RATIOS<sup>2)</sup></b>					
<b>FINANCIAL RATIOS</b>					
Gross margin (%)	17.0	16.5	19.1	15.3	11.1
EBITDA margin (%) before one-off costs	10.8	9.2	12.7	8.8	7.9
EBIT margin (%) before one-off costs	6.8	4.9	10.4	5.3	4.9
EBITDA margin (%)	9.9	9.2	12.7	8.8	7.9
EBIT margin (%)	4.5	4.9	10.4	5.3	4.9
Return on invested capital (ROIC) (%) before one-off costs	10.8	9.5	43.4	21.3	14.4
Solvency ratio (%)	39.0	31.9	25.1	22.4	30.0
Net interest-bearing debt/EBITDA before one-off costs	0.8	(0.3)	(0.1)	(1.8)	(0.8)
Return on equity (%)	5.9	6.1	33.9	9.0	11.6
Gearing (%)	33.2	13.8	7.8	12.6	15.5
<b>SHARE RATIOS</b>					
Earnings per share (EUR)	0.8	0.6	2.5	0.6	0.6
Book value per share (EUR)	13.5	12.5	8.6	6.4	6.1
Price / book value (EUR)	1.7	3.4	4.7	11.5	5.3
P / E-value (EUR)	30.8	71.0	16.3	123.3	53.3
Cash flow from operating activities per share (EUR)	0.3	(0.2)	1.5	3.8	3.2
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)	23.6	42.6	40.7	74.0	32.0
Average number of shares	203,704,103	197,723,281	185,204,103	185,204,103	182,722,520
Number of shares at the end of the year	203,704,103	203,704,103	185,204,103	185,204,103	185,204,103

1) The comparative figures have been adjusted in accordance with the new accounting policies, refer to note 40 to the consolidated accounts.

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), refer to note 1 to the consolidated accounts.

	2010	2009	2008	2007	2006
<b>NON-FINANCIAL KEY FIGURES<sup>1)</sup></b>					
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>					
Industrial injuries (number)	201	306	534	534	525
– of which fatal industrial injuries (number)	0	0	0	0	1
<b>PRODUCTS</b>					
MW produced and shipped	4,057	6,131	6,160	4,974	4,313
Number of turbines produced and shipped	2,025	3,320	3,250	2,752	2,533
<b>UTILISATION OF RESOURCES</b>					
Consumption of metals (tonnes)	171,024	202,624	187,478	170,505	164,413
Consumption of other raw materials, etc. (tonnes)	107,485	126,600	129,207	111,541	93,983
Consumption of energy (MWh)	578,063	537,165	458,296	372,037	330,106
– of which renewable energy (MWh)	241,930	263,611	172,800	139,983	124,841
– of which renewable electricity (MWh)	209,351	238,462	167,311	138,035	124,841
Consumption of water (m <sup>3</sup> )	598,258	521,005	474,958	554,516	343,084
– of which water of non-drinking water quality (m <sup>3</sup> )	72,302	102,528	103,066	14,809	14,954
<b>WASTE DISPOSAL</b>					
Volume of waste (tonnes)	88,663	97,471	96,632	89,643	82,739
- of which collected for recycling (tonnes)	35,410	34,303	30,254	28,422	27,593
<b>EMISSIONS</b>					
Direct emission of CO <sub>2</sub> (tonnes)	56,547	50,532	41,832	32,798	28,396
<b>LOCAL COMMUNITY</b>					
Environmental accidents (number)	0	10	16	15	7
Breaches of internal inspection conditions (number)	3	3	5	5	6
<b>EMPLOYEES</b>					
Average number of employees	22,216	20,832	17,924	13,820	11,334
Number of employees at the end of the year	23,252	20,730	20,829	15,305	12,309
<b>NON-FINANCIAL INDICATORS<sup>1)</sup></b>					
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>					
Incidence of industrial injuries per one million working hours	5.0	8.1	15.6	20.8	25.3
Absence due to illness among hourly-paid employees (%)	2.6	2.8	3.3	3.6	3.2
Absence due to illness among salaried employees (%)	1.3	1.3	1.1	1.4	1.5
<b>PRODUCTS</b>					
CO <sub>2</sub> savings over 20 years on the MW produced and shipped (million tonnes of CO <sub>2</sub> )	108	163	164	143	124
<b>UTILISATION OF RESOURCES</b>					
Renewable energy (%)	42	49	38	37	38
Renewable electricity for own activities (%)	74	85	68	66	68
<b>EMPLOYEES</b>					
Women at management level (%)	19	19	17	N/C <sup>2)</sup>	N/C
Non-Danes at management level (%)	49	46	42	N/C	N/C
<b>MANAGEMENT SYSTEM</b>					
OHSAS 18001 – occupational health & safety (%)	98 <sup>3)</sup>	97	98	84	77
ISO 14001 – environment (%)	98 <sup>3)</sup>	97	100	80	76
ISO 9001 – quality (%)	98	98	98	98	94

1) Accounting policies for non-financial highlights for the Group, see page 74. Comments on non-financial issues for the Group, see pages 65-75.

2) Not calculated (N/C) for the year.

3) The production facilities in Xuzhou, China, and the technology centre in Chennai, India, have not yet been certified. Vestas' aim is for all new units to be certified within six months after commencing operations.

## IFRIC 15

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Our auditor elected by the AGM was of the opinion that a change of accounting policies was required. This means that the majority of Vestas' projects are now recognised as revenue when they are finally handed over to the customers.

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## COP 16

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COP 16 in Cancun, Mexico, was yet another step in the right direction in relation to reducing the impact on climate and environment as well as the dependence on scarce resources.

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## G20

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At G20 in Seoul, South Korea, Vestas presented together with other businesses, proposals for ensuring sustainable growth and green jobs.

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## N40

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The Vestas share was the eighth most traded share in the OMX Nordic 40 index with a turnover of EUR 14.3bn.

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# Overview

## Full year 2010

The intake of firm and unconditional orders for the year rose to 8,673 MW from 3,072 MW in 2009. Measured in terms of value, the increase amounted to EUR 5.4bn from EUR 3.2bn to EUR 8.6bn. In terms of MW, Europe and Africa accounted for 49 per cent, whereas the Americas and Asia Pacific accounted for 29 per cent and 22 per cent, respectively. The backlog of orders at the end of 2010 was EUR 7.7bn, against EUR 5.4bn at 31 December 2009.

In 2010, Vestas produced and shipped 2,025 wind turbines with an aggregate capacity of 4,057 MW, against 3,320 wind turbines and 6,131 MW in 2009. The decline was due to the low order intake in 2009. In total, 5,842 MW was handed over to the customers.

Vestas generated revenue of EUR 6,920m in 2010, against EUR 5,079m in 2009.

The gross profit amounted to EUR 1,175m corresponding to a gross margin of 17.0 per cent. In 2009, the gross profit and gross margin amounted to EUR 836m and 16.5 per cent, respectively.

EBIT before one-off costs rose to EUR 468m from EUR 251m, corresponding to an EBIT margin of 6.8 per cent and 4.9 per cent, respectively. Adjusted for one-off costs of EUR 158m relating to the closure of factories and lay-offs, EBIT amounted to EUR 310m.

The service business increased its revenue by 24 per cent to EUR 623m. The EBIT margin on the service business amounted to 14 per cent.

Total warranty provisions for the year amounted to EUR 194m, against EUR 292m in 2009.

Net working capital at 31 December 2010 increased to EUR 672m, against EUR 317m at the end of 2009.

The free cash flow rose to EUR (733)m from EUR (842)m in 2009 owing to an increase in cash flow from operations and a lower investment level.

The Group achieved a return on invested capital before one-off costs of 10.8 per cent, against 9.5 per cent in 2009.

Vestas' total assets fell from EUR 7,959m to EUR 7,066m. Equity amounted to EUR 2,754m at 31 December 2010, and net interest-bearing debt stood at EUR 579m, equal to 0.8 times the year's EBITDA of EUR 747m before one-off costs. Vestas' ambition is to have a net interest-bearing debt/EBITDA, which does not exceed 2:1 as at the last day of each financial year.

## Non-financial issues

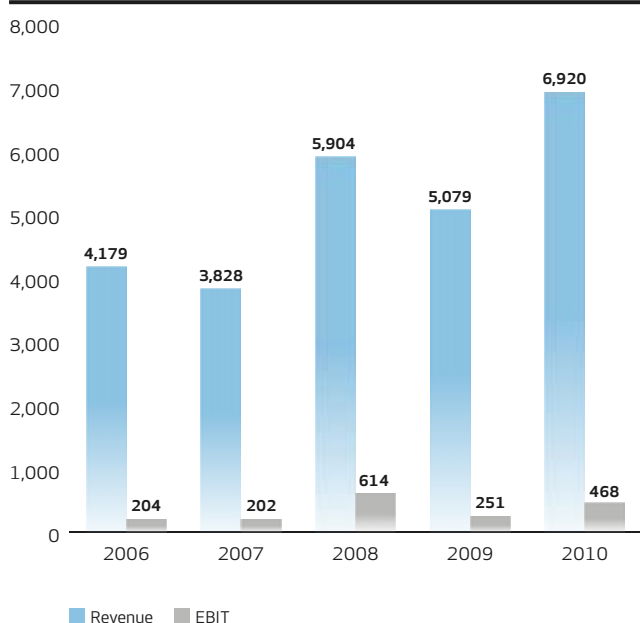
Vestas continued its efforts to reduce the incidence of industrial injuries in 2010. Measured as the number of industrial injuries per one million working hours, the incidence fell to 5.0. In 2009, the incidence rate was 8.1 and in 2006 it stood at 25.3. The employees are entitled to a safe workplace, and Vestas' customers demand it. Efforts to accomplish zero accidents will be intensified in 2011.

Wind turbines generate green electricity. Vestas will manufacture as green wind turbines as possible. In 2010, 74 per cent of Vestas' own electricity consumption came from renewable energy sources. Green energy's share of the combined energy consumption at Vestas was 42 per cent. Vestas' suppliers, which represent a little over 90 per cent of the combined energy consumption for the manufacture of a turbine from cradle to grave, are encouraged to employ renewable energy. In 2009, 85 per cent of Vestas' electricity consumption was green, and renewable energy accounted for 49 per cent of its total energy consumption.

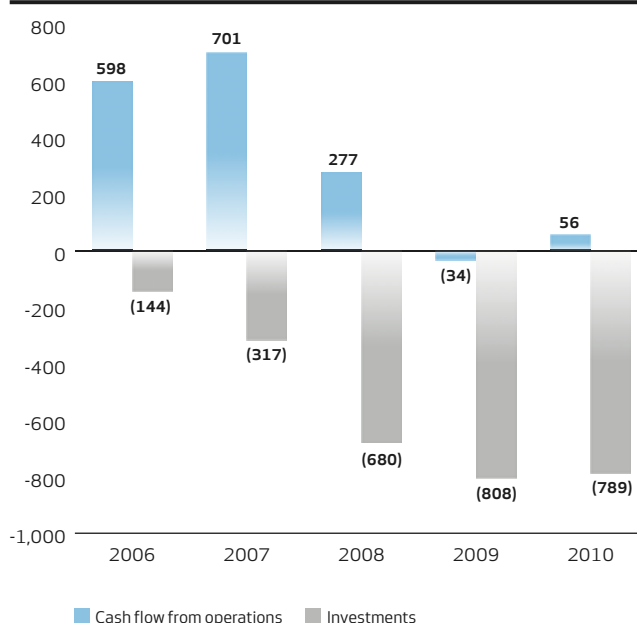
At the end of 2010, Vestas had 23,252 employees, against 20,730 in 2009.

In order to achieve its strategic goals, Vestas needs to become less Danish and have more women managers. At the end of 2010, 49 per cent of the management positions were held by non-Danish nationals, and among the top-3,000 positions, 19 per cent were women. Qualifications always have first priority. Among the 17 participants in Vestas' most recent graduate programme, there were 11 nationalities and three women. The programme had 3,839 applicants.

## Revenue and EBIT (mEUR)



## Cash flow from operations and investments (mEUR)



**182%** Order intake was 8,673 MW  
– an increase of 182 per cent

#### Fourth quarter 2010

The fourth-quarter order intake was 2,106 MW with a total value of EUR 2.6bn. Announced orders accounted for 72 per cent of the MW order intake.

Vestas produced and shipped 845 wind turbines with an aggregate capacity of 1,626 MW in the quarter, against 1,233 wind turbines and 2,439 MW the year before. In total, 2,557 MW was handed over to the customers against 1,419 MW in 2009.

In October, Vestas announced its plans to cut 3,000 jobs, primarily in Denmark where the cost level is the highest. This step was taken due to the European market not being as large in 2011 as previously expected. The closure of the factories and the lay-offs lead to one-off costs of EUR 158m.

Fourth-quarter revenue rose to EUR 3,123m in 2010 from EUR 1,474m in 2009 driven by the increase in deliveries. Europe and Africa accounted for 61 per cent of revenue, whereas the Americas and Asia Pacific accounted for 21 per cent and 18 per cent of revenue, respectively. Service revenue amounted to EUR 169m.

The gross profit was EUR 613m, or 19.6 per cent of revenue, against EUR 111m and 7.5 per cent, respectively, in the fourth quarter of 2009.

EBIT before one-off costs rose to EUR 416m from EUR (56)m in the fourth quarter of 2009. The EBIT margin rose to 13.3 per cent from (3.8) per cent. EBIT after one-off costs of EUR 158m incurred in the fourth quarter was EUR 258m.

Total warranty provisions in the quarter amounted to EUR 60m, equal to 1.9 per cent of revenue.

Cash flow from operating activities improved by EUR 55m to EUR 401m. Investments of EUR 254m in the quarter were lower than expected. The free cash flow fell to EUR 145m from EUR 181m.

#### Why change in accounting policies?

– Extract from memo from the company's auditor PricewaterhouseCoopers. See the full memo in the management report, page 24.

"Vestas has changed its accounting policy for revenue recognition in 2010. As auditors of the Company, we believe that this change was required, and we have therefore recommended that the Board of Directors and Executive Management incorporate the new accounting policy with effect for the 2010 financial year.

Under the new policy, revenue from contracts on which Vestas delivers as well as installs wind turbines is recognised at the time of delivery of the finally installed wind turbines to the customers. This implies that revenue and earnings are not recognised in the financial statements until the risk of the finally installed wind turbines has been transferred to the customer. Previously, revenue and earnings on the contracts were recognised at the rate of completion of work.

#### Why change of policy?

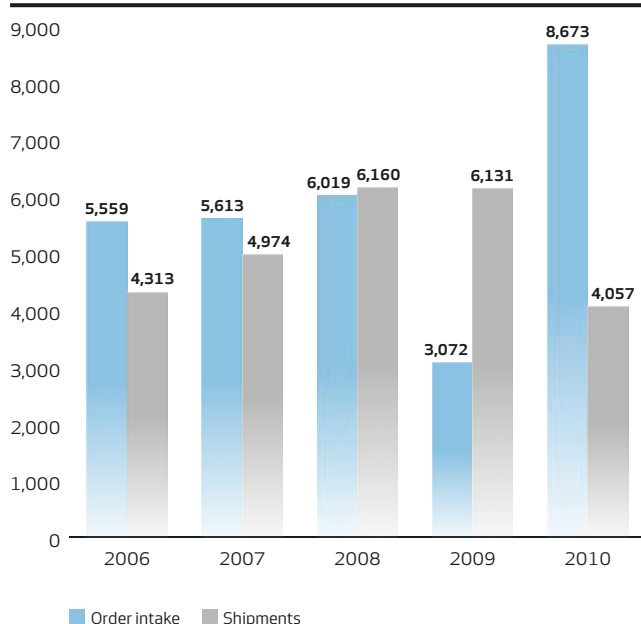
As a Danish listed company, Vestas is required to comply with International Financial Reporting Standards (IFRS) and related interpretations (IFRIC).

The change of policy implemented is due to the development in International Financial Reporting Standards and specifically IFRIC 15 which regulates when revenue may be recognised in the financial statements.

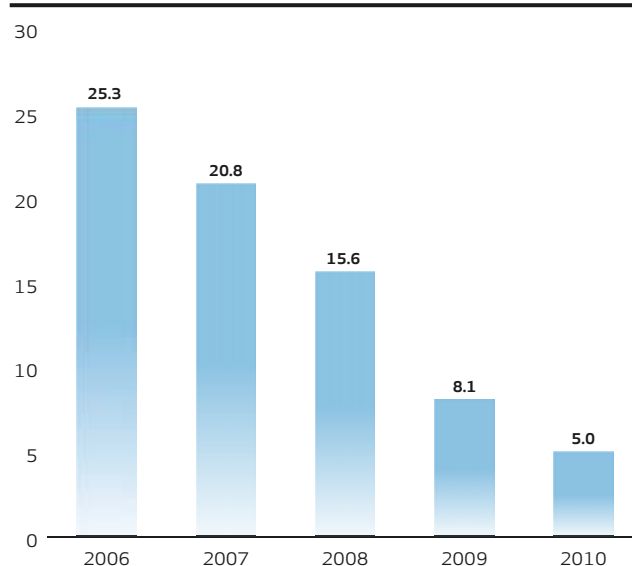
We have assessed IFRIC 15 in the context of the Group's contracts and, in our opinion, the interpretation is of relevance to Vestas, and the Group's contracts for delivery and final installation of wind turbines are comprised by the changed financial reporting regulations.

The interpretation takes effect on 1 January 2010, and we have therefore recommended that the change be implemented for 2010."

#### Order intake and shipments (MW)



#### Incidence of industrial injuries (per one million working hours)



## Outlook for 2011

The intake of firm and unconditional orders for the year is expected to be 7,000-8,000 MW.

Vestas expects that the bulk of its orders in 2011 will also include short-term or longer-term service contracts with varying scope. Shipments are expected to rise from 4,057 MW in 2010 to 6,000 MW in 2011, so by the end of 2011, Vestas is expected to have installed around 50,000 MW.

Vestas expects to achieve an EBIT margin of 7 per cent and revenue of EUR 7bn in 2011, including service revenue, which is expected to rise to EUR 700m with an EBIT margin of 15 per cent. Revenue and earnings are expected to be fairly evenly distributed between the first and the second half of the year. For the first quarter, Vestas forecasts a minor loss.

Net financial items are expected to amount to EUR (60)m, and the tax percentage is forecast at 28 per cent. Total warranty and product provisions are expected to account for less than 3 per cent of revenue for the year, as the performance of the wind power plants is constantly improved to the benefit of customer earnings and Vestas' costs.

Earnings are affected by the fact that the new products are only expected to generate moderate earnings contribution, that a few factories remain idle while they are being converted into V112-3.0 MW production, that depreciations and amortisations are expected to increase by approx EUR 100m and that Vestas' current organisation and overall cost level reflect expectations of a substantial increase in business volumes including service in the years until 2015.

Investments in property, plant and equipment are expected to be EUR 550m, against the previously announced EUR 400m, principally because certain measures have been postponed from 2010 to 2011. Investments for the year are primarily expected to be effected in the first half of 2011.

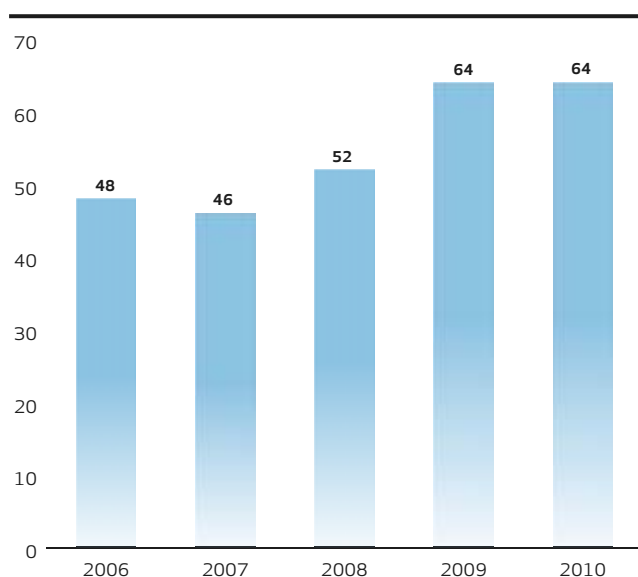
Investments in intangible assets are expected to be EUR 300m, reflecting Vestas' consistent focus on research and technology development. The previous guidance was EUR 250m.

The free cash flow is expected to rise to more than EUR 0 from EUR (733)m in 2010.

The incidence of industrial injuries is expected to be maintained at max. 5.0 industrial injuries per one million working hours. The "green" proportion of Vestas' energy consumption is expected to be 40 per cent. The decline in relation to 2010, is due to the increased production outside Europe, where access to green electricity is often limited. The target for the customer loyalty index is 72, and the Sigma level must be at least 5.

The guidance for 2012, will be disclosed in February 2012.

## Customer loyalty index



## Outlook for 2011 (mEUR)

Order intake, firm and unconditional orders (MW)	7,000-8,000
Production and shipments (MW)	6,000
Revenue	7,000
- of which service revenue	700
EBIT margin (%)	7
EBIT margin, service (%)	15
Financial items, net	(60)
Tax rate (%)	28
Investments, property, plant and equipment	550
Investments, intangible assets	300
Free cash flow	> 0
Warranty provisions (%)	< 3
Incidence of industrial injuries	≤ 5.0
Customer loyalty (index)	72
Share of renewable energy (%)	40
Share of renewable electricity (%)	95
Quality level, year-end (Sigma)	≥ 5



# In the region **for the region**

## **Vestas Asia Pacific**

In 2010, Vestas secured two major contracts in Australia: 206 MW in Western Australia, as well as a contract for the largest wind farm in the Southern Hemisphere, with 420 MW of generation capacity coming from 140 V112-3.0 MW wind turbines.

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## Management report

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# Management report

## Wind. It means the world to us.

In order to emphasise its position in wind power, Vestas sharpened its profile in 2010. This emphasis is expressed by "Wind. It means the world to us," which conveys to the world that wind means everything to Vestas because Vestas deals exclusively with wind power, thereby ensuring clean energy for its customers. Vestas believes that wind power is the best supplement to oil, gas and other conventional energy sources currently employed.

Vestas' strategy is called No. 1 in Modern Energy. To Vestas, being No. 1 means being the best, and being the best means achieving world-class safety standards at all Vestas' locations, having the most satisfied customers, the best performing wind power plants and the most environment-friendly production. In other words: Safety & Citizenship, Business Case Certainty, Partnership and the lowest Cost of Energy. Being the market-leader within wind power, Vestas aims to create the world's strongest energy brand. To do so, Vestas must accomplish Triple15: No later than in 2015, Vestas must achieve an EBIT margin of 15 per cent and revenue of EUR 15bn.

Wind power is modern energy because it is financially competitive, predictable, independent, fast and clean.

Vestas aims to provide its customers with the lowest cost per MWh produced and optimum security for the capital invested in a wind power plant – Vestas delivers as promised. Vestas also strives to become a more flexible and knowledgeable business partner because significantly improved customer loyalty is a prerequisite for Vestas to retain its market-leading position.

The customer loyalty index stood unchanged at 64 after a significant progress in 2009. This is due to much better-performing turbines, sharply intensified collaboration with customers, improvements of a number of in-house processes and the launch of new products and services. All of these measures have helped build the foundation for the necessary increase in revenue and profitability in the years ahead.

Being the industry's leading player and a pure-play spokesperson, Vestas aims to ensure that wind power remains at the top of the global energy agenda. This is among other things achieved through dialogue with politicians, public servants, interest groups and NGOs the world over and through advice and information to the public about the potential of wind power, both in individual markets and worldwide.

Vestas' long-term financial priorities reflect its focus on profitability:

1. EBIT margin
2. Free cash flow
3. Revenue

The results achieved in 2010 reflect Vestas' EUR 789m investments especially in China and the USA and in production equipment for the V112-3.0 MW turbine. Furthermore, the credit crisis hit Vestas' order intake hard in 2009. Vestas reported an EBIT margin of 6.8 per cent before one-off costs of EUR 158m for factory closures and lay-offs. The free cash flow was EUR (733)m, whilst revenue amounted to EUR 6,920m.

## Wind, Oil and Gas

Wind, Oil and Gas is Vestas' vision, which expresses the ambition of making wind an energy source on a par with fossil fuels.

Wind power accounted for the largest or second-largest share of additions in power capacity in the EU and the USA in 2008 and 2009. Wind has become a natural part of the modern energy supply.

Among renewable sources of energy, wind power is currently the best means of ensuring that the many national climate targets are reached. Vestas expects that, if the necessary political decisions on a national and international level to expand the power grid and appoint appropriate locations are made now, the share of wind power relative to the total electricity production can be increased from about 2 per cent today to at least 10 per cent by 2020. This translates into an installed wind power capacity of at least 1,000,000 MW, as compared with around 200,000 MW at the end of 2010, of which Vestas had installed a total of 44,114 MW.

Along the way, the wind power industry, including the many suppliers, will be able to create more than two million jobs. The key to realising the potential is having long-term, national schemes that provide the industry with the necessary opportunities to plan and invest in employees, technology and production facilities.

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Vestas is confident that a fixed price on CO<sub>2</sub> would promote the necessary climate investments as it would provide industrial and financial investors with a higher degree of predictability.

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National and local climate targets have now been defined by China, the EU and Australia, among others. In the USA, there is still a need for a long-term agreement on federal climate and energy targets to complement the green ambitions already defined by more than 30 states. The US subsidy scheme, the Investment Tax Credit, was, however, extended until the end of 2011.

Nevertheless, the global economic slowdown and the credit crisis have made some politicians reluctant to go through with climate investments. This gives rise to some concern as the necessity of action is clearly underlined by the fact that 2010, according to NASA, was the warmest year recorded in 130 years. The climate, the environment and the independence of scarce resources such as fresh water will henceforth drive political and economic developments, as exemplified by China's ever-larger investments in green technology. COP 16 in Cancun, Mexico, was yet another step in the right direction.

Vestas is confident that a fixed price on CO<sub>2</sub> would promote the necessary climate investments as it would provide industrial and financial investors with a higher degree of predictability than the present quota system, which leads to large fluctuations in the price of CO<sub>2</sub>.

## G20

At the G20 summit in Seoul, South Korea, in November, Vestas and other companies drew up proposals for the twenty heads of state and government, recommending how their countries can ensure strong, sustainable and well-balanced growth in the global economy in the years ahead. Vestas chaired the working group, which made four recommendations on how to create green jobs in the member states, which combined represent 85 per cent of the world economy:

- Put a fixed price on CO<sub>2</sub> which is sufficiently high to make people change their behaviour and investment decisions.
- Permit free trade in environment-friendly goods and services.
- Increase initiatives in cleantech research and development dramatically.
- Phase out government subsidies for fossil fuels no later than in five years.

### Failure is not an option

Vestas' mission, Failure is not an option, expresses the organisation's commitment to constantly seeking improvements and to consistently following up on and rectifying errors in a structured manner.

The mission also mirrors Vestas' uncompromising stance on safety, which is given top priority no matter what the context, because the customers demand it and the employees are entitled to it. Vestas has succeeded in reducing the incidence of industrial injuries from 25.3 per one million working hours in 2006 to 5.0 in 2010.

An important tool in ensuring ever-fewer injuries is "safety walks", in which managers physically inspect the workplaces, pointing out any inappropriate behaviour. In 2010, more than 16,000 such safety walks were conducted at Vestas' own facilities, sites, etc. In spite of these initiatives, unfortunately, two people employed by Vestas' business partners were killed in industrial injuries in 2010.

The ambition to attain a 6 Sigma quality level throughout the value chain no later than in 2015, underlines Vestas' commitment to constant improvement. At the end of 2010, Vestas and the vast majority of its suppliers had reached 5 Sigma, against 4 Sigma in 2008, which is one of the prerequisites for the long-term improvement of profitability. Vestas regularly establishes relations with new suppliers with a commitment to reach 6 Sigma in a joint effort with Vestas.

Vestas currently monitors more than 18,000 turbines, or more than 31,500 MW, round the clock, and this opens up for effective maintenance planning, higher uptime and performance of the turbines. This benefits customer earnings and Vestas' expenditure, as Vestas' service technicians are now able to service more than twice as many turbines as they were at the beginning of 2008. Knowledge about the output and general maintenance condition of each turbine is the cornerstone of Vestas' future growth.

### The Willpower

Vestas is driven forward by its employees, whose willpower, imagination and ability to constantly develop the technology and the organisation have made Vestas the industry leader. This is expressed in the sculpture entitled the Willpower, which has been placed at a number of the Group's locations. Reaching for the sky, it symbolises the willpower and passion possessed by the employees.

Vestas seeks to promote a culture characterised by independent initiatives and collaboration across professional and organisational boundaries and in which the dynamics and sense of responsibility that usually characterise a small company are retained. The solid foundation of the sculpture reflects the reliability, common sense and trustworthiness that is the cornerstone of all Vestas' activities.

Vestas' Code of Conduct is to ensure that all employees and other persons acting on behalf of Vestas know what is correct Vestas behaviour.

Vestas' standards and goals build on recognised framework agreements established by international organisations such as the UN, ILO and OECD. In 2009, Vestas joined the UN Global Compact initiative and follows the ten generally recognised principles in respect of human rights, labour rights, the environment and anti-corruption. Every year, Vestas will issue a progress report on Global Compact developments in the form of a sustainability report. The sustainability report also serves as Vestas' statutory statement on social responsibility. See Vestas' sustainability report on [vestas.com/aboutvestas/sustainability](http://vestas.com/aboutvestas/sustainability).

### Management focus

Vestas' management's overall focus is on customers, colleagues, Cost of Energy and shareholders. Success in these areas is a prerequisite

for retaining the leadership position in competition with some of the world's largest industrial conglomerates.

### Customers

Wind power is gaining support in more and more countries, with new customers as well as large international players investing in wind power plants. As wind power comes to represent an ever-growing proportion of the energy supply, considerably larger customers will account for a growing share of demand.

In 2010, when energy companies and utilities accounted for 46 per cent of revenue compared with 58 per cent in 2009 and 45 per cent in 2008, Vestas' revenue was distributed among 212 customers. The figures for 2009 and 2008 were 201 and 228, respectively. This development places heavy and increasing technical demand on the Vestas organisation.

### Key Account Management

One of the initiatives at Vestas is the introduction of Key Account Management, which is intended to improve services provided to the largest customers by offering them direct and swift access to Vestas through a central Key Account Manager.

In the past, Vestas was better organised to serve small, local customers, but in recent years, the company has made adjustments so that it now also cooperates with large utilities with international operations. Key Account Management provides a more professional approach to customer relations, increases customer loyalty and improves Vestas' competitive strength in an increasingly challenging market.

Vestas already has positive experience with Key Account Management, which in 2010 helped Vestas land its largest order to date: 1,500 MW with an option for another 600 MW, from Energias de Portugal Renováveis (EDPR), one of the world's leading utility companies dedicated to renewable energy.

Vestas also endeavours to become a more flexible and open business partner and is intensifying customer dialogue at all levels. Through much improved turbine reliability and much closer customer relations, Vestas, being a quality supplier, delivers Business Case Certainty to its customers. In this way, an investment in a Vestas wind power plant is comparable to an investment in a "green bond".

As part of these efforts, in 2010 Vestas launched "Wind Summits", a new concept for traditional customer visits. With this new concept, customers are given an in-depth view of Vestas' different competencies and product offerings and an opportunity to enter into detailed discussions and negotiations with Vestas' experts in a large number of areas pre-selected by the customer.

### Customer loyalty

As in previous years, Vestas conducted a loyalty survey among its customers. A total of 986 persons from 348 customers participated in the survey, against 684 persons from 155 customers in 2009. With a loyalty index of 64, Vestas' did not achieve its 2010 target index of 70. Five Sales Business Units made progress and two did not. The index in 2009 was also 64. Vestas has set a target customer loyalty index of 72 for 2011. The target for 2012 is a minimum index of 75, which is on a par with the best in the world.

### Colleagues

Since 2006, Vestas has recruited 10,943 employees, net, and at 31 December 2010, the 23,252 employees had an average seniority of 3 years and 11 months. With 22 per cent of the employees having less than one year's seniority, training and, in particular, retention of new and existing employees are key priority areas.

After having waited in vain for signs of an increase in activity in 2011 in the European market, where earnings are the highest, in October 2010, Vestas resolved to abolish 3,000 jobs, shut down five factories and implement cost savings in a number of administrative functions, primarily in Denmark where costs are the highest. The factories in Nakskov, Rudkøbing, Viborg and Skagen in Denmark and in Lidköping in Sweden have been closed.

In total, this resulted in the dismissal of 2,200 employees. In the first half of 2011, the remaining jobs will be abolished, especially in connection with the establishment of a number of shared service centres.

Vestas recruited 2,522 employees, net, in 2010. The lay-offs in Denmark offset the staff additions especially in the USA and China. At 31 December 2010, Vestas had 8,127 employees outside Europe and Africa.

Vestas will continue to apply the “people before megawatt” principle, because the costs of well-educated excess capacity are lower than the costs of remedying faults due to a rushed staff inflow caused by strong MW growth. Lay-offs are a measure of last resort for Vestas due to the substantial loss of know-how and experience associated with such lay-offs.

Due to enhanced efficiency, improved turbine performance and economies of scale, going forward, Vestas expects its headcount to rise at a lower rate than its business volume. This also applies to investments in new factory capacity as Vestas currently increases factory output. As a result, growth at Vestas is becoming more cost effective.

#### **Diversity**

As part of Triple15, Vestas aims, in terms of cultural versatility, to become a more international business with a much higher proportion of both non-Danish nationals and women employed in management positions. At the end of 2010, non-Danish nationals held 49 per cent of the positions in the top-3,000 and 19 per cent were women. In the period until 2015, the intention is for the number of women managers to rise and to increase the share of non-Danish nationals in management positions. Another aim is to have many nationalities represented at all locations which have a broad range of professional groups. Qualifications always have first priority.

#### **Employee satisfaction survey**

Each year, Vestas conducts an employee satisfaction survey. The result of the latest survey will be available after the first quarter 2011.

#### **Safety culture**

In accordance with Vestas’ mission, Failure is not an option, the ultimate goal is to reduce the number of industrial injuries to zero. For the fifth year running, in 2010 Vestas achieved the lowest incidence of industrial injuries ever.

Vestas must have world-class safety at all of its facilities and sites, and to achieve that Vestas will continue its comprehensive management training programme. The training programme is based on five safety principles that will guide the employees in their everyday work:

- Every hazard can be managed.
- All industrial injuries can be prevented.
- Management is accountable for safety.
- People are the most important component in a safety effort.
- Working safely is a condition of employment at Vestas.

A key component of the training effort is “safety walks”, in which the general management demonstrates visible involvement in safety aspects. To emphasise the priority given to safety, the incidence of

industrial injuries is one of the criteria in the global bonus scheme for managers and employees.

#### **Vestas’ global bonus scheme**

Most of Vestas’ employees are covered by a global bonus scheme aimed at consolidating a performance-based corporate culture. In Vestas’ business units, the disbursement of bonus for 2010 depended on the performance of each individual unit in a number of areas such as safety, production stability, unit costs, etc., which combined weighted 30 per cent, whilst the Group’s performance weighted 70 per cent. For employees in Group staff functions, the bonus depended exclusively on the Group’s performance relative to the expectations announced for the year.

As Vestas failed to meet its originally announced targets for 2010, the global bonus scheme will not lead to disbursements for 2010. For 2009, EUR 58.6m was disbursed and allocated between 21,997 employees.

To ensure a closer link between the performance of each individual employee and the bonus paid, the business units and their sub-departments now carry a higher weighting than previously. As a result, for many managers and employees, the Group targets for 2011 have a weighting of 30 per cent, against 70 per cent previously. In the operating units, targets such as safety, inventory days and local customer loyalty are included in the bonus.

For the Vestas Government, employees in Group staff functions and Senior Vice Presidents of the business units, the joint Group targets have a weighting of up to 100 per cent, and the business unit targets up to 30 per cent. The Group bonus targets for 2011 are an EBIT margin of 8.4 per cent (35 per cent weighting), a free cash flow of EUR 200m (30 per cent weighting), a customer loyalty index of 72 (20 per cent weighting) and revenue of EUR 7bn (15 per cent weighting).

The bonus disbursement is based on national legislation and is subject to local adjustments.

#### **Cost of Energy**

Vestas is making a dedicated effort to reduce the Cost of Energy measured both as the price of MWh and the environmental footprint. Vestas must consistently manufacture and service more robust and reliable wind power plants, thereby increasing the competitive strength and the value of wind power. The price per MW in 2010 was EUR 1m measured in terms of order intake. This was also the level in 2000. Because of ordinary inflation and price increases on fossil fuels during the period and as the turbines perform better and better, the price per kWh has fallen over the past ten years. Today, one onshore kWh from Vestas costs 4-7 eurocents.

The future expansion of wind power is underpinned by the fact that the price of fossil fuels and CO<sub>2</sub> emissions are expected to surge measured at constant prices due to population growth and increased consumption, especially in non-OECD countries. In its World Energy Outlook 2010 report, the International Energy Agency estimates that the price of a barrel of crude oil will rise by 64 per cent from 2009 to 2020. During the same period, the price of coal in OECD countries is expected to rise by 5 per cent, whilst the price of gas in Europe will increase by 57 per cent.

Vestas has a broad product portfolio, which is optimised regularly to ensure the best possible output and return from wind power plants under any wind and transmission conditions. The sale of V112-3.0 MW turbines commenced in 2010, and the first orders for a total of 600 MW for Australia and Germany have been announced. A special offshore edition of the V112-3.0 MW turbine was also released for sale in 2010.

The 6 MW offshore turbine, which is currently being developed, will reduce the Cost of Energy compared with all known competing products. Combined with the V112-3.0 MW offshore turbine, the development of the new 6 MW turbine underpins Vestas' commitment to offshore operations, in which Vestas had an estimated accumulated market share of about 45 per cent at the end of 2010. Of Vestas' total installed MW, offshore turbines accounted for 3 per cent at the same time.

#### As green as it gets

In 2008, Vestas resolved to step up its environmental efforts under the "As green as it gets" principle, and in 2009 the company joined the UN Global Compact. Since then, Vestas has implemented a green electricity, a green car and a green building policy.

Wind power plants generate power without emitting CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub> and without consuming any water. Vestas will also make wind turbine production as green as possible, partly in order to save money, partly to maintain the industry's most sustainable production and thereby strengthen its competitiveness in the long term.

Open and honest communication is a key factor in the work to reduce the environmental footprint. Vestas is therefore proud to note that the renowned Dow Jones Sustainability Index has included Vestas in its Renewable Energy Equipment Index, and Vestas is also a component of the Carbon Disclosure Europe 300 Leadership Index.

For more information on Vestas' environment initiatives, see the sustainability report on [vestas.com/aboutvestas/sustainability](http://vestas.com/aboutvestas/sustainability).

#### Life cycle assessment

For more than ten years, Vestas has systematically applied life cycle assessments to identify the environmental footprint of the wind turbines throughout their lifetime, including manufacture, transport and dismantling of the turbines. The assessments identify, evaluate and focus on the potential environmental improvements. Over a turbine's lifetime, it only emits 5-8 grams of CO<sub>2</sub> per kWh produced, including the energy-intensive production of steel, which represents the biggest single raw material used in a wind turbine.

Vestas' new V112-3.0 MW turbine is energy-neutral after approx eight months of operation. This means that, after eight months, the

turbine has generated as much renewable energy as Vestas and its suppliers spend on manufacturing, transporting, installing and dismantling the turbine again after 20 years. After this period and during its remaining lifetime, a V112-3.0 MW turbine causes about 180,000 tonnes fewer CO<sub>2</sub> emissions compared with average, conventional electricity production. To this CO<sub>2</sub> saving should be added reduced emissions of NO<sub>x</sub>, SO<sub>x</sub> and other harmful substances.

#### More MWh per kilogram turbine

The relationship between consumption of materials for manufacturing a wind turbine and the energy subsequently generated by the turbine is pivotal for the environmental impact. Vestas' large-scale investments in development and research must therefore lead to more "MWh per kilogram turbine" in order to reduce Vestas' impact on the environment, the climate, Earth's resources and its surroundings in general. Measured using these parameters, Vestas' new V112-3.0 MW wind turbine outperforms the V90-1.8 MW turbine, which has also been developed for low and medium winds, by more than 30 per cent.

At the same time, Vestas endeavours to ensure that as much of the product as possible can be recycled. 80 per cent of a V112-3.0 MW wind turbine on an 84-metre tower can be recycled, thus significantly reducing the wind turbine's overall environmental impact.

For further details, see non-financial issues on page 65, Vestas' sustainability report for 2010 or [vestas.com/aboutvestas/sustainability](http://vestas.com/aboutvestas/sustainability), where all the lifecycle assessments are available. For information about environmental factors for factories and sales units, reference is made to [data.vestas.com](http://data.vestas.com).

#### Shareholders

At the end of 2010, Vestas had 157,342 registered shareholders, including custodian banks.

The registered shareholders held 92 per cent of the company's share capital. At the end of 2010, more than 152,000 Danish shareholders owned more than 38 per cent of Vestas, which has a free float of 100 per cent. BlackRock, Inc., USA, and Capital Research and Management Company, USA, reported a shareholding that exceeded five per cent, as per 6 and 21 September 2010, respectively.

#### Improved quality, strengthened R&D efforts and regionalisation

	2010	2009	2008	2007	2006
Order intake (bnEUR)	8.6	3.2	6.4	5.5	4.9
Order intake (MW)	8,673	3,072	6,019	5,613	5,559
Produced and shipped (MW)	4,057	6,131	6,160	4,974	4,313
Deliveries (MW)	5,842	4,764	5,580	4,502	4,239
Revenue (mEUR)	6,920	5,079	5,904	3,828	4,179
Gross margin (%)	17.0	16.5	19.1	15.3	11.1
Warranty provisions (%)	2.8	5.8	4.5	6.6	3.6
EBIT margin before one-off costs (%)	6.8	4.9	10.4	5.3	4.9
Net working capital (%)	9.7	6.2	(1.2)	(10.7)	0.3
Return on invested capital before one-off costs (%)	10.8	9.5	43.4	21.3	14.4
Investments (mEUR)	(789)	(808)	(680)	(317)	(144)
Free cash flow (mEUR)	(733)	(842)	(403)	384	454
Number of employees, year-end	23,252	20,730	20,829	15,305	12,309
- of which, outside Europe	8,127	6,569	5,320	3,232	2,025
Number of R&D employees, year-end	2,277	1,490	1,345	650	519

For additional information about ownership and capital structure, see shareholders and the stock exchange, page 59.

Vestas seeks to have an international group of shareholders and to inform everyone openly about the company's long-term targets, priorities and initiatives conducted with due consideration to the short-term opportunities and limitations.

Information about the company's management structure, including general meetings, composition of the Board of Directors and Executive Management including fiduciary positions, and information about the statutory corporate governance report, see corporate governance, page 35.

## Business development

### New products and services

Based on the wind turbine industry's most comprehensive test facilities, the V112-3.0 MW turbine is the most thoroughly tested turbine, Vestas ever has sent to the market. The fact that the V112-3.0 MW turbine is extensively based on well-known and improved components underlines Vestas' dedication to offering its customers the most reliable electricity production, the lowest Cost of Energy and the highest possible security in terms of a return on their investment.

Thoroughly tested technology is also a characteristic of the V100-1.8 MW turbine, which is developed on the basis of the existing 2 MW platform. With their large rotor diameter relative to generator size, the V112-3.0 MW and the V100-1.8 MW turbines are both developed to ensure optimum output at low and medium winds, which account for about 75 per cent of the world's wind resources.

### Track record by turbine type

	Installed in 2010		Accumulated installed	
	Number	MW	Number	MW
V52-850 kW	340	289	3,764	3,199
V60-850 kW	15	13	15	13
V80-1.8 MW	0	0	1,016	1,829
V80-2.0 MW	267	534	2,981	5,962
V82-1.5 MW	0	0	213	320
V82-1.65 MW	273	450	2,883	4,757
V90-1.8 MW	269	484	572	1,029
V90-2.0 MW	763	1,527	3,286	6,544
V90-3.0 MW	834	2,502	2,170	6,510
V100-1.8 MW	20	36	20	36
V112-3.0 MW	2	6	2	6
Other	1	1	26,511	13,909
<b>Total</b>	<b>2,784</b>	<b>5,842</b>	<b>43,433</b>	<b>44,114</b>

With the V112-3.0 MW turbine, Vestas also introduced one-on-one marketing tailored and personalised to selected existing and potential customers and energy consultants, legislators and financial advisers. The campaign is based on global as well as local media and direct marketing and also encompasses a dedicated website, worldofwind.vestas.com, tailored to customers and other stakeholders.

Focusing on maximum output and return from the wind power plants through meticulously planned service inspections, Vestas' service organisation helps ensure more satisfied customers. This has been achieved concurrently with the Group building a more profitable service business.

This development continued in 2010, when Vestas performed the first pilot tests with the launch of Lean principles in the service departments in Vestas Americas and Vestas Asia Pacific. Initial results have been successful: with an inventory reduction of 35 per cent, Lean positively affected Vestas' free cash flows, reducing capital tied up in inventories.

Since the beginning of 2008, Vestas has invested substantial resources in enhancing the service organisation's efficiency and, by extension, the reliability of the wind power plants. Lost Production Factor, which is the share of the potential wind not harvested by the turbines, was substantially reduced in 2010 on the turbines for which Vestas provides a guaranteed performance. Measured over the past 12 months, the average Lost Production Factor was 2.8 per cent.

Vestas increasingly realigns its service contracts to customer wishes. In 2010, Vestas extended service contracts in respect of approx 3,000 MW, and nearly all contracts for new turbines were accompanied by a service contract. These contracts run for up to 18 years. At the end of 2010, Vestas' service contracts comprised approx 31,000 MW, corresponding to three quarters of the total installed MW.

Established in 2009, Vestas Spare Parts & Repair supports all of Vestas' operational service units and will contribute to further operational improvements and better lead times for spare parts and repairs. Responsible for the global supply of spare parts to and repairs of key components for Vestas' service organisation, this unit is headquartered in Randers, Denmark, and has departments in Bristol, UK, and in Barcelona, Spain.

Every day brings an increase in the number of wind turbines monitored. At the end of 2010, these turbines accounted for three quarters of Vestas' total installed capacity. Analyses of data from the turbines which combined represent the world's largest wind power plant also provide input for the design of upgrade packages which, subject to service contracts concluded, are implemented or offered in connection with software upgrades for turbines already installed.

Vestas expects that the service business will grow at least as fast as the sale of wind turbines. Vestas is considering to offer maintenance of turbines manufactured by its competitors. In 2006, service revenue amounted to EUR 21.4m, whilst in 2010 it amounted to EUR 62.3m.

### Organisational changes

In order to improve the company's competitive strength in the years ahead, it is pivotal that Vestas' organisation can effectively handle future growth and avoid a similar increase in costs and complexity.

Consequently, Vestas has aligned the Group's business units to ensure consistency of structure, departments, job descriptions and work procedures across the Group. The changes increase transparency, ensure a clear distribution of responsibilities, reduce Vestas' response time and lower the cost level.

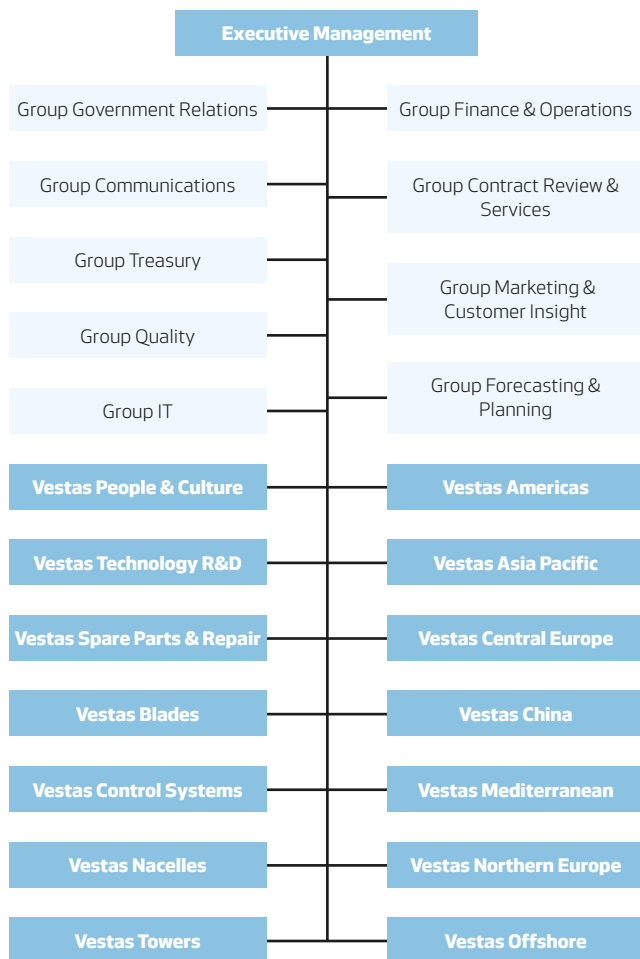
In 2009, the alignment was implemented in Vestas' four Production Business Units. In 2010, Vestas aligned all the Sales Business Units, the Group staff functions and Vestas Technology R&D. At the same time, Vestas decentralised its operations and allocated more decision-making power and responsibility to the operating units, which will henceforth be served by a number of shared service centres in the areas of bookkeeping, finance, IT, HR administration, marketing, etc.

### Regionalisation

Vestas has regionalised its production platform under the principle "In the region for the region". The transfer of the production from Europe to the USA and China will ensure lower production and transport costs,







shorter distances to customers, politicians and markets, providing a natural currency hedge between income and expenses.

Vestas previously manufactured turbines in Europe to transport them to other regions such as North America, but in 2011, 80-90 per cent of a Vestas turbine will be manufactured locally, including components from suppliers.

In the USA, Vestas opened a nacelle factory and a tower factory in the state of Colorado in 2010. In 2011, another blade factory for manufacture of blades for the new V112-3.0 MW turbine will be opened. The factory will complement the existing blade factory in Colorado. This will enable Vestas to accommodate demand in the North American market in the most cost effective way.

Combined with new products and services, more balanced capacity utilisation over the year, higher productivity and economies of scale as well as new markets, the regionalisation is to help ensure that Vestas reaches Triple15.

#### Knowledge resources

As Vestas is a heavy industry enterprise offering a high-technology product, its employees have very extensive know-how and skills. As

part of the efforts to further professionalise Vestas, these skills and all the necessary processes are mapped in order to anchor know-how in the company and make Vestas as independent of single individuals as possible.

In order to retain its technological industry leadership position, in 2010, Vestas further intensified its collaboration with leading universities and other research-intensive educational institutions.

#### Suppliers

Vestas works closely with its suppliers to improve the professional level of the supply chain, enabling the supply of components at competitive prices that reflect the quality and timeliness of the delivery. Against this background, in 2005, Vestas launched Six Sigma as the Group's key quality improvement tool. The system has been implemented at Vestas' own factories and at its suppliers and is aimed at harmonising processes and, by extension, the quality level.

Six Sigma provides a common and uniform approach to innovation and process design, with the goal being continuous improvements that build on the systematic collection of data. In close cooperation with each supplier, Vestas identifies central specifications that are crucial for product reliability and performance. These parameters are monitored in an ongoing process with a view to launching improvement initiatives.

#### Efficiency improvements

Optimised resource utilisation and greater productivity are prerequisites for Vestas to retain its competitive strength, minimise the environmental footprint of its own production and retain its market-leading position. Vestas must reduce its inventories without increasing the time from receipt of order to shipment and installation.

Using the Lean and Six Sigma productivity systems, Vestas ensures a uniform approach to production, including joint processes for improvement initiatives which facilitate the identification of synergies and exchange of best practice experience between factories and business units. The goal is to achieve world-class production – and the potential is considerable.

In order to ensure the necessary employee involvement, both management and factory employees receive Lean and Six Sigma training, thus contributing to building a corporate culture in which all employees consistently endeavour to improve the quality and reduce lead times, costs and errors.

At the end of 2010, more than 10,000 employees had participated in improvement initiatives concerning Lean and Six Sigma.

In 2010, Vestas continued to build on the improvements achieved in the preceding years. For example, Vestas Spare Parts & Repair implemented a full Lean conversion, significantly improving lead times for Vestas' key components.

At all future factories, operations will be planned in accordance with the new principles from the onset of production.

In order to ensure a more effective and transparent supply chain, Vestas optimises and harmonises all processes, measuring units and the IT infrastructure as well as employee skills across its production units. In this way, Vestas improves the possibility of communicating across the organisation, leading to greater mobility among Vestas' employees.

#### Patents

Protecting the large number of technologies developed by Vestas is paramount for Vestas to retain its technology leadership position in

the industry. As in the preceding years, Vestas scaled up its patent investments, increasing the number of applications from 165 in 2009 to 227 in 2010. Vestas expects to maintain the high level in the years ahead. Longer term, the leadership position can only be retained through innovative thinking in terms of turbine design, production, services, transport and the like.

Vestas was not involved in litigation concerning patents and/or other intellectual property rights in 2010.

### Development facilities

In order to retain its technology leadership position, Vestas invests heavily in development facilities and human resources. In 2010, Vestas increased the headcount in Vestas Technology R&D from 1,490 to 2,277 employees. In 2011, Vestas only projects a small increase in the number of R&D employees.

Combined with the centres in Denmark, the UK, India, Singapore, Germany and the USA, the new R&D centre in Beijing, China, enables Vestas to attract skilled and dedicated employees in all important markets.

Vestas Technology R&D Center China will initially employ approx 100 staff and it already collaborates with renowned universities, research institutions and energy companies in China. In 2012, the centre is expected to employ more than 200 engineers and specialists.

Furthermore, in 2010 Vestas established a new R&D centre in Louisville, Colorado, USA. The extension of the blade technology centre on the Isle of Wight, UK, commenced in 2009. The centre is expected to be completed by the third quarter of 2011. Finally, the extension of Vestas Technology R&D's headquarters in Aarhus, Denmark, was completed in May 2010. At the end of 2010, this facility employed a total of 785 Vestas employees and about 100 staff from Vestas' collaborative partners.

In 2010, Vestas spent a total amount of EUR 372m on wind power technology development. Going forward, Vestas will continue to invest the necessary funds in retaining its technology leadership position.

The target for Vestas' development activities is to have the lowest Cost of Energy measured partly as the price per MWh, partly as the total environmental costs. A high output per kilogram turbine and the use of easily accessible and unlimited raw materials is the foundation for all Vestas' development initiatives. The goal is to recycle a wind turbine completely at the end of its lifetime. That is currently not possible.

## Risk management

### Commercial risks

In 2010, Vestas further improved its risk management process relating to production, sales and financial reporting. Enterprise Risk Management was integrated in all business units, ensuring systematic identification and handling of relevant risks throughout Vestas' value chain. The enterprise programme is to improve the handling of disruptions of Vestas' operations.

The increasingly standardised approach to risk management meant that the expected decline in insurance premiums was achieved in 2010, whilst Vestas achieved significantly improved coverage and insurance conditions.

### Suppliers

Vestas continuously extends collaborations with its suppliers. The product development process has been improved to ensure integrated product development in liaison with customer, sales and production units as well as suppliers. By involving relevant stakeholders early in

the process, Vestas is able to strengthen the entire value chain from a quality, value and risk perspective.

Management teams with extensive experience within certain components are responsible for strategies and execution within their specific product areas. This enables Vestas to better manage critical risks in relation to component procurement. Limitations at suppliers have been resolved through gradual replacement of materials used in key turbine components and through continuing competence-building and risk management procedures at the suppliers. In addition, Vestas regularly follows up on the financial standing of existing and potential suppliers.

The credit crisis has triggered component abundance, but the abrupt slowdown in market growth in the short term also represents a financial challenge to a number of suppliers. Vestas aims to always have at least two suppliers of all components; in the majority of cases, this goal is currently accomplished.

### Products

As part of its product development efforts, in 2010 Vestas increased its focus on continuous improvements of products and processes.

Vestas Technology R&D recently completed a restructuring dividing all product platforms into separate units with built-in quality functions and a more distinct management structure.

### Product quality

Quality and reliability are key competitive parameters for Vestas. Data reliability in all Vestas processes is a precondition for continuous quality improvements. The launch of SAP helps ensure swift and uniform reporting across the units, facilitating effective management at all levels. These efforts will continue.

### Sales

The investments in building closer customer relations continued in 2010. These efforts are rooted in the Key Account Management programme, which is now beginning to show results. In 2010, Vestas substantially increased its order intake from Key Account customers compared with 2009. However, the comprehensiveness of the collaboration is still not satisfactory.

Even though Vestas retains its strategy of being independent of single customers and single markets, developments are continuing towards a market dominated by large utility companies with multi-market operations.

Vestas experienced a record year in 2010. The defined target of an order intake of 8,000-9,000 MW was met with a total order intake of 8,673 MW at a value of EUR 8.6bn. Europe and Africa accounted for 49 per cent, the Americas for 29 per cent and Asia Pacific for 22 per cent of the realised order intake in terms of MW. In 2010, the average order was for 28 MW, the biggest one being the 1,500 MW order from EDPR. The smallest order was for 1 MW. The ten largest customers accounted for 46 per cent of the order intake in 2010.

### Production

In recent years, Vestas has focused on reducing risks and waste in production. For example, in 2010 Vestas commenced construction of three new building projects, all three meeting the LEED platinum verification, the highest standard available.

Moreover, continuing efforts to harmonise processes ensure efficiency in all links of the supply chain. This structure is the foundation for a complete integration of Enterprise Resource Planning and Business Intelligence systems, which will improve management's basis for decisions.

Finally, the streamlining of the production units has defined clear interfaces in and between the various function areas, reducing the likelihood of double work and lack of prioritisation.

#### Transport

Vestas collaborates regularly with selected transport suppliers, globally as well as regionally. In 2010, special attention was paid to improving global transport processes and the relevant IT solutions and to limiting potential damage in critical areas.

Vestas consistently develops new ways of transporting its products. Longer term, Vestas intends to shift more goods onto railways to save money and reduce CO<sub>2</sub> emissions. In 2010, Vestas incurred expenses of EUR 287m for outgoing shipments, against EUR 511m in 2009. The decline was due to savings and fewer transports.

#### Corporate Social Responsibility (CSR)

Socially and politically unacceptable behaviour could cause comprehensive damage to Vestas' reputation and, by extension, to its growth and earnings. Prevention of industrial injuries, minimum emissions and climate impact and anti-corruption are at the top of Vestas' agenda, which is underpinned by a number of initiatives:

- Development and implementation of a global supplier evaluation tool for production units, working environment and human rights and anti-corruption.
- All new employees must attend Code of Conduct e-learning as part of their introduction to Vestas. Selected employees attend special e-learning modules on business ethics.
- Signing of the World Economic Forum's partnership against corruption to further underline the zero-tolerance policy for bribery.
- EthicsLine comprises reports and questions from employees, and from 2011 it will also be available to Vestas' business partners.

#### Legislation

Inexpedient legislation and rules represent a challenge to Vestas. Globally and locally, the dedicated efforts of Vestas' Government Relations have improved the legislative stability that is a prerequisite for Vestas to achieve its sales targets in the short and the long term.

The movement towards protectionism in the cleantech industry increases the risk of a retaliation spiral at a time when the global economic recovery remains weak. In response, Government Relations has, among other things, increased its focus on trade barriers, communicating Vestas' viewpoints in international trade organisations such as the EU and the WTO. Protectionism makes cleantech solutions more expensive, defers the necessary climate measures and thereby pushes up the overall costs associated with climate change for everyone.

By introducing local Government Relations departments in its Sales Business Units, Vestas now has frontline lobbyists who actively contribute to permanent solutions specifically supporting local Vestas targets.

#### Reputation

A strong reputation leads to greater loyalty, more recommendations, easier recruitment and ultimately higher sales and earnings. Consequently, a good reputation is of major strategic importance to Vestas and the wind power industry in general.

Annual measurements of the quality and strength of Vestas' reputation among its principal stakeholders are made to ensure that Vestas develops its position in the right direction and build goodwill in society in general.

#### Financial risks and internal control environment

The overall responsibility for the Group's risk management and internal control environment in relation to financial reporting rests with Vestas' Board of Directors and Executive Management, including compliance with applicable legislation and other financial reporting regulations.

The Board of Directors, the Audit Committee's and the Executive Management's position on good risk management and internal controls in relation to financial reporting is regularly emphasised in Vestas. Risk management and the internal control environment are developed and enhanced in an ongoing process in order to consistently accommodating the needs of a company undergoing strong international growth.

Vestas' risk management, including internal controls in relation to the financial reporting process, is designed with a view to effectively minimising the risk of errors and omissions.

#### Control environment

At least once a year, the Board of Directors assesses whether the Group's organisational structure and staffing in key areas are appropriate with consideration to Vestas' goals and challenges.

Vestas' Board of Directors and Executive Management establish and approve overall policies, procedures and controls in key areas, not least in relation to the financial reporting. This requires a well-defined organisational structure, unambiguous reporting lines, authorisation and certification procedures and adequate segregation of duties.

Each year, Vestas' Board of Directors and Audit Committee assess the need for an internal audit function. Vestas believes that there is no need for an internal audit function because a number of the assignments that would normally be undertaken by internal audit are handled by an internal compliance department, which is part of Group Finance & Operations and reports directly to the Audit Committee.

The Executive Management monitors compliance with relevant legislation and other financial reporting regulations and provisions in connection with the financial reporting. Findings are reported continuously to the Audit Committee and the Board of Directors.

#### Financial risks

Based on Vestas' risk management policy, Group Finance & Operations prepares a description of the key risks relating to financial reporting and measures taken to control such risks.

Group Finance & Operations works actively with anchoring risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks

As part of the risk assessment, Vestas' Board of Directors and Executive Management twice annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risks, including assessing any possibility of the general management overriding controls and manipulating the financial reporting.

#### Control activities

Group Finance & Operations is responsible for the implementation and monitoring of Vestas' global financial processes. This helps to ensure a uniform design and structure of the Group's internal controls. The objective of the Group's control activities is to ensure compliance with the targets, policies, manuals, procedures, etc. defined by the Executive Management. Furthermore, the activities help ensure that any errors, deviations and shortcomings are prevented, discovered and rectified.

Vestas continuously implements global financial processes and controls for all units and functions aimed at further mitigating the risk of incorrect reporting.

#### **Information and communication**

Vestas' internal rules, adopted by the Board of Directors, lay down, among other things, overall requirements on financial reporting and external financial reporting in accordance with current legislation and applicable regulations.

The information systems are designed to identify, collect and communicate relevant information, reports, etc. on an ongoing basis and on all levels to facilitate an effective, reliable workflow and the performance of controls. This is done with due consideration to the confidentiality required in a listed company.

#### **Monitoring**

Monitoring takes place by means of regular and periodic assessments and controls at all levels of the Group. The scope and frequency of such periodic assessments depend mainly on the risk assessments and on the effectiveness of the regular controls.

In 2007, Vestas established a whistleblower function, which was relaunched under the name EthicsLine in 2009. The purpose of the function is to ensure that no information is suppressed or remains undisclosed, and it provides access for employees, and from 2011 also business partners, to report any incidence of neglect, illegal acts or acts that are contrary to Vestas policies and guidelines.

Vestas' Board of Directors and Audit Committee receive reports from the management on compliance with the guidelines, etc. in relation to any noted weaknesses, omissions or cases of non-compliance with adopted policies, business procedures or internal controls.

#### **Other financial risks**

##### **Currency**

The business activities of Vestas involve exchange rate risks linked to the purchase and sale of goods and services outside the euro zone. Vestas pursues a policy of hedging exchange rate risks as soon as a commitment in foreign currency has been agreed. However, this applies only to net exposure in each individual currency. Exchange rate risks are primarily hedged through foreign exchange forward contracts.

Exchange rate adjustment of investments in subsidiaries and associated companies abroad is taken directly to shareholders' equity. Vestas believes that continuous exchange rate hedging of such long-term investments is not the optimal solution with regard to balancing total risk against total cost.

In combination with a higher degree of sourcing from countries whose currencies are not linked to the EUR, the investments in the USA and China ensure an improved currency mix between income and expenses, making Vestas less sensitive to fluctuations in currencies such as the USD relative to EUR.

##### **Interest rate and liquidity risks**

Group Treasury is in charge of ensuring that substantial capital resources are in place at all times through a combination of liquidity management, non-committed and committed credit facilities and other debt instruments. Vestas manages its liquidity risk through cash pool systems in various currencies and by using short-term overdraft facilities in a number of financial institutions.

Longer term, Vestas expects to be able to finance its organic growth through cash flows from operations, although the credit crisis neces-

sitated drawings on the bank facilities, supplemented by a euro-denominated bond for EUR 600m issued in March 2010 and listed in Luxembourg. In addition, Vestas has a loan for EUR 250m with the European Investment Bank and a loan for EUR 55m with the Nordic Investment Bank.

Vestas' primary interest rate risk consists of interest rate fluctuations, which may influence the Group's debt and lease obligations. Managing the interest risks involves the monitoring of duration and maximum interest rate risk on Vestas' net debts. Vestas uses hedging instruments to limit interest rate risks.

Vestas' ambition is to have a net interest-bearing debt/EBITDA which does not exceed 2:1, as at the last day of each financial year. It is still the intention of the company to have a robust balance sheet and to ensure a clear investment grade profile.

The net interest-bearing debt/EBITDA ratio replaces solvency ratio as the yardstick for the company's capital structure.

At the end of 2010, the net interest-bearing debt amounted to EUR 579m, and EBITDA for the year was EUR 747 before one-off costs which translates into a net interest-bearing debt/EBITDA ratio of 0.8.

##### **Tax risks**

Vestas pursues an active, but not an aggressive, tax policy. Based on its broad, international production and sales platforms, Vestas maintains a well-documented transfer pricing system that gives a true and fair view, ref. international rules based on the OECD guidelines and local legislation. However, transfer pricing may always be challenged due to the interpretation of international guidelines adopted by local authorities.

##### **Credit risks**

The financial crisis has sharpened Vestas' focus on customers' ability to pay. In addition, Vestas is exposed to credit risks in connection with delivering products to customers in certain countries. Developments in the customer portfolio towards a greater proportion of large, international enterprises will to some extent reduce this risk. Receivables are typically hedged by payment guarantees. At 31 December 2010, Vestas' due receivables amounted to EUR 81m.

The use of financial instruments involves a risk that the counterparty may not be able to meet his obligations at maturity. Vestas minimises this risk by only using financial institutions with high credit ratings. The banks must have a long-term credit rating from Standard & Poor's (A), Moody's (A2) or Fitch (A). Furthermore, Vestas has in-house limits as to the size of the Group's balance with a single bank.

##### **Commodity risks**

To minimise the potential impact and reduce risks in connection with fluctuations in prices of commodities such as copper and nickel, Vestas has entered into long-term agreements with fixed prices covering parts of Vestas' needs.

In general, however, Vestas seeks to incorporate commodity price developments into its sales contracts. The final project price typically depends on developments in a number of key parameters, especially commodity prices. Where a customer seeks certainty for the final project price, this is reflected in a premium that compensates Vestas for the risk undertaken. This means that Vestas' earnings on contracts is relatively robust towards fluctuating input prices.

The increasing steel prices may have a negative impact on the earnings on new projects.



# Why change of accounting policies?

By PricewaterhouseCoopers

Vestas has changed its accounting policy for revenue recognition in 2010. As auditors of the Company, we believe that this change was required, and we have therefore recommended that the Board of Directors and Executive Management incorporate the new accounting policy with effect for the 2010 financial year.

Under the new policy, revenue from contracts on which Vestas delivers as well as installs wind turbines is recognised at the time of delivery of the finally installed wind turbines to the customers. This implies that revenue and earnings are not recognised in the financial statements until the risk of the finally installed wind turbines has been transferred to the customer. Previously, revenue and earnings on the contracts were recognised at the rate of completion of work.

## Why change of policy?

As a Danish listed company, Vestas is required to comply with International Financial Reporting Standards (IFRS) and related interpretations (IFRIC).

The change of policy implemented is due to the development in International Financial Reporting Standards and specifically IFRIC 15 which regulates when revenue may be recognised in the financial statements.

We have assessed IFRIC 15 in the context of the Group's contracts and, in our opinion, the interpretation is of relevance to Vestas, and the Group's contracts for delivery and final installation of wind turbines are comprised by the changed financial reporting regulations.

The interpretation takes effect on 1 January 2010, and we have therefore recommended that the change be implemented for 2010.

In June 2010, a draft IFRS for revenue recognition was issued with comment letter deadline on 22 October 2010. In its present wording, the draft supports the principles for revenue recognition now adopted by Vestas as a result of the change of policy. The final standard is expected to be issued in the first half year of 2011.

Fundamentally, the changed accounting regulations imply that revenue cannot be recognised until the risks and rewards of the wind turbines are transferred to the customer who thus achieves control of the wind turbines. Typically, this does not occur until the wind turbines have been finally installed.

## The effect on the financial statements

In consequence of the change, revenue is recognised at a later time than under the previous policy. Another element of the change is that product warranties are now separated from the service contracts, which increases provisions for warranties. This means that expected future warranty expenses are recognised at an earlier stage than under the previous accounting policy and now in connection with recognition of revenue from the sale of the wind turbines.

The changes do not affect the Group's cash flows, only the timing of the recognition of revenue and expenses in the annual report. As revenue from the contracts in question is recognised later and warranty expenses earlier, the Group's equity has been reduced due to the change of policy.

The financial effect of the changed accounting policy for the first nine months appears from Vestas' company announcement No. 44/2010 of 22 November 2010. As the Group has changed its recording systems due to the implementation of the changed accounting policy, the total effect for the 2010 financial year cannot be calculated.

With the change of policy, the policy for revenue recognition is aligned to that applied for the contracts on which Vestas only delivers wind turbines; revenue and earnings from these contracts are recognised at the time of delivery and transfer of risk of the wind turbines to the customer, which is unchanged from previously.

Going forward, Vestas will thus only apply revenue recognition at the rate of completion of work to turnkey contracts, which involve that Vestas delivers a turnkey, customised project including development and infrastructure work.

The change of policy has been incorporated in the annual report for 2010 with restatement of comparative figures as well as key figures and ratios in the 5-year summary.

PricewaterhouseCoopers

Lars Holtug  
State Authorised  
Public Accountant

Claus Lindholm Jacobsen  
State Authorised  
Public Accountant

## Vestas' financial performance

### Level of activity

In 2010, Vestas produced and shipped 2,025 wind turbines with an aggregate capacity of 4,057 MW, against 3,320 wind turbines totaling 6,131 MW in 2009. A total of 5,842 MW was delivered to Vestas' customers, against 4,764 MW in 2009, which explains the substantial revenue increase. At the end of 2010, Vestas has installed a total of 43,433 turbines with a combined capacity of 44,114 MW since 1979.

The order intake for the year was 8,673 MW, of which 93 per cent was announced publicly. This marked the largest intake of orders in Vestas' history. The 2009 order intake was 3,072 MW. The increase was even more pronounced in 2010 because the 2009 order intake was impacted by the global credit crisis, which delayed a number of projects. The backlog of orders amounted to 7,622 MW at the end of 2010, against 5,015 MW at the end of 2009. Europe and Africa accounted for 22 per cent of the backlog of orders, the Americas and Asia Pacific for 65 per cent and 13 per cent, respectively, at the end of 2010. Longer term, Vestas expects a more even distribution between the regions. The value of the backlog of firm and unconditional orders amounted to EUR 7.7bn at 31 December 2010.

At the end of the year, turbine projects with a total output of 1,984 MW were under completion, which has a short-term negative impact on the revenue and earnings as the bulk of these projects cannot be recognised until the turbines have been finally handed over to the customers.

### MW overview per region

	Europe and Africa	Americas	Asia Pacific	Total
MW under completion, 1 January 2010	2,883	315	571	3,769
MW delivered to customers during 2010	(3,111)	(1,482)	(1,249)	(5,842)
MW produced and shipped during 2010	1,474	1,458	1,125	4,057
<b>MW under completion, 31 December 2010</b>	<b>1,246</b>	<b>291</b>	<b>447</b>	<b>1,984</b>

Vestas operates with three types of contracts: supply-only, supply-and-installation and turnkey. Revenue from supply-only and supply-and-installation orders is not recognised until the projects have been finally handed over to the customer. Revenue from turnkey orders, which accounted for 6 per cent of revenue in 2010 exclusive of service, is recognised as earned. There are no differences between the contract types in terms of the payment profile.

### Income statement

#### Revenue

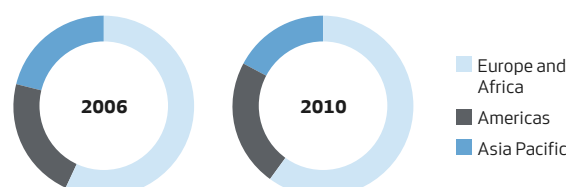
Revenue increased by 36 per cent to EUR 6,920m in 2010, which is in accordance with the expectations. Europe and Africa accounted for 60 per cent of revenue whereas the Americas and Asia Pacific accounted for 24 per cent and 16 per cent, respectively.

Revenue in the service business amounted to EUR 623m in 2010, an increase of 24 per cent relative to 2009. The service business EBIT margin was 14 per cent.

Due to the extensive term of construction for many large projects, the bulk of Vestas' revenue derives from wind turbines manufactured and shipped in previous financial years. As a result, there may be large quarter-on-quarter fluctuations in revenue and earnings because each project is typically recognised all at one time instead of consecutively. However, Vestas receives most of its payments before the projects are handed over to the customers and recognised as income.

### Distribution of revenue 2010 (mEUR)

Europe and Africa	4,162
Americas	1,626
Asia Pacific	1,132
<b>Total</b>	<b>6,920</b>



### Gross profit and EBITDA

Vestas' gross profit amounted to EUR 1,175m in 2010, against EUR 836m in 2009. EBITDA before one-off costs rose by 59 per cent from EUR 469m in 2009 to EUR 747m in 2010, which translates into an EBITDA margin of 10.8 per cent. Depreciation and amortisation rose by EUR 61m to EUR 272m due to large investments in recent years.

### Research & development costs

In 2010, research and development spending amounted to EUR 372m, against EUR 249m in 2009. Of this amount, EUR 292m was capitalised in 2010, against EUR 199m in 2009. Large quarter-on-quarter and year-on-year fluctuations in the proportion of capitalised development costs may occur. The increase in research and development spending was attributable especially to the headcount increase of 787, equal to 53 per cent in 2010, and the fact that prototypes of the V112-3.0 MW turbine were installed.

### Selling and distribution expenses

Selling and distribution expenses rose by 16 per cent to EUR 206m in 2010 from EUR 178m in 2009.

### Administrative costs

In 2010, administrative expenses amounted to EUR 351m, against EUR 315m in 2009.

### Operating profit

As per expectations, the Group reported an operating profit before one-off costs (EBIT) of EUR 468m in 2010, an increase of EUR 217m, or 86 per cent on 2009. The EBIT margin before one-off costs was 6.8 per cent in 2010, against 4.9 per cent in 2009. The profit for the year reflects the profitability of the projects handed over, Vestas' fixed costs and the low capacity utilisation. One-off costs of EUR 158m relating to the closure of factories and staff lay-offs were expensed in the fourth quarter. The Group reported an operating profit of EUR 310m in 2010 including one-off costs, equivalent to an EBIT margin of 4.5 per cent.

### Financial items and tax

Financial items in 2010 represented a net expense of EUR 72m, against a net expense of EUR 48m in 2009. The increase was driven primarily by higher borrowing costs and exchange rate adjustments.

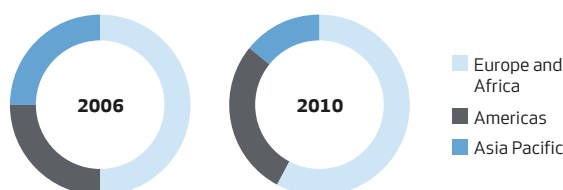
Tax matters, see notes 11 and 16 to the consolidated accounts.

### Balance sheet

Vestas' total assets declined to EUR 7,066m in 2010 from EUR 7,959m in 2009.

## MW delivered

	2010	2009
<b>Europe and Africa</b>		
United Kingdom	533	122
Sweden	358	144
Germany	261	320
Italy	248	419
Romania	228	43
Bulgaria	219	64
France	212	157
Belgium	183	49
Spain	179	762
Greece	155	177
Ireland	118	45
Turkey	96	111
Poland	87	145
Cyprus	82	0
Denmark	77	57
Hungary	21	25
Switzerland	16	0
The Czech Republic	14	22
Portugal	10	84
The Netherlands	6	26
Austria	6	0
South Africa	2	0
Kenya	0	5
<b>Total</b>	<b>3,111</b>	<b>2,777</b>
<b>Americas</b>		
USA	1,093	749
Canada	172	380
Mexico	102	0
Brazil	74	51
Uruguay	20	0
Jamaica	18	0
Chile	3	94
Aruba	0	30
<b>Total</b>	<b>1,482</b>	<b>1,304</b>
<b>Asia Pacific</b>		
China	857	584
India	242	97
Australia	150	0
Azerbaijan	0	2
<b>Total</b>	<b>1,249</b>	<b>683</b>
<b>Total world</b>	<b>5,842</b>	<b>4,764</b>



## Non-current assets

Non-current assets amounted to EUR 2,991m at the end of 2010, an increase of EUR 317m relative to the end of 2009. The increase was primarily attributable to large-scale investments in production facilities and development projects.

## Net working capital

Vestas' net working capital at 31 December 2010 amounted to EUR 672m, against EUR 317m at the end of 2009. Prepayments have been impacted by the fact that Vestas' order backlog now extends further into the future and includes larger contracts. Delivery of projects during the year has led to a decline in inventories, which equals a corresponding decline in prepayments.

## Inventories

Inventories amounted to EUR 2,735m at the end of 2010, a decline of EUR 1,194m relative to the end of 2009. A large part of Vestas' inventories consists of wind turbines that have been installed but not yet handed over to the customers. Vestas is dedicated to reducing the part of its inventories that is included in the production and thereby release capital. The growing professionalism among suppliers and in-house at Vestas has allowed Vestas to restructure its production to "make-to-order", which structurally will entail a reduction of inventories.

## Trade receivables

Trade receivables amounted to EUR 624m at the end of 2010, an increase of EUR 99m relative to the end of 2009.

## Net debt

The average net interest-bearing position was EUR (593)m in 2010 against EUR (55)m in 2009. The net interest-bearing position at the end of 2010 was EUR (579)m. At the end of 2009, net debt amounted to EUR 137m. The net debt/EBITDA ratio increased to 0.8 in 2010 from (0.3) in 2009.

## Provisions

In 2010, Vestas made total warranty provisions of EUR 194m. This equals 2.8 per cent of revenue, which is lower than in 2009 when total provisions amounted to EUR 292m, representing 5.8 per cent of revenue. Vestas constantly improves the reliability of its turbines owing to increased investments in development, testing, monitoring and servicing of wind power plants. In 2010, Vestas utilised warranty provisions of EUR 253m.

Vestas makes provisions for all costs associated with turbine repairs within the warranty period, and any reimbursement is not offset unless a written agreement has been made with the supplier to that effect.

Vestas also makes provisions to cover anticipated expenses for major repairs and replacements in connection with the conclusion of long-term service contracts.

The typical warranty period is currently two years as opposed to previously, up to five years, and that reduces Vestas' risk exposure.

Triple15 includes 3.0 per cent for provisions.

## Changes in equity

Vestas' equity amounted to EUR 2,754m at the end of 2010 compared with EUR 2,542m at 31 December 2009. At 31 December 2010, the solvency ratio was 39 per cent, against 32 per cent at the end of 2009.

## Cash flow and investments

In 2010, cash flows from operating activities rose by EUR 90m in spite of an increase in working capital of EUR 353m. Cash flows for investments fell to EUR 789m, of which EUR 328m in intangible

assets. The investments concerned especially the V112-3.0 MW turbine and production facilities.

The free cash flow was EUR (733)m in 2010, against EUR (842)m in 2009. The modest improvement was due to stronger cash flows from operations and a lower level of investments, whereas the higher working capital reduced the increase. In the longer term, Vestas expects to be able to finance its organic growth through cash flows from operations, but the cash outflow in 2010 necessitated drawings on the bank facilities, which were supplemented by a euro-denominated bond for EUR 600m issued in March 2010 and listed in Luxembourg.

### Outlook for 2011

The intake of firm and unconditional orders for the year is expected to be 7,000-8,000 MW.

Vestas expects that the bulk of its orders in 2011 will also include short-term or longer-term service contracts with varying scope. Shipments are expected to rise from 4,057 MW in 2010 to 6,000 MW in 2011, so by the end of 2011, Vestas is expected to have installed around 50,000 MW.

Vestas expects to achieve an EBIT margin of 7 per cent and revenue of EUR 7bn in 2011, including service revenue, which is expected to rise to EUR 700m with an EBIT margin of 15 per cent. Revenue and earnings are expected to be fairly evenly distributed between the first and the second half of the year. For the first quarter, Vestas forecasts a minor loss.

Net financial items are expected to amount to EUR (60)m, and the tax percentage is forecast at 28 per cent. Total warranty and product provisions are expected to account for less than 3 per cent of revenue for the year, as the performance of the wind power plants is constantly improved to the benefit of customer earnings and Vestas' costs.

Earnings are affected by the fact that in 2011, the new products are only expected to generate moderate earnings contribution, that a few factories remain idle while they are being converted into V112-3.0 MW production, that depreciation and amortisations are expected to increase by approx EUR 100m and that Vestas' current organisation and overall cost level reflect expectations of a substantial increase in business volumes including service in the years until 2015.

Investments in property, plant and equipment are expected to be EUR 550m, against the previously announced EUR 400m, principally because certain measures have been postponed from 2010 to 2011. Investments for the year are primarily expected to be effected in the first half of 2011.

Investments in intangible assets are expected to be EUR 300m, reflecting Vestas' consistent focus on research and technology development. The previous guidance was EUR 250m.

The free cash flow is expected to rise to more than EUR 0 from EUR (733)m in 2010.

The incidence of industrial injuries is expected to be maintained at max 5.0 industrial injuries per one million working hours. The "green" proportion of Vestas' energy consumption is expected to be 40 per cent. The decline in relation to 2010 is due to the increased production outside Europe, where access to green electricity is often limited. The target for the customer loyalty index is 72, and the Sigma level must be at least 5.

Guidance for 2012 will be disclosed in February 2012.

### Events after the balance sheet date

#### Orders

In 2011, Vestas has announced two orders for China and Germany, respectively, for a total capacity of 88 MW.

A complete overview of announced orders is available at [vestas.com/news](http://vestas.com/news). Vestas only announces firm and unconditional orders and in relation to company announcements, the order value must exceed EUR 66m.

#### Major shareholders

On 17 January 2011, the Central Bank of Norway, Norway, announced that on 13 January 2011 it had increased its holding of Vestas shares to 10,277,212, corresponding to 5.05 per cent of the share capital.

# Americas

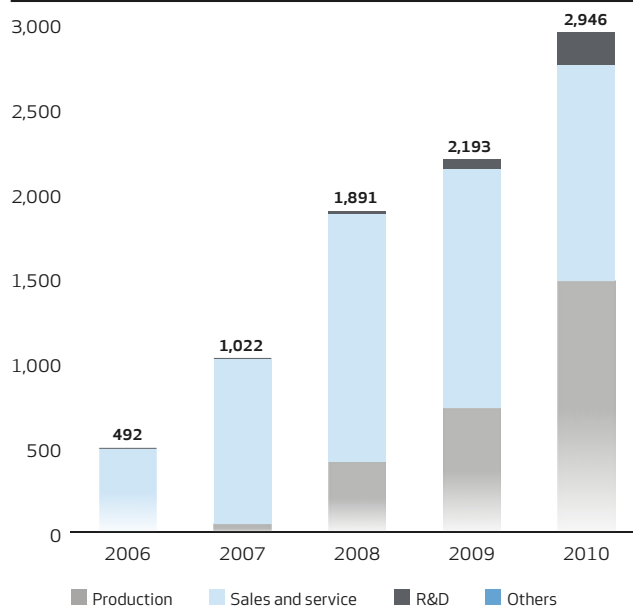


Vestas installed its first turbine in the Americas in 1983. Vestas has today 2,946 employees in the region and has established technology centres, sales and service offices as well as production facilities for nacelles, blades and towers.

## 2010 by the numbers

Order intake, firm and unconditional orders	2,459 MW
Revenue	EUR 1,626m
- of which service revenue	EUR 143m
Produced and shipped	1,458 MW
In total, 1,482 MW was delivered to customers in	7 countries
The delivered capacity can annually produce, approx	4m MWh
Largest project delivered	168 MW
Smallest project delivered	2 MW

## Employee distribution









# Europe and Africa

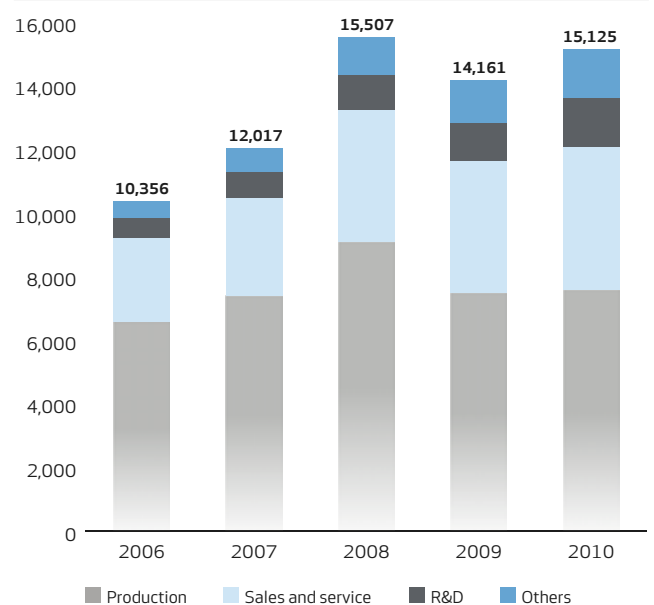


Vestas installed its first turbine in Europe and Africa in 1979. Vestas has today 15,125 employees in the region and has established technology centres, sales and service offices, foundries as well as production facilities for generators, nacelles, blades, control systems and towers.

## 2010 by the numbers

Order intake, firm and unconditional orders	4,285 MW
Revenue	EUR 4,162m
- of which service revenue	EUR 377m
Produced and shipped	1,474 MW
In total, 3,111 MW was delivered to customers in	22 countries
The delivered capacity can annually produce, approx	8m MWh
Largest project delivered	300 MW
Smallest project delivered	1 MW

## Employee distribution





# Asia Pacific

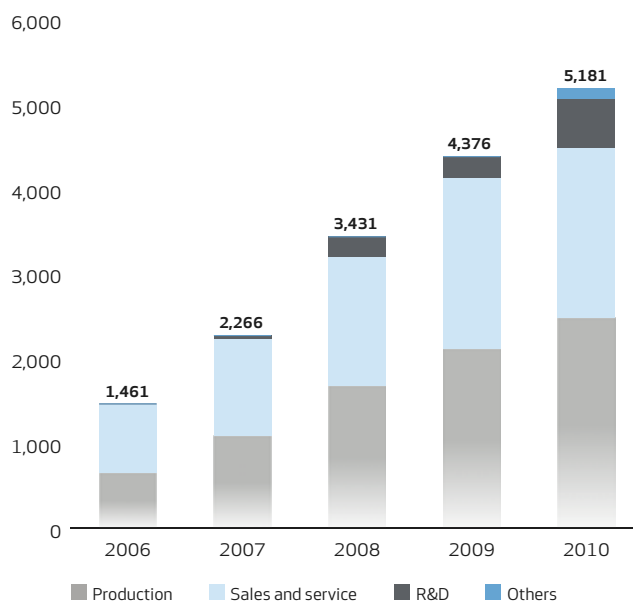


Vestas installed its first turbine in Asia Pacific in 1986. Vestas has today 5,181 employees in the region and has established technology centres, sales and service offices, a foundry as well as production facilities for generators, nacelles, blades, control system and towers.

## 2010 by the numbers

Order intake, firm and unconditional orders	1,929 MW
Revenue	EUR 1,132m
- of which service revenue	EUR 103m
Produced and shipped	1,125 MW
In total, 1,249 MW was delivered to customers in	3 countries
The delivered capacity can annually produce, approx	3m MWh
Largest project delivered	111 MW
Smallest project delivered	1 MW

## Employee distribution









# In the region **for the region**

## **Vestas Central Europe**

In 2010, Vestas received its first order in Europe for Vestas' latest and most technologically advanced product – the V112-3.0 MW turbine. Vestas received orders for a total of 60 V112-3.0 MW turbines for Germany in 2010.

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## Corporate Governance

- 036** Management structure
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# Corporate governance

The Board of Directors and the Executive Management of Vestas Wind Systems A/S believe that corporate governance initiatives should be a constant process and address the principles of corporate governance in an ongoing process with due consideration to current legislation, practices and recommendations.

Such evaluation includes a review of the company's business concept, business procedures, goals, organisation, capital position, stakeholder relations, risks and exercise of the necessary control.

The Board of Directors finds that Vestas is run in a financially, socially and environmentally responsible manner, and that its owners and the capital markets are provided with an insight of Vestas through open and direct communications. This is ensured, among other things, in connection with the Board of Director's disclosure of the company's annual report and quarterly reports, which contain detailed information about financial and non-financial matters.

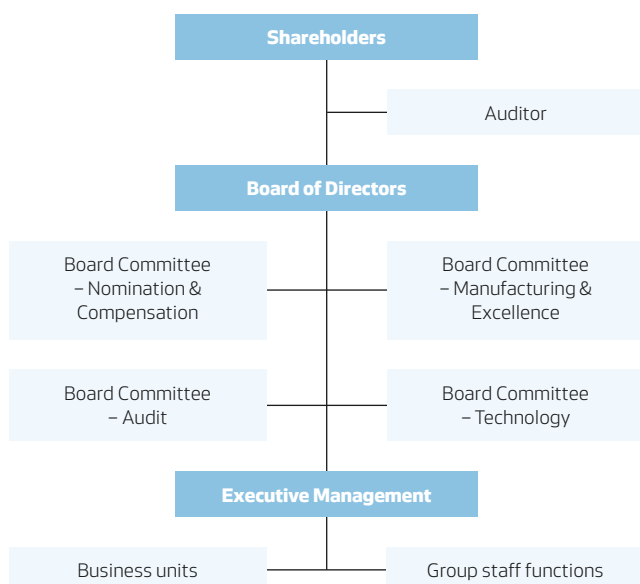
Vestas generated revenue of EUR 6.9bn in 2010. In light of this development and the challenges that Vestas is facing with its 2011 revenue guidance of EUR 7bn and the Triple15 ambition – revenue of EUR 15bn and an EBIT margin of 15 per cent no later than in 2015 – it is important for the Group to have clear management guidelines.

## Management structure

Vestas Wind Systems A/S is a Danish limited liability company with a two-tier management system in which the Board of Directors and the Executive Management handle the management of the company's affairs. No persons hold dual memberships of both the Board of Directors and the Executive Management. The company is also the parent company of the Vestas Group. The management of the company and the Group is governed by the company's Articles of Association, the Danish Companies Act and other applicable Danish rules and regulations.

In order to safeguard the company's competitive strength in the years ahead, it is pivotal that Vestas' organisation can effectively handle future growth and avoid a similar increase in costs and complexity.

Accordingly, in 2009-2010 Vestas streamlined the Group's Business Units, thereby reducing organisational complexity so that departments, job descriptions and work processes are the same across the Group. See the management report, page 18.



## Shareholders

Vestas Wind Systems A/S' share capital amounts to DKK 203,704,103. At the end of the year, the company had 157,342 shareholders registered by name, representing 92 per cent of the share capital.

## General Meeting

The General Meeting, consisting of the company's shareholders, is the supreme management body of Vestas Wind Systems A/S and is the supreme authority in all company matters, subject to the framework laid down by Danish legislation and the company's Articles of Association.

The General Meeting is held at least once a year and is convened by no more than five weeks' notice and no less than three weeks' notice counting from the date before the General Meeting, ref. Article 4(4) of the Articles of Association.

All shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, vote and speak at general meetings.

Unless otherwise provided by the company's Articles of Association or applicable legislation, resolutions adopted by the shareholders at the General Meeting are passed by a simple majority of votes, ref. Article 7(2) of the Articles of Association.

Any resolution in respect of an amendment to the Articles of Association, dissolution, demerger and merger, which under Danish law must be passed by the General Meeting, can only be passed by a majority of not less than two-thirds of all votes cast and of the voting capital represented at the General Meeting unless otherwise prescribed by the Danish Companies Act, ref. Article 7(3) of the Articles of Association.

Information about the Annual General Meeting to be held in 2011 and matters relating to the company's capital structure and ownership is provided, see shareholders and the stock exchange, page 59.

## Attendance at general meetings

Shareholders wishing to exercise their influence at the General Meeting must first have their shares registered by name in order to subsequently requesting an admission card and voting papers. Any shareholder who is entitled to attend a General Meeting must request an admission card not later than three days before the relevant General Meeting is held. The admission card can be ordered via Vestas' InvestorPortal or by returning the registration form which is forwarded to all registered shareholders together with the convening for the meeting.

The right of a shareholder to attend a General Meeting and to vote is determined relative to the shares held by the shareholder at the record date. The record date is one week before the General Meeting. The shares held by each shareholder at the record date are calculated on the basis of registration of the shareholders' ownership in the register of shareholders and notifications about ownership received by the company, but which have not yet been registered in the register of shareholders.

## Voting

Vestas has a single class of shares, and no shares carry any special rights. Each share carries one vote.

The Board of Directors recommends that all shareholders express their opinions by voting at the next general meetings, either by:

- attending the meeting;
- voting via the InvestorPortal;
- filling in and returning a proxy/correspondence form;

- giving proxy to the Board of Directors and in that way giving management a strong mandate to serve Vestas' best interest; or
- appointing a third party as proxy.

#### Deadlines for proposed resolutions for the General Meeting

At the General Meeting, shareholders have the opportunity to exercise their influence. Any shareholder may in writing to the Board of Directors claim a specific matter included in the agenda for the General Meeting. The claim must be submitted not later than six weeks before the date of the General Meeting, ref. Article 4(6) of the Articles of Association.

In addition to participating in discussions taking place at the General Meeting, the company's shareholders can also ask questions to the Board of Directors prior to the meeting. Questions and answers will regularly be published on [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

#### Auditor

Pursuant to Article 11(1) of the company's Articles of Association, Vestas' annual report must be audited by one or two audit firms to be appointed by the shareholders for the period until the next Annual General Meeting.

In 2010, PricewaterhouseCoopers was appointed as the company's auditor for the 2010 financial year.

#### Board of Directors

The company is managed by a Board of Directors composed of three to eight members elected by the General Meeting and a number of representatives elected by the employees.

The Board of Directors currently consists of 12 members, of which eight are elected by the General Meeting and four are elected by and among the employees. An overview of the Board members, see page 40.

The existing Board members elected by the General Meeting were elected in 2010 and their election term expires in 2011 as Board members elected by the General Meeting must retire at the following Annual General Meeting. However, such Board members shall be eligible for re-election, ref. Article 8(1) of the Articles of Association.

Board members elected by the General Meeting cannot be re-elected after they have reached the age of 70, ref. the Board of Directors' rules of procedure.

Board members elected by the General Meeting may be recommended for election by the shareholders or by the Board of Directors. When proposing candidates for Board membership, the Board of Directors strives to ensure that they:

- are able to act independently of special interests;
- represent a balance between continuity and renewal;
- match the company's situation; and
- have industry insight and the commercial and financial skills required to allow them to perform their tasks in the best possible manner.

Pursuant to Danish legislation, a number of employee representatives are elected for terms of four years. The existing representatives were elected to the Board of Directors in 2008, and their election term runs until 2012.

A description of the Danish system concerning employee representatives is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

In accordance with Vestas' definition of independence, all Board members elected at the General Meeting are considered independ-

ent except Jørn Ankær Thomsen, who is associated with one of the law firms that provide legal advice to the company. Furthermore, the employee representatives cannot be considered independent members due to their employment with the Vestas Group.

The Board of Directors deals with the overall and strategic management of the company, including:

- appointing the Executive Management;
- laying down guidelines for and exercising control of the work performed by the Executive Management;
- ensuring responsible organisation of the company's business;
- defining the company's business concept and strategy;
- ensuring satisfactory bookkeeping and financial reporting;
- ensuring the necessary procedures for risk management and internal controls; and
- ensuring that an adequate capital contingency programme is in place at all times.

The Board of Directors' rules of procedure is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

In 2010, the Board of Directors held a total of ten meetings and a two-day strategy seminar. Annually, the Board of Directors visits some of Vestas' facilities and meets local decision-making officials of the region in question.

In 2010, the Board of Directors went to England and Spain. In England, the Board visited the Thanet Offshore Wind Farm, consisting of 100 V90-3.0 MW wind turbines, which were installed in 2010. The Board of Directors held meetings with some of Vestas' Key Account customers in both England and Spain and visited Vestas Mediterranean's head office in Madrid, Spain.

#### Assessment of the work performed by the Board of Directors

Pursuant to the rules of procedure for the Board of Directors, the Board of Directors must regularly evaluate its work. Once a year, it evaluates the working methods and the results of its work and each Board member's contribution in an open dialogue at the Board meeting in connection with approval of the interim financial report for the third quarter.

The evaluation is headed by the Chairman.

#### Board committees

The purpose of Vestas' Board committees is to prepare decisions and recommendations for evaluation and approval by the entire Board of Directors. The committees are not authorised to make independent decisions; instead they report and make recommendations to the combined Board of Directors.

Vestas has established four permanent Board committees. Each of these consists of three members elected for terms of one year by and among the Board members.

The chairman of each committee is appointed by the Board for terms of one year, and the election usually takes place at the Board meeting held immediately after the General Meeting.

The committees hold the necessary annual number of meetings. At the request of the committees, other members of management may also participate in these meetings.

#### Nomination & Compensation Committee

The Nomination & Compensation Committee supports the Board on overall staff-related topics, including assessments of remuneration. In 2010, the committee held three meetings.

### **Audit Committee**

The Audit Committee assists the Board in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing and the need for an internal audit function. In 2010, the committee held five meetings.

The majority of the members of the Audit Committee meets the definition of independency of audit committee members set out in the Danish Auditors' Act. The chairman also meets the requirements under the Auditors' Act on accounting qualifications.

The charter for the Audit Committee is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

### **Manufacturing & Excellence Committee**

The Manufacturing & Excellence Committee supports the Board in the evaluation of technical matters. The committee also supports the Board in matters concerning production. In 2010, the committee held seven meetings.

### **Technology Committee**

The Technology Committee assists the Board in the evaluation of technological matters, IPR strategy and product development plans. In 2010, the committee held three meetings.

### **Executive Management**

The Executive Management of Vestas Wind Systems A/S is responsible for the day-to-day management of the company, observing the guidelines and recommendations issued by the Board of Directors. The Executive Management is also responsible for presenting proposals for the company's overall objective, strategies and action plans as well as proposals for the overall operating, investment, financing and liquidity budgets to the Board of Directors.

The Executive Management's rules of procedure are available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

### **Business units**

The Vestas Group consists of a number of business units, all of which report directly to the Executive Management of Vestas Wind Systems A/S. The presidents of the individual business units are responsible for the overall and day-to-day management of their specific business areas.

Each business unit has a board of directors, whose objective is to ensure collaboration across the Group. Each board consists of three to seven members and includes members of the Executive Management of Vestas Wind Systems A/S, the Senior Vice President of Group Finance & Operations and a number of employees of the business units in which the employees have decided to exercise their right to elect employee representatives.

### **Vestas Government**

The Vestas Government consists of the Executive Management and Presidents of the business units. Further information about the Presidents is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

The Vestas Government holds a weekly conference call and government meetings once every quarter. Once every year, Vestas arranges a strategy seminar attended by the Board of Directors and all Government members. The Government is responsible for ensuring the implementation of Vestas' strategy as defined by the Board of Directors in collaboration with the Executive Management.

### **Group staff functions**

The Senior Vice Presidents of the Group staff functions in Vestas Wind Systems A/S all report directly to the Executive Management of Vestas Wind Systems A/S and are responsible for the overall and day-to-day management of their specific staff functions.

### **Remuneration**

Vestas is a global Group based in Scandinavia, which is reflected in the Group's remuneration principles. Vestas' global remuneration principles for senior employees is based on Mercer's International Position Evaluation System. Mercer Reward Surveys are used as the benchmark.

For all other employee groups, locally based statistics are used as the basis for the remuneration.

### **Remuneration policy for the Board of Directors and the Executive Management**

The remuneration policy for members of the Board of Directors and Executive Management of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. The policy is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance) and will be submitted for approval at the Annual General Meeting, see shareholders and the stock exchange, page 62.

### **Remuneration to the Board of Directors**

Each member of the Board of Directors receives annually a fixed basic remuneration of EUR 43,606. Board members elected by the employees receive the same remuneration as the board members elected by the shareholders.

The Chairman receives a triple basic remuneration and the Deputy Chairman receives a double basic remuneration for their extended board duties. In addition to the basic remuneration, board members receive committee remuneration of EUR 21,804 for sitting on one of the board committees. The remuneration is determined using the same principles as for the basic remuneration, and the committee chairman receives double committee remuneration.

For 2010, a total of EUR 1.0m was paid in remuneration to Board and committee members, ref. note 6 to the consolidated accounts.

No special fees have been paid.

The Board members are not comprised by any incentive programme (option programme, bonus scheme or similar) or by Vestas' pension scheme, and in case of a takeover, the directors will not receive any compensation.

### **Remuneration to the Executive Management**

The Board of Directors believes that a combination of fixed and performance-based pay to the Executive Management helps ensure that the company can attract and retain key executives. At the same time the Executive Management is given a further incentive to create shareholder value through partly incentive-based pay.

Members of the Executive Management are employed under executive service contracts, and all terms of their remuneration are fixed by the Board of Directors.

Members of the Executive Management receive a competitive remuneration package consisting of fixed salary, bonus and share options. Fixed salary is based on a market level, bonus is based on the results for the year, and share options focus on retention and long-term value creation for the shareholders.

In 2010, a total of EUR 1.5m was paid in salaries to the Executive Management. In addition, EUR 1.0m was expensed as share-based payment and EUR 0 was expensed in bonus to the Executive Management, ref. notes 6 and 32 to the consolidated accounts.

Based on proposals from the Nomination & Compensation Committee for the remuneration of the Executive Management, the Chairman and Deputy Chairman of the Board of Directors annually assess and approve the remuneration to ensure that it is in line with the conditions in comparable companies.

The service contracts for the members of the Executive Management contain a 24-month notice of termination, which is normal for executives in Danish companies. The members of the Executive Management will not receive any compensation in the event of termination in connection with a change of ownership of the company's voting majority or if the company is dissolved through a merger or demerger. Their notice of termination will, however, be changed to 36 months.

There are no agreements on severance pay to any member of the Executive Management.

#### Share-based incentive programme for 2009 and 2010

In 2010, an option programme was established for the Executive Management and selected executives. More information about this option programme, see note 32 to the consolidated accounts.

In 2010, in connection with the approval of the annual report for 2009, 236,954 options were granted under the 2007 programme. Of these, the Executive Management was granted 49,783 options, exercisable in 2013-2015 at a price of DKK 380.50.

In 2010, the option programme was extended and now includes the Executive Management, Presidents, Senior Vice Presidents, Vice Presidents, Chief Specialists and Chief Project Managers.

#### Grant of options

Year of grant	Number of options granted	Exercise price (DKK)	Exercise period
2006	56,448	147.60	2010-2012
2007	207,952	380.50	2010-2012
2008	189,002	380.50	2012-2014
2009	236,954	380.50	2013-2015
2010	774,539	320.60	2014-2016

In the financial year 2010, a total of 774,539 options were granted to 282 persons under the 2007 programme exercisable in 2014-2016 at a price of DKK 320.60. The Executive Management was granted 75,335 options. The allotment of options for the financial year was made in connection with the Board of Directors' approval of this annual report.

For each year, the present value of the options granted must not exceed the following percentages of the gross salary at the date of grant: 115 per cent for the Executive Management, 90 per cent for Presidents, 80 per cent for Group Senior Vice Presidents, 50 per cent for Senior Vice Presidents and 20 per cent for Vice Presidents, Chief Specialists and Chief Project Managers. The present value at the date of grant is calculated in accordance with the Black & Scholes method.

When exercising the options, the Executive Management and the participants who report directly to the Executive Management must invest 50 per cent of the after-tax gain in Vestas shares which must be held for at least three years.

The terms and conditions of the options are equivalent to the terms and conditions of the options issued in May 2007.

#### Vestas' bonus programme

The overall objective of Vestas' bonus programme is to reward all Vestas employees financially when the annual targets are achieved – financial as well as non-financial. The bonus programme builds on Vestas' corporate strategy, which sets out that all employees should be rewarded when Vestas improves profitability.

The background is that all Vestas employees contribute to the same value chain and provide support to the same customers, regardless of whether they work in a support function or whether they develop, manufacture, market, sell, install or render service on wind turbines.

The bonus programme defines a number of measurable focus areas, or Key Performance Indicators, which help accomplish Vestas' strategic goals.

The global bonus programme for 2009 and 2010 built on the Group's targets for EBIT margin, net working capital, customer loyalty, revenue and the results in the business unit of each employee.

Based on the results achieved in 2009, the Executive Management received a bonus of EUR 0.9m and the other employees received EUR 57.7m in 2010. Based on the results achieved in 2010, no bonus will be paid to the Executive Management and the other employees for 2010.

#### Statutory report on corporate governance

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of "Rules for Issuers or Shares – NASDAQ OMX Copenhagen", listed companies must prepare a corporate governance report. The report must contain a description of company's position on the recommendations published by the Danish Committee on Corporate Governance in 2010. The committee's recommendations are available on [corporategovernance.dk](http://corporategovernance.dk).

In connection with the preparation of the corporate governance report, the company must apply the "comply or explain" principle. The "comply or explain" principle entails that the company must either comply with the corporate governance recommendations or explain why the recommendations are not fully or partly complied with. This means that the company must state which recommendations it does not comply with, that it must explain the reasons for such non-compliance and, where relevant, state how it addresses the issue in question instead.

The recommendations specify that the circumstances of each company will govern the extent to which the recommendations are complied with, or whether it is appropriate not to comply, as the key issue is to create transparency in corporate governance matters.

The statutory report is available at [vestas.com/investor/corporate-governance/statutoryreport](http://vestas.com/investor/corporate-governance/statutoryreport).

## The Board of Directors of Vestas Wind Systems A/S

Bent Erik Carlsen, Chairman  
Torsten Erik Rasmussen, Deputy Chairman  
Elly Smedegaard Rex  
Freddy Frandsen  
Håkan Eriksson  
Jørgen Huno Rasmussen  
Jørn Ankær Thomsen  
Kim Hvid Thomsen  
Kurt Anker Nielsen  
Michael Abildgaard Lisbjerg  
Ola Rollén  
Sussie Dvinge Agerbo

## Board Committees

### Nomination & Compensation Committee

Bent Erik Carlsen, Chairman  
Jørn Ankær Thomsen  
Torsten Erik Rasmussen

### Audit Committee

Kurt Anker Nielsen, Chairman  
Freddy Frandsen  
Jørn Ankær Thomsen

### Manufacturing & Excellence Committee

Freddy Frandsen, Chairman  
Kim Hvid Thomsen  
Torsten Erik Rasmussen

### Technology Committee

Bent Erik Carlsen, Chairman  
Håkan Eriksson  
Jørgen Huno Rasmussen

## The Executive Management of Vestas Wind Systems A/S

Ditlev Engel, President and CEO  
Henrik Nørremark, Executive Vice President and CFO

## The Vestas Government

Ditlev Engel, President and CEO  
Henrik Nørremark, Executive Vice President and CFO  
Anders Søe-Jensen, Vestas Offshore  
Bjarne Ravn Sørensen, Vestas Control Systems  
Finn Strøm Madsen, Vestas Technology R&D  
Hans Jørn Rieks, Vestas Central Europe  
Jens Tommerup, Vestas China  
Juan Araluze, Vestas Mediterranean  
Klaus Steen Mortensen, Vestas Northern Europe  
Knud Bjarne Hansen, Vestas Towers  
Martha Wyrsh, Vestas Americas  
Ole Borup Jacobsen, Vestas Blades  
Phil Jones, Vestas Spare Parts & Repair  
Roald Steen Jakobsen, Vestas People & Culture  
Sean Sutton, Vestas Asia Pacific  
Søren Husted, Vestas Nacelles

## Senior Vice Presidents for the Group staff functions

### Reporting to the President and CEO

Morten Albæk, Group Marketing & Customer Insight  
Peter C. Brun, Group Government Relations  
Peter Wenzel Kruse, Group Communications  
Robert Paul Fritz, Group Quality

### Reporting to the Executive Vice President and CFO

Henrik Hald Hellmuth, Group Treasury  
Jan Pilgaard, Group Finance & Operations  
John Skat Dalgaard, Group Engagement Office  
Jørgen Peter Nielsen, Group Contract Review & Services  
Torben Bonde, Group IT  
Tommy Rahbek Nielsen, Group Forecasting & Planning







## Competencies and fiduciary positions of the members of the Board of Directors



### Bent Erik Carlsen

Born: 3 April 1945

Nationality: Danish

Resident: Denmark

Position: Director, B. Carlsen Shipping ApS (Denmark) 2008–.

### Position with Vestas Wind Systems A/S

Chairman of the company since 1996. Elected to the Board of Directors in September 1996 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Carlsen does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> as he has been a member of the Board of Directors for more than 12 years.

Designated by the Board of Directors as Chairman of the Nomination & Compensation Committee and the Technology Committee.

### Shareholding

Increased his holding of Vestas shares in 2010 by 8,000 to 106,120 shares.

### Competencies

#### Education

1972	B. Com. (marketing), Copenhagen Business School (Denmark)
1978	B. Com. (management accounting), Copenhagen Business School (Denmark)
–	Various management courses INSEAD (France)

### Former positions

1969–1972	Sales Manager, Colon Emballage A/S (Denmark)
1972–1979	Managing Director, Eurocard Denmark A/S (Denmark)
1979–1981	Managing Director, Winther & Heide Eftf. A/S (Denmark)
1981–1983	Member of the European Management, Air Liquide (France)
1983–1988	Managing Director, Aktieselskabet Dansk Ilt- & Brintfabrik (Denmark)
1988–1990	Managing Director, Fro Saldatura S.A. (Italy)
1990–1992	Managing Director, L' Air Liquide Belge sa-nv (Belgium)
1992–1999	Managing Director, Hede Nielsen A/S (Denmark)
1999–2002	Managing Director, Air Liquide Scandinavia (Denmark)
2002–2008	Group Executive Vice President, A.P. Møller-Mærsk A/S (Denmark)

### Special competencies

Mr Carlsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing international and national companies, including thorough knowledge of strategic management. Detailed knowledge of the company's affairs and the industry based on many years of experience from working on the Board of Directors of the company.

### Fiduciary positions

Chairman of the Boards of: Holdingselskabet af 19. marts 2010 A/S (Denmark), Maersk Container Industry (China) and Maersk Container Industry A/S (Denmark).

Member of the Boards of: Investeringsforeningen Valueinvest Danmark (Denmark), SIF Group BV (The Netherlands) and Odense Staalskibsværft A/S (Denmark).



#### **Torsten Erik Rasmussen**

Born: 29 June 1944

Nationality: Danish

Resident: Denmark

Position: Managing Director (CEO),  
Morgan Management ApS (Denmark) 1997–.

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

Deputy Chairman of the company since 2006. Elected to the Board of Directors in January 1998 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Rasmussen does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> as he has been a member of the Board of Directors for more than 12 years.

Elected by the Board of Directors as member of the Nomination & Compensation Committee and the Manufacturing & Excellence Committee.

#### **Shareholding**

Increased his holding of Vestas shares in 2010 by 4,000 to 7,837 shares.

#### **Competencies**

##### **Education**

- 1961–1964 Commercial education,  
Dalhoff Larsen & Horneman A/S (Denmark)
- 1964–1966 Military service, Royal Danish Life Guards (Denmark) and discharged as First lieutenant (R) 1967
- 1972 MBA, IMEDE, Lausanne (Switzerland)
- 1985 International Senior Managers' Program,  
Harvard Business School (USA)

#### **Former positions**

- 1967–1971 Department Manager and later Director,  
Northern Soft- & Hardwood Co. Ltd. (Congo)
- 1973 Management Assistant, LEGO System A/S (Denmark)
- 1973–1975 Finance and Administration Director,  
LEGOLAND A/S (Denmark)
- 1975–1977 Logistics Manager, LEGO System A/S (Denmark)
- 1977 Vice President, logistics, LEGO System A/S (Denmark)
- 1978–1980 President and CEO, LEGO Overseas A/S (Denmark)
- 1981–1997 Executive Vice President, Operations and member of  
the Group Management, LEGO A/S (Denmark)

#### **Special competencies**

Mr Rasmussen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of strategic management and organisation of nationally and globally based companies as well as experience within accounting and finance.

#### **Fiduciary positions**

Chairman of the Boards of: Acadia Pharmaceuticals A/S (Denmark), Ball ApS (Denmark), Ball Holding ApS (Denmark), Ball Invest ApS (Denmark), CPD Invest ApS (Denmark), Oase Outdoors ApS (Denmark), Outdoor Holding A/S (Denmark) and Procuratio Business Simulations ApS (Denmark).

Deputy Chairman of the Board of: TK Development A/S (Denmark).

Member of the Boards of: Acadia Pharmaceuticals Inc. (USA), ECCO (Thailand) Co. Ltd. (Thailand), ECCO (Xiamen) Co. Ltd. (China), ECCO Sko A/S (Denmark), ECCO Slovakia a.s. (Slovakia), Morgan Invest ApS (Denmark), PT ECCO Indonesia (Indonesia), Schur International A/S (Denmark), Schur International Holding A/S (Denmark), Vola A/S (Denmark) and Vola Holding A/S (Denmark).

#### **Positions of trust**

Member of: Acadia Pharmaceuticals Inc.'s Compensation Committee (USA) and Acadia Pharmaceuticals Inc.'s Corporate Governance Committee (USA).



#### **Elly Smedegaard Rex**

Born: 13 May 1955

Nationality: Danish

Resident: Denmark

Position: Service assistant,  
Vestas Wind Systems A/S (Denmark) 1999–.

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

Elected by company employees. Member of the Board of Directors since April 2008. Term of office expires in 2012.

Ms Rex does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> due to employment with Vestas Wind Systems A/S (Denmark).

#### **Shareholding**

Does not hold shares in the company.

#### **Competencies**

##### **Education**

1973 Dental nurse (Denmark)

##### **Former positions**

1974 Shop assistant, Lem El (Denmark)  
Shop assistant, Stop (Denmark)  
1980–1983 Host, Ølstrup parish community centre (Denmark)  
1983–1985 Dental nurse, Tandlægerne i Nygade (Denmark)  
Dental nurse, Tandlæge Bidstrup (Denmark)  
1986 Host, Ølstrup parish community centre (Denmark)  
1987–1990 Office manager, Sommerland Vest (Denmark)  
1991–1993 Dental nurse, Tandlægerne i Nygade (Denmark)  
1993–1994 Office manager, Sommerland Vest (Denmark)  
1995–1996 Kitchen assistant, ROFI-Centret Ringkøbing (Denmark)  
Kitchen assistant, Vedersø Mejerikro (Denmark)  
1997–1998 Office manager,  
Troldeparken Sommerland Vest (Denmark)  
1998–1999 Kitchen assistant, ROFI-Centret Ringkøbing (Denmark)

##### **Special competencies**

Ms Rex has the following special competencies which are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of human resources and day-to-day operations, etc. of the Vestas Group.



#### **Freddy Frandsen**

Born: 24 April 1944

Nationality: Danish

Resident: Denmark

Position: Director

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

Elected to the Board of Directors in April 2004 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Frandsen meets the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> and the definition of independence of audit committee members as set out in the Danish Auditors' Act<sup>2)</sup>.

Designated by the Board of Directors as Chairman of the Manufacturing & Excellence Committee and elected as a member of the Audit Committee.

#### **Shareholding**

Total number of shares held at 31 December 2010 3,653 shares.

#### **Competencies**

##### **Education**

1967	Electronic Engineer, Engineering College of Aarhus (Denmark)
–	Various management courses INSEAD (Denmark)

#### **Former positions**

1967–1973	Engineer, Industry Department, Bruun & Sørensen A/S (Denmark)
1973–1987	Divisional Director, Skako A/S (Denmark)
1987–1989	Managing Director, Kverneland-Danmark A/S (Denmark)
1989–1993	Managing Director, Pedershaab A/S (Denmark)
1993–2005	Managing Director, Aalborg Industries A/S (Denmark)

#### **Special competencies**

Mr Frandsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of management and manufacturing matters and industry insight into production companies.

#### **Fiduciary positions**

Chairman of the Board of: Hans Følsgaard A/S (Denmark).

Member of the Boards of: Desmi A/S (Denmark), Odense Staalskibsværft A/S (Denmark), Polaris Invest II ApS (Denmark), Polaris Management A/S (Denmark), Svejsemaskinefabrikken Migatronik A/S (Denmark) and Aalborg University (Denmark).

#### **Positions of trust**

Member of: Følsgaard Fonden (Denmark), Nordsøen Forskerpark/ Ocenarium (Denmark) and The non-profit foundation: Utzon Foundation (Denmark).



#### **Håkan Eriksson**

Born: 8 April 1961

Nationality: Swedish

Resident: USA

Position: Group Chief Technology Officer Ericsson, Telefonaktiebolaget LM Ericsson (Sweden) 2009 and Head of Ericsson Silicon Valley (USA) 2010–.

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

Elected to the Board of Directors in March 2009 and re-elected in 2010. Term of office expires in 2011.

Meets the definition of independence as set out by the Danish Corporate Governance Committee.<sup>1)</sup>

Elected by the Board of Directors as a member of the Technology Committee.

#### **Shareholding**

Does not hold shares in the company.

#### **Competencies**

##### **Education**

- 1981–1985 MSc engineering (electrical), Linköping Institute of Technology, Linköping University (Sweden)
- 2005 Honorary PhD, Linköping Institute of Technology, Linköping University (Sweden)

#### **Former positions**

- 1986–1992 Employed with Ericsson Radio Systems AB (Sweden)
- 1992–1995 Manager, Systems Research and Development department, Ericsson Radio Systems AB (Sweden)
- 1995–1997 Director, Systems Design and Management Ericsson Research Canada (Canada)
- 1997–1998 Vice President, Business and Technology Development, Ericsson Radio Systems AB (Sweden)
- 1998–2003 Vice President and General Manager, Ericsson Research, Ericsson Radio Systems AB (Sweden)
- 2003–2009 Senior Vice President and General Manager, Research & Development, Telefonaktiebolaget LM Ericsson (Sweden)

#### **Special competencies**

Mr Eriksson has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of international affairs, including research and development.

#### **Positions of trust**

Member of: Kungliga Ingenjörsvetenskapsakademien (Sweden).



#### **Jørgen Huno Rasmussen**

Born: 25 June 1952

Nationality: Danish

Resident: Denmark

Position: President and CEO, FLSmidth & Co. A/S (Denmark) 2004–.

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

Elected to the Board of Directors in January 1998 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Rasmussen does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> as he has been a member of the Board of Directors for more than 12 years.

Elected by the Board of Directors as a member of the Technology Committee.

#### **Shareholding**

Total number of shares held at 31 December 2010 500 shares.

#### **Competencies**

##### **Education**

1976	MSc engineering (civil), the Technical University (Denmark)
1977	B. Com. (organisation), Copenhagen Business School (Denmark)
1980	Lich.tech., the Technical University (Denmark)

#### **Former positions**

1979–1982	Project Manager, A. Jespersen & Søn A/S (Denmark)
1982–1983	Manager, Industrial Construction, Chr. Islef & Co. A/S (Denmark)
1983–1986	Department Manager, H. Hoffmann & Sønner A/S (Denmark)
1986–1988	Director of International Operations, H. Hoffmann & Sønner A/S, (Denmark)
1988–2003	Managing Director, Hoffmann A/S (Denmark)
2000–2003	Director and member of the Group Management, Veidekke ASA (Norway)

#### **Special competencies**

Mr Rasmussen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing an international, listed group and optimising production processes.

#### **Fiduciary positions**

Chairman of the Boards of: Aktieselskabet af 1. januar 1990, Valby (Denmark), FFE Invest A/S (Denmark), FLS miljø A/S (Denmark), FLS Plast A/S (Denmark), FLSmidth Dorr-Oliver Eimco Denmark ApS (Denmark), FLSmidth Finans A/S (Denmark), FLSmidth Inc. (USA), FLSmidth Private Ltd. (India), FLSmidth Materials Handling A/S (Denmark), FLSmidth Minerals Holding ApS (Denmark) and SLF Romer XV ApS (Denmark).

Deputy Chairman of the Boards of: Cembrit Holding A/S (Denmark) and Tryghedsgruppen SMBA (Denmark).

Member of the Board of: LFI A/S (Denmark).

#### **Positions of trust**

Member of: The General Council of the Confederation of Danish Industries (Denmark), the Board of the Copenhagen Industries Employers' Federation (Denmark) and the Lundbeck foundation (Denmark), the representatives of the Tryghedsgruppen (Denmark).





#### **Jørn Anker Thomsen**

Born: 17 May 1945

Nationality: Danish

Resident: Denmark

Position: Attorney at Law and partner, Gorrissen Federspiel (Denmark) 1976–.

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

Elected to the Board of Directors in April 2004 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Thomsen does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> and the definition of independence of audit committee members as set out in the Danish Auditors' Act<sup>2)</sup> due to connection to one of the law firms acting as consultant to the company.

Elected by the Board of Directors as a member of the Nomination & Compensations Committee and the Audit Committee.

#### **Shareholding**

In 2010, Mr Thomsen has bought 2,500 Vestas shares.

#### **Competencies**

##### **Education**

1970 Master of Law, University of Copenhagen (Denmark)

##### **Former positions**

1970–1974 Deputy judge and Junior associate (Denmark) and Lawyer in 1974

##### **Special competencies**

Mr Thomsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of international and national legal matters, including corporate law and securities law.

#### **Fiduciary positions**

Chairman of the Boards of: Aida A/S (Denmark), Aktieselskabet Schouw & Co. (Denmark), Carlsen Byggecenter Løgten A/S (Denmark), Carlsen Supermarked Løgten A/S (Denmark), Danish Industrial Equipment A/S (Denmark), DB 2001 A/S (Denmark), Den Professionelle Forening Danske Invest Institutional (Denmark), F.M.J. A/S (Denmark), Fibertex A/S (Denmark), Fibertex Personal Care A/S (Denmark), Fåmandsforeningen Danske Invest Institutional (Denmark), GAM Holding A/S (Denmark), GAM Wood A/S (Denmark), Givesco A/S (Denmark), Hedgeforeningen Danske Invest (Denmark), Investeringsforeningen Danske Invest (Denmark), Investeringsforeningen Danske Invest AlmenBolig (Denmark), Investeringsforeningen Danske Invest Select (Denmark), Kildebjerg Ry A/S (Denmark), Løgten Midt A/S (Denmark), Martin Professional A/S (Denmark), OPA Ortopædisk Privathospital Aarhus A/S (Denmark), Placeringsforeningen Profil Invest (Denmark), Schouw & Co. Finans A/S (Denmark), Specialforeningen Danske Invest (Denmark), Søndergaard Give A/S (Denmark) and Th. C. Carlsen, Løgten A/S (Denmark).

Member of the Boards of: ASM Foods AB (Sweden), Biomar Group A/S (Denmark), Carletti A/S (Denmark), Dan Cake A/S (Denmark), Develvo Products A/S (Denmark), Danske Invest Management A/S (Denmark), Ejendomsselskabet Blomstervej 16 A/S (Denmark), GFK Holding ApS (Denmark), GFKJURA 883 A/S (Denmark), Givesco Bakery A/S (Denmark), Hydra-Grene A/S (Denmark), Hydra-Grene Holding A/S (Denmark) and P. Grene A/S (Denmark).

#### **Positions of trust**

Chairman of: Direktør Svend Hornsylds Legat (Denmark)

Deputy Chairman of: Jens Eskildsen og hustru Mary Antonie Eskildsen memorial foundation (Denmark)

Member of: Købmand Th. C. Carlsens Memorial foundation (Denmark)



#### **Kim Hvid Thomsen**

Born: 8 August 1963

Nationality: Danish

Resident: Denmark

Position: Senior Shop Steward, Vestas Machining A/S (Denmark)  
1985–.

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

Elected by Group employees. Member of the Board of Directors since May 1996 and re-elected for subsequent terms, most recently in 2008. Term of office expires in 2012.

Mr Thomsen does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> due to employment with the Vestas Machining A/S (Denmark).

Elected by the Board of Directors as member of the Manufacturing & Excellence Committee.

#### **Shareholding**

Increased his holding of Vestas shares in 2010 by 420 to 3,141 shares.

#### **Competencies**

##### **Education**

1984 Industry technician (Denmark)

##### **Former positions**

1981–1984 Industry technician trainee,  
Tim Maskinfabrik (Denmark)

1985 Industry technician K.P. Komponenter (Denmark)

#### **Special competencies**

Mr Thomsen has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

#### **Fiduciary positions**

Deputy Chairman of the Board of: Metal Skjern-Ringkøbing (Denmark).

Member of the Board of: Uddannelsescenter Ringkøbing-Skjern (Denmark).



#### **Kurt Anker Nielsen**

Born: 8 August 1945

Nationality: Danish

Resident: Denmark

Position: Director

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

Elected to the Board of Directors in April 2006 and re-elected for subsequent terms, most recently in 2010. Term of office expires in 2011.

Mr Nielsen meets the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> and the definition of independence of audit committee members as set out in the Danish Auditors' Act<sup>2)</sup>.

Designated by the Board of Directors as Chairman of the Audit Committee and demand for qualifications within financial accounting.

#### **Shareholding**

Increased his holding of Vestas shares in 2010 by 4,650 to 6,250 shares.

#### **Competencies**

##### **Education**

1972 MSc (Economics and Business Administration),  
Copenhagen Business School (Denmark)

#### **Former positions**

1972–1973 Business Economist, Carlsberg A/S (Denmark)  
1973–1974 Management Consultant, Booz, Allen and Hamilton of Scandinavia (Denmark)  
1974–1977 Economist, Novo Industri A/S (Denmark)  
1977–1984 Head of Corporate Planning,  
Novo Industri A/S (Denmark)  
1984–1985 Director, Corporate Planning and Communications,  
Novo Industri A/S (Denmark)  
1985–1989 Vice President Corporate Finance,  
Novo Industri A/S (Denmark)  
1989–2000 Chief Financial Officer,  
Novo Nordisk A/S (Denmark)  
1996–2000 Deputy CEO, Novo Nordisk A/S (Denmark)  
2000–2003 CEO, Novo A/S (Denmark)

#### **Special competencies**

Mr Nielsen has the following special competencies which are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of accounting, finance, capital markets and other financial matters as well as experience of managing an international, listed group.

#### **Fiduciary positions**

Chairman of the Board of: Reliance A/S (Denmark).

Deputy Chairman of the Board of: Novozymes A/S (Denmark).

Member of the Boards of: Lifecycle Pharma A/S (Denmark), Novo Nordisk A/S (Denmark) and Novo Nordisk Fonden (Denmark).

#### **Positions of trust**

Chairman of: LifeCycle Pharma A/S' Audit Committee (Denmark), Novo Nordisk A/S' Audit Committee (Denmark) and Novozymes A/S' Audit Committee (Denmark).



#### **Michael Abildgaard Lisbjerg**

Born: 17 September 1974

Nationality: Danish

Resident: Denmark

Position: Skilled Worker - Production, Vestas Assembly A/S (Denmark) 2001–.

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

Elected by Group employees. Member of the Board of Directors since April 2008. Term of office expires in 2012.

Mr Lisbjerg does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> due to employment with the Vestas Assembly A/S (Denmark).

#### **Shareholding**

Increased his holding of Vestas shares in 2010 by 278 to 428 shares.

#### **Competencies**

##### **Education**

1995 Auto Mechanic (Denmark)

1996–1999 Military service, Royal Danish Life Guards (Denmark) and discharged as technical sergeant

1998 Higher Preparatory Course – single subject (Denmark)

2010–2011 Project management, Erhvervsakademi MidtVest (Denmark)

##### **Former positions**

1999–2001 Nordisk Dæk Import A/S (Denmark)

#### **Special competencies**

Mr Lisbjerg has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of production processes and human resources, etc. of the Vestas Group.



#### **Ola Rollén**

Born: 28 April 1965

Nationality: Swedish

Resident: England

Position: President and CEO, Hexagon AB (Sweden) 2000–.

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

Elected to the Board of Directors in March 2009 and re-elected in 2010. Term of office expires in 2011.

Meets the definition of independence as set out by the Danish Corporate Governance Committee.<sup>1)</sup>

#### **Shareholding**

Total number of shares held at 31 December 2010 200 shares.

#### **Competencies**

##### **Education**

1989 BSc (Econ), Stockholm University (Sweden)

##### **Former positions**

1990–1998 CEO and member of the Board of Directors, Kanthal AB (Sweden)

1998–1999 Executive Vice President, Avesta Sheffield Ltd (England)

1999–2000 CEO, Sandvik Materials Technology and member of Group Management, Sandvik AB (Sweden)

##### **Special competencies**

Mr Rollén has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of managing an international group as well as of technology development.





#### **Sussie Dvinge Agerbo**

Born: 5 November 1970

Nationality: Danish

Resident: Denmark

Position: People & Culture employee, Vestas Wind Systems A/S (Denmark) 1990–.

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

Elected by company employees. Member of the Board of Directors since November 2005 and re-elected for subsequent terms, most recently in 2008. Term of office expires in 2012.

Ms Agerbo does not meet the definition of independence as set out by the Danish Corporate Governance Committee<sup>1)</sup> due to employment with Vestas Wind Systems A/S (Denmark).

#### **Shareholding**

Increased her holding of Vestas shares in 2010 by 600 to 3,000 shares.

#### **Competencies**

##### **Education**

- |           |   |
|-----------|---|
| 1989-1992 | Commercial upper secondary examination (Denmark) and office assistant                     |
| 1995      | Language secretary, English, Open education at HHH Herning (Denmark)                      |
| 1997      | Language secretary, German, Open education at HHH Herning (Denmark)                       |
| 2003      | IT Administrator, Ringkøbing Business College/Vestjysk Business College, Skjern (Denmark) |

##### **Special competencies**

Ms Agerbo has the following special competencies which specifically are essential to the work of the Board of Directors of Vestas Wind Systems A/S: In-depth knowledge of organisational structures and human resources, etc. of the Vestas Group.

1) The Committee on Corporate Governance's definition of independency, see [vestas.com/investor/corporategovernance/theBoardofDirectors](http://vestas.com/investor/corporategovernance/theBoardofDirectors).

2) The Danish audit law's definition of audit members' independency, see [vestas.com/investor/corporategovernance/BoardCommittee](http://vestas.com/investor/corporategovernance/BoardCommittee).

## Fiduciary positions of the members of the Executive Management



### Ditlev Engel

Born: 24 May 1964

Nationality: Danish

Resident: Denmark

Position: President and CEO, Vestas Wind Systems A/S (Denmark) 2005–.

### Position in Vestas Wind Systems A/S

Member of the Executive Management since May 2005.

### Shareholding

Increased his holding of Vestas shares in 2010 by 2,000 to 2,224 shares.

### Competencies

#### Education

- |      |   |
|------|---|
| 1990 | Diploma in Business Economics, Copenhagen Business School (Denmark) |
| 1997 | General Management Program – INSEAD (France)                        |

#### Former positions

- |           |   |
|-----------|---|
| 1990–1992 | Vice President of Hempel Hong Kong Ltd. (Hong Kong) |
| 1992–1995 | Vice President of Hempel Hai Hong Ltd. (Hong Kong)  |
| 1995–1997 | President of Hempel Norge AS (Norway)               |
| 1997–1999 | President of Hempel Hai Hong Ltd. (China)           |
| 1999–2000 | Executive Vice President of Hempel A/S (Denmark)    |
| 2000–2005 | Group President and CEO of Hempel A/S (Denmark)     |

### Fiduciary positions

Member of: The General Council of the Confederation of Danish Industries (Denmark), the Industrial Policy Committee of the Confederation of Danish Industries (Denmark), the International Advisory Panel (IAP) on Energy from the Singaporean Ministry of Trade and Industry (Singapore) and the Industry Advisory Group of the International Energy Agency (France).

Industrial advisor for: EQT (Sweden).

**Henrik Nørremark**

Born: 24 May 1966

Nationality: Danish

Resident: Denmark

Position: Executive Vice President and CFO, Vestas Wind Systems A/S (Denmark) 1993–.

**Position in Vestas Wind Systems A/S**

Member of the Executive Management since March 2004.

**Shareholding**

Decreased his holding of Vestas shares in 2010 by 3,000 to 213 shares.

**Competencies****Education**

1991 Diploma in Business Economics,  
Herning Business School (Denmark)

**Former positions**

1986–1991 Auditor with Krøyer Pedersen (Denmark)

1991–1993 Financial Controller at Wind Turbine Maintenance  
Corporation (USA)

1993–1994 Financial Controller at Vestas Wind Systems A/S  
(Denmark)

1994–1995 Financial Controller at Vestas – American Wind  
Technology, Inc. (USA)

1995–1999 Group Financial Controller at Vestas Wind Systems A/S  
(Denmark)

1999–2004 Managing Director of Vestas – American Wind  
Technology, Inc. (USA)

## Presidents of the Group's business units



Anders Søren-Jensen, Vestas Offshore.  
Joined Vestas in 2006.



Bjarne Ravn Sørensen, Vestas Control  
Systems. Joined Vestas in 1998.



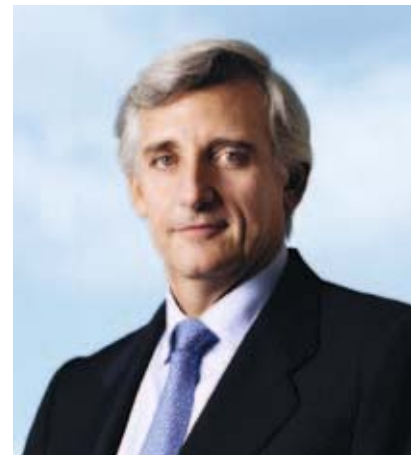
Finn Strøm Madsen, Vestas Technology R&D.  
Joined Vestas in 2005.



Hans Jørn Rieks, Vestas Central Europe.  
Joined Vestas in 1993.



Jens Tommerup, Vestas China.  
Joined Vestas in 2009.



Juan Araluce, Vestas Mediterranean.  
Joined Vestas in 2007.



Klaus Steen Mortensen, Vestas Northern  
Europe. Joined Vestas in 2007.



Knud Bjarne Hansen, Vestas Towers.  
Joined Vestas in 1989.



Martha Wyrsh, Vestas Americas.  
Joined Vestas in 2009.



Ole Borup Jakobsen, Vestas Blades.  
Joined Vestas in 1995.



Phil Jones, Vestas Spare Parts & Repair.  
Joined Vestas in 2009.



Roald Steen Jakobsen, Vestas People & Culture.  
Joined Vestas in 2003.



Sean Sutton, Vestas Asia Pacific.  
Joined Vestas in 2009.



Søren Husted, Vestas Nacelles.  
Joined Vestas in 1991.





In the region  
**for the region**

## **Vestas Offshore**

In 2010, more than a month ahead of schedule, Vestas completed the installation of the 100 V90-3.0 MW wind turbines at the Thanet Offshore Wind Farm in England.

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## Shareholders and the stock exchange

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# Shareholders and the stock exchange

Vestas aims to safeguard the Group's – and by extension the shareholders' – long-term interests. That can only be achieved through a close and positive collaboration with all of Vestas' stakeholders.

Management consistently aims to engage in an ongoing dialogue with, among others, the shareholders, allowing them to express their views about the company's operations and strategic and commercial development.

In order to ensure that all stakeholders are treated alike, all communication from Vestas must underpin the overall picture of the business, its goals and corporate culture, and all communication is based on what serves Vestas' best interests in the long term.

This is achieved among other things by disclosing information about Vestas which is considered to have a significant impact on the pricing of Vestas' shares as quickly as possible, simultaneously to all stakeholders and pursuant to Danish legislation for listed companies.

During a four-week period ahead of the disclosure of financial reports, communication with Vestas' stakeholders is subject to restrictions. During these "closed periods", no comments are made on the financial results, forecasts or market outlook.

## Capital and share structure

Vestas Wind Systems A/S' shares are listed on NASDAQ OMX Copenhagen under the ticker symbol VWS. Vestas has one freely negotiable share class and a total of 203,704,103 shares at the end of 2010. No capital increases were made in 2010.

At the company's general meetings, each share carries one vote. Accordingly, all shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, speak and vote at general meetings, ref. Vestas Wind Systems A/S' Articles of Association, which are available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

The Board of Directors regularly assesses the company's capital and share structure and finds the present to be appropriate for the shareholders and the company.

Vestas has an ambition to have an interest-bearing net debt/EBITDA which does not exceed 2:1 as at the last day of each financial year, which is considered appropriate in view of the Vestas Group's business model.

## Share turnover

In 2010, the Vestas share was the most traded share on NASDAQ OMX Copenhagen with a turnover of EUR 14.3bn. Furthermore, the Vestas share was the eighth most traded share in the OMX Nordic 40 index. OMX Nordic 40 is a share index comprising the 40 most traded shares from four equity markets managed by the OMX Group in the Nordic countries; Denmark, Finland, Iceland and Sweden.

It is Vestas' opinion that part of the share trading is driven by rumours deliberately started to create short-term gains. This is not in the shareholders' and the company's long-term interests.

## Share price performance

The share closed the year at DKK 176.10, equal to a market capitalisation of EUR 4.8bn.

During 2010, the price of the Vestas share dropped by 44 per cent. This was notably below the general trend in NASDAQ OMX Copenhagen's C20 index, which rose by 32 per cent in 2010.

## Authorities granted to the Board of Directors

Vestas' Articles of Association include an authority to Vestas' Board of Directors concerning an increase of the company's capital in one or more issues of new shares up to an amount of DKK 20,370,410 (20,370,410 shares), ref. Article 3 of the Articles of Association. The authority is valid until 1 May 2011.

Since the company was established in 1986, every year the Board of Directors has been authorised by the shareholders at the annual general meeting to let the company acquire treasury shares in the period until the next annual general meeting within a total nominal value of up to 10 per cent of the company's share capital from time to time, ref. section 198 of the Danish Companies Act.

## Ownership

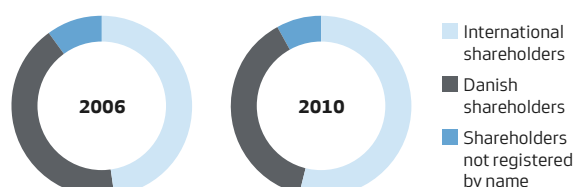
At the end of the year, Vestas had 157,342 registered shareholders, who combined held 187,968,473 shares, or 92 per cent of Vestas' share capital. At 31 December 2010, 56 per cent of Vestas' share capital was held by the company's 50 largest shareholders, including custodian banks.

Vestas intends to increase international ownership so that the group of owners reflects the international nature of Vestas' operations.

Based on the information available at 31 December 2010, 59 per cent of Vestas' total share capital, including shares not registered by name, are estimated to be held by international shareholders. At the end of 2009, international shareholders held 68 per cent.

## Share capital distribution at 31 December (number of shares)

Capital, international shareholders	110,002,424
Capital, Danish shareholders	77,966,049
Capital, shareholders not registered by name	15,735,630
<b>Total</b>	<b>203,704,103</b>



## Major shareholders

On 6 September 2010, 21 September 2010 and 13 January 2011, respectively, BlackRock, Inc., USA, Capital Research and Management Company, USA, and Central Bank of Norway, Norway, increased their shareholdings to more than five per cent of the share capital.

## The company's holding of treasury shares

In 2010, Vestas has utilised 2,550 of its treasury shares to cover its option programme for executives. At the end of 2010, Vestas had a portfolio of 755,813 treasury shares acquired in 2006, 2007 and 2009. Vestas acquires treasury shares to cover its option programme for executives, ref. note 32 to the consolidated accounts.

## Vestas shares held by management

At 31 December 2010, members of Vestas' Board of Directors and their related parties held a total of 133,629 Vestas shares, and Vestas' Executive Management and their related parties held 2,437 Vestas shares. At 31 December 2010, these shares represented a combined market value of approx EUR 3.2m, ref. note 32 to the consolidated accounts.

The members of Vestas' Board of Directors and Executive Management are registered on the Vestas insider list. As a general rule, these persons may only trade in Vestas shares during a four-week period following the disclosure of the annual report, quarterly reports or other financial announcements, ref. the company's internal rules.

The management has a duty to report any share transactions, and a list of announced insider tradings made during the year is available at [vestas.com/investor/announcements](http://vestas.com/investor/announcements).

### Investor Relations

Vestas' Investor Relations department aims to be visible and accessible to existing and potential shareholders and other stakeholders with due consideration to legislative requirements and based on corporate governance standards.

In order to keep interest in the Vestas share at a high level, Investor Relations regularly provides information to the company's stakeholders by means of:

- distribution of the company's financial reports and company announcements;
- arrangement of live webcasts in connection with the company's presentations of financial results;
- an informative investor website containing historical and current information on Vestas' activities – including company announcements, disclosure of financial results, webcasts, statistics of share price performance, activity calendar, background information, etc.;
- roadshow activities following each financial presentation;
- meetings for investors and analysts, investor seminars, exhibitions, conference calls, capital markets days, company visits and other arrangements;
- distribution of information to the company's registered shareholders;
- daily contact and correspondence through the Investor Relations department.

In order to optimise communications with the company's shareholders, it is necessary for Vestas to know the identity of its shareholders. Vestas therefore recommends that its shareholders have their Vestas shares registered by name in the company's register of shareholders.

### Registration of Vestas shares

Vestas shares are registered shares, ref. Articles of Association, which means that many of the shareholders' rights can only be exercised if the shares are registered by name.

Shareholders can have their shares registered by name by contacting their custody bank. The advantages of registration of the shares by name are:

- shareholders may exercise their shareholder rights;
- shareholders will receive the "Shareholder information" from Vestas, which contains information about the Group's current status; and
- shareholders can access Vestas' InvestorPortal via [vestas.com/investor/shareholder/investorportal](http://vestas.com/investor/shareholder/investorportal).

### The InvestorPortal

Via the InvestorPortal, Vestas' registered shareholders can online:

- view the size of their own portfolio of registered Vestas shares;
- subscribe to specific information and indicate how they wish to receive such information;
- register for general meetings;
- vote at general meetings in advance; or
- issue proxy to the Board of Directors or a third party.

### Basic data

Stock exchange:	NASDAQ OMX Copenhagen
Stock exchange quotation:	1998
ISIN code:	DK0010268606
Ticker symbol:	VWS
Share capital:	DKK 203,704,103
Nominal denomination:	DKK 1
Number of shares:	203,704,103
Share classes:	One share class
Voting rights:	One share carries one vote
Free float:	100% free float
Trading lot (minimum):	None, one share is tradable

### Ownership

Major shareholders (>5 per cent):	BlackRock Inc., USA (5.03%) Capital Research and Management Company, USA (5.23%) Central Bank of Norway, Norway (5.05%)
The company's holding of own shares:	755,813 (0.37%)
- value at 31 December 2010	EUR 17.9m
Management's holding of Vestas shares:	136,066

### Trading in the Vestas share

Market capitalisation:	
- 31 December 2010	EUR 4.8bn
- 31 December 2009	EUR 8.7bn
End price:	
- 31 December 2010	DKK 176.10
- 31 December 2009	DKK 317.00
Highest price:	
- in 2010	DKK 380.00
- in 2009	DKK 429.50
Lowest price:	
- in 2010	DKK 154.90
- in 2009	DKK 215.25
Average trading per day (NASDAQ):	
- 1 January 2010-31 December 2010	1.6m shares
- 1 January 2009-31 December 2009	1.8m shares

### Financial calendar

01 March 2011	Convening for annual general meeting
28 March 2011	Annual general meeting
04 May 2011	Disclosure of Q1
17 August 2011	Disclosure of Q2
09 November 2011	Disclosure of Q3

Additional information is provided in the leaflet "Become an active Vestas shareholder", which is available at [vestas.com/investor/shareholder](http://vestas.com/investor/shareholder).

#### **Analyst coverage**

The Vestas share is at the moment covered by 39 analysts, who regularly prepare analytical reports about Vestas. Further information about the analysts who actively cover the Vestas share is available at [vestas.com/investor/share](http://vestas.com/investor/share).

#### **Investor relations activities**

In connection with the presentation of its financial reports, Vestas holds information meetings for the media, analysts and investors. In 2010, Vestas held roadshows in Belgium, Canada, China, Denmark, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the USA. In 2010, Vestas extended its roadshow activities to cover Asia, where the wind turbine market is expanding heavily.

In 2010, Vestas hosted a capital markets day in Colorado, USA, attended by the press, analysts and institutional investors. The event was held, among other places, at Vestas' nacelle factory in Brighton and the tower factory in Pueblo. The purpose of the event was to increase awareness and understanding of the challenges facing Vestas at present and to demonstrate some of Vestas' new production facilities in the USA.

In 2010, Vestas joined forces with a number of banks, shareholder associations and NASDAQ OMX Copenhagen to participate in a number of seminars, conferences and similar events in Denmark, Norway, Sweden and the USA.

#### **General Meeting**

Vestas' general meeting is the supreme management body of the company, and shareholders may exercise their rights to make decisions in the company at the general meeting, see corporate governance, page 36.

The Board of Directors invites all shareholders to exercise their influence and asks that all shareholders ensure that their holding of Vestas shares is registered by name in the company's register of shareholders. The Board of Directors recommends that all shareholders express their opinions by voting at the next general meeting.

#### **Vestas' Annual General Meeting 2011**

The Annual General Meeting of Vestas Wind Systems A/S will be held on 28 March 2011 at 2 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark. The convening for the Annual General Meeting will be published on 1 March 2011.

The Board of Directors proposes that PricewaterhouseCoopers Statsautoriseret Revisionsaktieselskab be re-appointed as the company's auditor.

The Board of Directors intends to propose that the Annual General Meeting approves the remuneration policy adopted by the Board of Directors for Vestas Wind Systems A/S' Board of Directors and Executive Management. The remuneration policy is available at [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).

The Board of Directors expects to table a proposal for the existing authority in Article 3(1) of the Articles of Association to increase the share capital by 10 per cent – for a total nominal amount of DKK 20,370,410 – through the issuance of new shares to be extended to expire on 1 May 2015.

The Board of Directors will also propose an authority for the company, in the period until the next Annual General Meeting, to acquire treasury shares within a total nominal value of 10 per cent of the company's share capital from time to time.

#### **Dividend**

The Board of Directors intends to propose to the company's Annual General Meeting that, based on the comprehensive investments and the need for strong capital resources, no dividend be paid in respect of 2010.

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#### **Purchase of Vestas shares**

Stakeholders in Denmark can buy Vestas shares online, for example via Internet banking or through any Danish bank. Stakeholders who do not live in Denmark must contact one of the major international banks in their country for further information.

#### **News service**

Stakeholders who wish to receive company announcements from Vestas Wind Systems A/S by email may register through Vestas' news service at [vestas.com/investor/contactIR](http://vestas.com/investor/contactIR). Furthermore, it is also possible to receive alerts regarding webcasts and share information by email or SMS through Vestas' news service.

#### **Contact**

Vestas Wind Systems A/S  
Investor Relations  
Alsvej 21  
8940 Randers SV  
Denmark  
Tel.: +45 97 30 00 00  
Email: [ir@vestas.com](mailto:ir@vestas.com)  
Web: [vestas.com/investor](http://vestas.com/investor)



## Company announcements<sup>1)</sup>

06.01.2010	01/2010	Vestas receives 80 MW order for Germany
14.01.2010	02/2010	Vestas Wind Systems A/S' Extraordinary General Meeting
<b>10.02.2010</b>	<b>03/2010</b>	<b>Annual report 2009: Strong foundation for Triple15</b>
10.02.2010	04/2010	Vestas receives 99 MW order for the USA
17.02.2010	05/2010	Major shareholder announcement – BlackRock, Inc.
15.03.2010	06/2010	Vestas Wind Systems A/S to issue Eurobonds
15.03.2010	07/2010	Vestas successfully places a EUR 600m Eurobond
17.03.2010	08/2010	Vestas Wind Systems A/S' annual general meeting
23.03.2010	09/2010	Major shareholder announcement – BlackRock, Inc.
24.03.2010	10/2010	Major shareholder announcement – BlackRock, Inc.
25.03.2010	11/2010	Vestas receives 145 MW order for the USA
26.03.2010	12/2010	Major shareholder announcement – BlackRock, Inc.
31.03.2010	13/2010	Vestas receives its largest single order in Australia
01.04.2010	14/2010	Major shareholder announcement – BlackRock, Inc.
07.04.2010	15/2010	Vestas signs 93 MW contract in Turkey
09.04.2010	16/2010	Major shareholder announcement – BlackRock, Inc.
12.04.2010	17/2010	Major shareholder announcement – BlackRock, Inc.
15.04.2010	18/2010	Major shareholder announcement – BlackRock, Inc.
26.04.2010	19/2010	Vestas signs order for 1,500 MW with an option for an additional 600 MW
27.04.2010	20/2010	Vestas received four orders totalling 198 MW in China
<b>28.04.2010</b>	<b>21/2010</b>	<b>Interim financial report, first quarter 2010</b>
28.05.2010	22/2010	Major shareholder announcement – BlackRock, Inc.
02.06.2010	23/2010	Major shareholder announcement – BlackRock, Inc.
11.06.2010	24/2010	Major shareholder announcement – BlackRock, Inc.
23.06.2010	25/2010	Vestas receives 142 MW order for British Columbia, Canada
30.06.2010	26/2010	Vestas receives 250 MW order for Colorado, USA
21.07.2010	27/2010	Vestas receives record-setting order — 570 MW in California, USA
12.08.2010	28/2010	Vestas lands order for the largest wind power project in Australia - with the new V112 turbine.
<b>18.08.2010</b>	<b>29/2010</b>	<b>Interim financial report, second quarter 2010</b>
31.08.2010	30/2010	Major shareholder announcement – BlackRock, Inc.
01.09.2010	31/2010	Major shareholder announcement – BlackRock, Inc.
08.09.2010	32/2010	Major shareholder announcement – BlackRock, Inc.
09.09.2010	33/2010	Vestas takes note of reprimand concerning lack of comments on rumours of new order
09.09.2010	34/2010	Vestas signs global order for 400 MW with an option for an additional 1,000 MW
10.09.2010	35/2010	Blade incident on V112-3.0 MW prototype in Lem, Denmark
28.09.2010	36/2010	Result from third party, external, expert investigation of blade incident on V112-3.0 MW
28.09.2010	37/2010	Major shareholder announcement – Capital Research and Management Company
21.10.2010	38/2010	Vestas receives 128 MW order in California, USA
21.10.2010	39/2010	Confirmation of customer behind announced order
<b>26.10.2010</b>	<b>40/2010</b>	<b>Interim financial report, third quarter 2010</b>
03.11.2010	41/2010	Vestas receives 86 MW order in Brazil
08.11.2010	42/2010	Vestas receives 100 MW order in Europe
16.11.2010	43/2010	Vestas receives 90 MW order in Michigan, USA
22.11.2010	44/2010	New accounting policies for supply-and-installation projects and their effect on 2006-2011
22.11.2010	45/2010	Vestas receives order for 77 MW in Argentina
23.11.2010	46/2010	Vestas is the preferred supplier for Galician wind projects
16.12.2010	47/2010	Vestas receives 79 MW order in Idaho, USA
17.12.2010	48/2010	Information in the market regarding agreement with EDF Energy Renewables
21.12.2010	49/2010	Vestas receives 99 MW order in British Columbia, Canada
30.12.2010	50/2010	Vestas receives 100 MW order in Germany
30.12.2010	51/2010	Vestas receives 140 MW order in Poland
30.12.2010	52/2010	Vestas' financial calendar 2011
17.01.2011	01/2011	Major shareholder announcement – Central Bank of Norway

1) Firm and unconditional orders with a value of more than EUR 66m are disclosed as company announcements.





In the region  
**for the region**

## **Vestas China**

With the establishment of the Technology R&D Centre in China in October 2010, Vestas is spearheading world-class innovation in wind technology in China, which allows Vestas to tap into the knowledge of the world's fastest growing market.

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Non-financial issues

<b>066</b>	Wind. It means the world to us.
<b>068</b>	Safety & citizenship
<b>068</b>	As green as it gets
<b>070</b>	Code of Conduct
<b>074</b>	Accounting policies
<b>075</b>	The independent auditor's statement

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# Non-financial issues



## Wind. It means the world to us.

Energy is a prerequisite for growth and prosperity. The Earth's population is expected to grow by two billion by 2050, but even today 1.5 billion people are without access to electricity. At the same time, the populations of the world's developing countries have a legitimate wish to raise their standard of living. In other words, the world will have difficulty in continuing its current energy consumption without impacting the environment and the economy.

That is why, Vestas says "Wind. It means the world to us." Wind power is an obvious part of the solution to this challenge because wind power is financially competitive, predictable, independent, fast and clean. Wind power is anchored locally, does not harm the environment and emits no harmful substances. Furthermore, wind turbines do not use the Earth's scarce water resources in connection with electricity production.

Being the industry's market leader and pure-play spokesperson, Vestas continues to put wind power at the top of the global energy agenda. The fact is that wind power not only benefits the environment. The epitome of a new cleantech industry, wind power has the potential to create millions of new jobs in all parts of the world, thus acting as an independent catalyst for growth and prosperity.

Headed by the industry's largest R&D department, Vestas manufactures wind turbines which currently generate more than 250 times as much power as they did 30 years ago, and the turbines have at the same time become lighter in relative terms. Combined with increased use of green energy, reduced waste and regionalisation of production,

this gives Vestas a competitive edge: the customers demand it, and the world needs it.

Energy companies currently consider wind to be a natural supplement to conventional sources of energy. In 2008 and 2009, wind power was the largest contributor to power capacity growth in Europe and the second-largest in the USA. Wind has become mainstream.

Vestas has joined the UN Global Compact initiative and its ten principles in respect of human rights, labour rights, the environment and anti-corruption. In January 2011, Vestas also became a member of the UN's Global Compact LEAD, a forum for businesses that actively contribute to reducing global warming.

Still more people are giving higher priority to sustainability. Consequently, Vestas has taken the initiative to launch the WindMade™ eco label, which allows consumers to choose products manufactured using wind and other sustainable energy. Companies applying WindMade™ donate funds for installation of wind turbines in new growth markets.

Vestas openly continues to increase the safety of its own employees and those of its collaborative partners, reduce its environmental footprint and, through Vestas' Code of Conduct, to comply with the UN guidelines for good business ethics.

Ditlev Engel  
President and CEO



# Recyclability percentages for a **V112-3.0 MW<sup>1)</sup>**

**80%** of a V112 turbine can be recycled

**87** per cent of the nacelle can be recycled.

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The nacelle weighs 118 tonnes and accounts for 32 per cent of the turbine's total weight.

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**97** per cent of the tower can be recycled.

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A tower of 84 metres weighs 166 tonnes and accounts for 46 per cent of the turbine's total weight.

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**38** per cent of the rotor can be recycled.

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The rotor (hub and three blades) weighs 72 tonnes and accounts for 20 per cent of the turbine's total weight.

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**47** per cent of the other components can be recycled.

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Other components weigh 7 tonnes and account for 2 per cent of the turbine's total weight.

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1) The recycling percentage relates to the actual turbine exclusive of foundation. Only iron/steel, aluminium and copper are calculated as recycled – other materials are calculated as incinerated or landfilled.



## Safety & Citizenship

The Safety & Citizenship maxim describes Vestas' aim of making a positive contribution to the world and to safeguard human welfare for employees, customers and everyone else living in the societies that Vestas is a part of.

Safety comes first at Vestas. The ultimate goal is zero injuries, and constant improvements over the past five years prove that Vestas is on the right track. Thus, the incidence of industrial injuries per one million working hours was 5.0 in 2010, declining from 8.1 in 2009. The target for 2011 is to maintain an incidence of 5.0 industrial injuries per one million working hours, and for 2012 the target is a maximum of 3.0. The target for 2015 is 0.5.

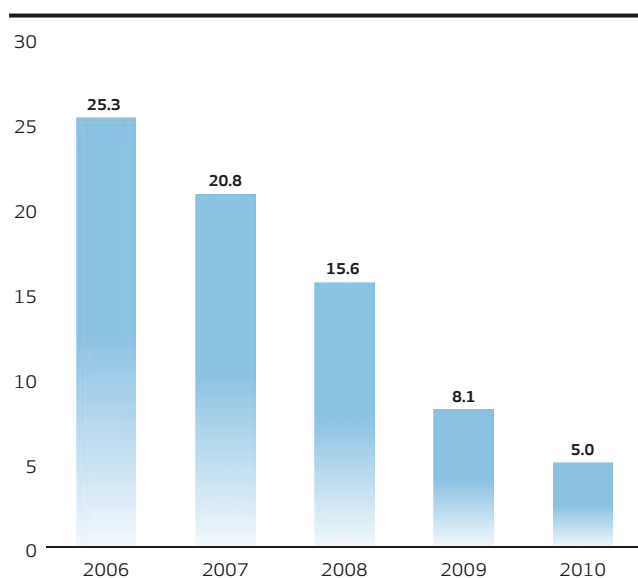
Vestas aims to build a world-class safety culture for two reasons. Vestas' employees are entitled to it and the customers demand it. A strong safety culture is to the benefit of the entire organisation, and it clearly illustrates the correlation between maintaining high safety and high quality.

Even though it takes time and calls for a huge effort from each and every employee, Vestas is confident that all injuries can be prevented. To accomplish the ultimate goal of zero injuries, the safety training programme was extended in 2010 to cover all hourly-paid employees. So far, 5,006 employees have attended Safety Awareness courses. Furthermore, new global standards have been implemented for how Vestas should handle risks and how to deal with accidents and subsequently learn from them.

The initiatives build on more than ten years of systematic efforts to make Vestas a safer workplace. Since 2006, when the incidence of industrial injuries was 25.3, the incidence rate per one million working hours has dropped by 80 per cent.

For more detailed information about industrial injuries for all production facilities, see [data.vestas.com](http://data.vestas.com).

**Incidence of industrial injuries (per one million working hours)**



## Health & safety management system

Reports on and measures to prevent injuries build on Vestas' OHSAS 18001 certification from 2000. At the end of 2010, 98 per cent of all Vestas' units had been certified.

## As green as it gets

Under the "As green as it gets" principle, Vestas undertakes to develop and produce wind turbines with a minimum environmental impact. Through recycling in Vestas' production and recycling of materials from dismantled wind turbines as well as production of more MWh per kilogram wind turbine, Vestas seeks to reduce its use of Earth's limited resources. At the same time, Vestas reduces its sensitivity to unstable raw materials prices and materials that are hard to access. The long-term objective is to build wind turbines from easily accessible and renewable materials. This objective can only be accomplished through close collaboration with the many suppliers.

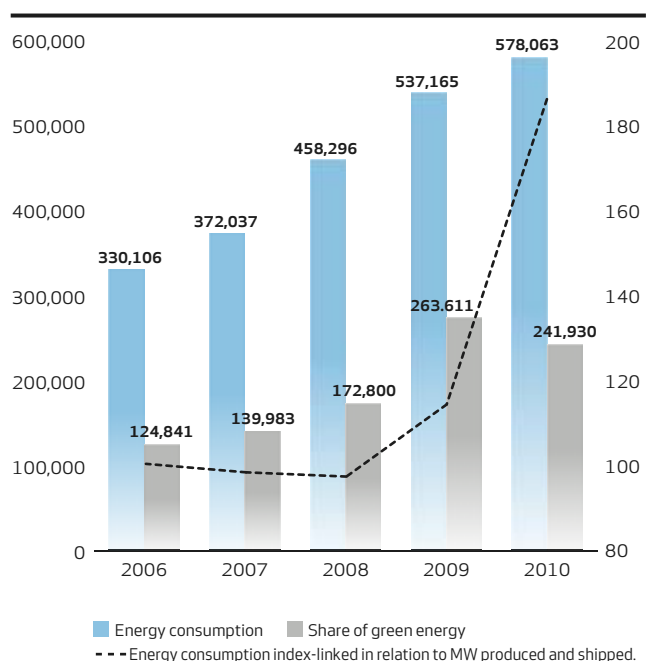
For more than ten years, Vestas has prepared life cycle assessments. These assessments map the lifetime of a wind turbine from cradle to grave, identifying the wind turbine's greatest environmental impact and measures to reduce such impact in five phases:

- raw materials and suppliers
- Vestas' production
- transport and installation
- operation and service over 20 years
- dismantling

## Cost of Energy

Steel and cast iron account for 82 per cent of the weight of a V112-3.0 MW wind turbine on an 84-metre tower, the total weight of which is approx 365 tonnes. To this comes a concrete foundation of some 950 tonnes, and it requires ten lorries and pilot cars to transport each wind turbine. Many turbines also need to be transported by ship and train, and the final installation requires a number of mobile cranes. Wind turbine production is thus very material and transport-intensive, requiring much energy.

**Energy consumption (MWh) and share of green energy**



At Vestas, which currently controls 7 per cent of its total CO<sub>2</sub> emissions during the lifetime of a wind turbine, efforts are dedicated to reducing the consumption of water and energy and the production of waste. Suppliers of components and raw materials account for 92 per cent of the CO<sub>2</sub> emissions, while transport and installation account for 1 per cent.

80 per cent of a V112-3.0 MW turbine can be recycled, and after approx eight months the wind turbine is energy-neutral, which means that it will contribute to reducing carbon emissions for more than 19 years. During its lifetime, the V112-3.0 MW turbine only emits 7 grams of CO<sub>2</sub> per kWh, deriving from production and installation of the turbine. By 2015, efficiency must have improved by 15 per cent so that the turbine emits a maximum of 6 grams of CO<sub>2</sub> per kWh during its lifetime.

An effective modern coal-fired power plant emits 790 grams of CO<sub>2</sub> per kWh. By comparison, a V112-3.0 MW turbine saves the environment for about 180,000 tonnes of CO<sub>2</sub> over 20 years. This is a substantial reduction in view of the fact that the average annual CO<sub>2</sub> emission per capita in OECD countries is approx 11 tonnes.

In 2010, Vestas increased in-house production at its factories, but because of the decline in total production in 2010, overall consumption of metals fell by 15 per cent.

Environmental figures for energy consumption for all Vestas' production facilities, see [data.vestas.com](http://data.vestas.com).

#### Water consumption

Vestas uses water in its production process, especially cooling water at the foundries. In 2010, water consumption increased by 15 per cent from 521,005 m<sup>3</sup> to 598,258 m<sup>3</sup> due to Vestas' increased production capacity, e.g. at Vestas' new foundry in Xuzhou, China.

In 2010, Vestas introduced online measurement of energy and water consumption at four factories to facilitate the discovery of leaks and excess consumption in all production facilities and large office buildings. In 2011 and 2012, this system will be implemented at all major Vestas facilities.

As much of the water as possible must be recycled in closed circuits, and watering of outdoor areas must be avoided.

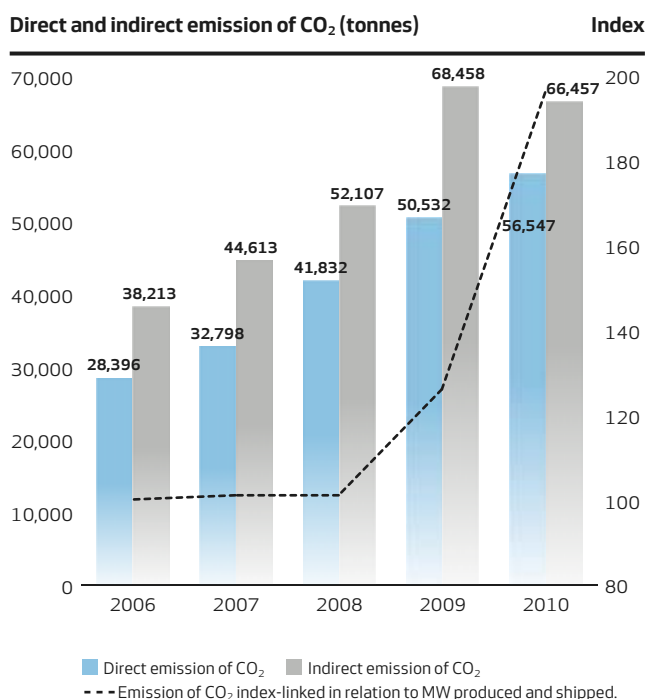
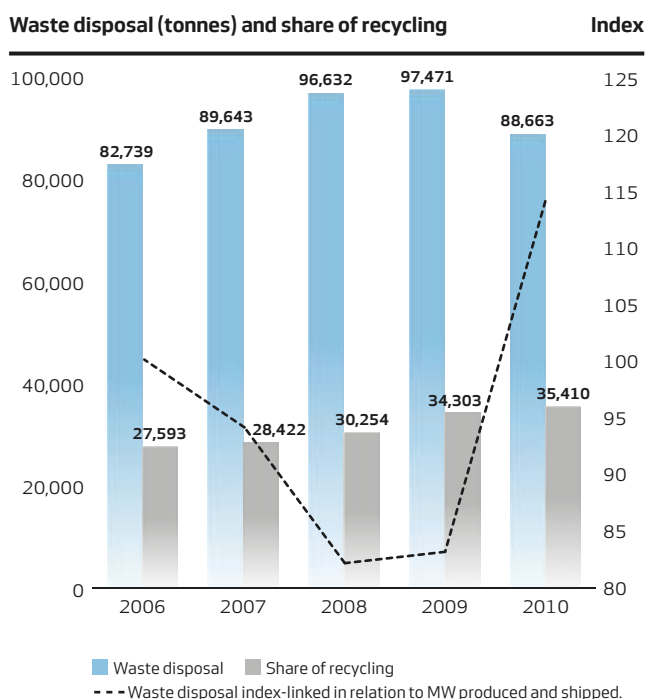
#### Waste disposal

The volume of waste and the volume of waste sent to recycling are key indicators of the efficiency of Vestas' work efforts.

Vestas endeavours to generate as little waste as possible. In 2010, the total volume of waste was 88,663 tonnes, against 97,471 tonnes in 2009. In 2010, 40 per cent of the total volume of waste was recycled, against 35 per cent the year before. The volume of waste should be viewed relative to the production and shipments of 4,057 MW in 2010 against 6,131 MW in 2009.

The use of suppliers affects the volumes that Vestas controls itself. In addition, the infrastructure for recycling of Vestas' waste, which consists primarily of sand, metals, wood, paper, oil, plastic and composites, has not been developed to the same level in all countries in which Vestas operates.

Measured in tonnes, 40 per cent of Vestas' waste is sand from the moulding processes. Since 2009, moulding sand has been recycled at all Vestas' foundries. 80-90 per cent of the moulding sand is being recycled on site, which reduces raw materials consumption, the total waste volume as well as transport costs.



### Energy consumption

In 2010, energy consumption increased by 8 per cent from 537,165 MWh to 578,063 MWh due to Vestas' increased production capacity. The increase is primarily registered in China, where the energy consumption rose by 82 per cent from 66,071 MWh in 2009 to 119,989 MWh in 2010.

As part of its environment initiatives, Vestas pursues a green electricity, a green car and a green building policy.

An important step in the efforts to reduce Vestas' environmental footprint is to make the Group's buildings as energy-efficient as possible.

Vestas assesses its buildings using the LEED standard, which specifies requirements for factors such as insulation, light, sound, energy types, rain water catchment and water recycling. In 2010, Vestas initiated three LEED Platinum construction projects, which is the highest standard in sustainable construction.

The environment-friendly buildings are 5-10 per cent more expensive than standard construction, but they will help Vestas save expenses for increasingly expensive water, heat and electricity.

### Renewable energy in production

The use of renewable energy combined with lower energy consumption and greater output per kilogram of turbine is the most effective way of reducing Vestas' climate impact.

Consequently, the goal was for 55 per cent of Vestas' energy consumption to come from renewable energy sources in 2010. Vestas only reached 42 per cent.

In 2010, it was not possible to buy renewable electricity in sufficient volumes in China and in parts of the USA and India. Consequently, compensation from a wind power plant in India owned and sold by Vestas in 2010 is included in the figure.

In 2010, contracts for delivery of 28,215 MWh of renewable electricity were signed. However, because of a substantial increase in the production capacity in China, Vestas' share of renewable electricity fell to 74 per cent in 2010, down from 85 per cent in 2009.

At the end of 2011, Vestas again plans to invest in wind power plants. In 2011, this implies a temporary decline in the use of renewable electricity, reducing Vestas' renewable energy consumption to 40 per cent. For 2015, it is Vestas' ambition to achieve a 55 per cent share of renewable energy. Vestas wants to contribute to the increasing demand for renewable energy and thereby show the world that large production companies can reduce their environmental footprint and pave the way for a CO<sub>2</sub>-free economy.

Vestas' strong capacity expansion in China and the USA, reduction of energy consumption in Europe and the sale of the wind power plant as compensation are the main reasons for the unsatisfactory trends. When index-linked to produced and shipped MW, Vestas' energy consumption and CO<sub>2</sub> emissions also rose because of the relatively low utilisation of the production facilities in 2010. A high capacity utilisation increases energy efficiency.

### Environment management system

In 2010, 98 per cent of Vestas had been certified according to the ISO 14001 standard, as measured by the number of workplaces. The aim is for all new units to be certified within six months after commencing operations. Vestas has systematically worked with environment and health & safety standards since 2000, when Vestas received its first ISO 14001 certification.

It is positive to note that Vestas has not experienced any environmental accidents in 2010.

### Code of conduct

As Vestas gradually grows bigger and bigger with employees and business partners with widely different cultural backgrounds, religious beliefs and political convictions, it is becoming more and more important to have a formal set of common values. Vestas' Code of Conduct is to ensure that all employees and other persons acting on behalf of Vestas know what is correct Vestas behaviour.

Vestas' Code of Conduct sets the framework for the work with the UN Global Compact, the International Bill of Human Rights and the International Labour Organization's conventions. Vestas will endeavour to ensure that its business partners also respect the Code of Conduct, including the ban on child labour and forced labour and respect for the individual regardless of race, colour, religion, political conviction, gender, age, national origin, sexual orientation, marital status, disability or characteristics.

Vestas' supply chain covers more than 1,000 business partners throughout the world, giving Vestas good opportunities to help disseminate awareness of the UN Global Compact and other similar initiatives. However, there are large national and cultural differences between collaborative partners, and the large number of business partners reduces the opportunities for implementing swift changes.

Vestas' long-term efforts involve a combination of requirements, advice and guidance in the fields of safety, the environment, human rights, labour rights, ethics, etc. with the aim of ensuring that not only Vestas' production, but the whole product and the preparation thereof, is sustainable in the broadest sense.

For more information on sustainability in relation to Vestas' business partners, see [vestas.com/aboutvestas/sustainability/suppliers](http://vestas.com/aboutvestas/sustainability/suppliers).

### Anti-corruption initiative

In August 2010, Vestas signed the World Economic Forum's "Partnering Against Corruption Initiative" (PACI), under which Vestas undertakes to develop a control system that supports the company's zero-tolerance policy on bribery and corruption. In the years to come, PACI will lead to training and other initiatives and actions.

Other initiatives are also made to ensure compliance with the Vestas Code of Conduct:

- Code of Conduct is part of the induction programme for all new employees.
- Code of Conduct has been made accessible for all employees via e-learning, information material in 18 languages, etc.
- E-learning programmes on fraud, bribery, competitor intelligence, gifts, etc. have been developed for selected employee groups.
- A number of legal experts have received special training in handling matters dealing with any non-compliance with the Code of Conduct.
- Vestas' whistleblower system has been re-launched under the name EthicsLine. From 2011, Vestas' business partners can also use the EthicsLine.

Vestas' Code of Conduct is available on [vestas.com/investor/corporategovernance](http://vestas.com/investor/corporategovernance).





# 38%

The incidence of industrial injuries fell to 5.0 in 2010 from 8.1 in 2009.



Accumulated, Vestas has delivered a total of 44,114 MW, which can generate approx 95 million MWh, equivalent to the annual electricity consumption in Belgium.



Vestas hires employees where the demand is, in accordance with the In the Region for the Region principle. In 2010, Vestas hired 1,185 new employees in China and 1,037 new employees in the USA.

## Customers

Revenue was distributed on	212 customers
Customer loyalty index was	64
Order intake amounted to	8,673 MW
In total, 5,842 MW was handed over to the customers in	32 countries
Largest project delivered	300 MW
Smallest project delivered	1 MW
Accumulated, Vestas has delivered a total of	44,114 MW
Accumulated, Vestas has delivered a total of	43,433 turbines
Annual production, accumulated installed capacity, approx	95m MWh

## Employees and facilities

Number of employees, year-end	23,252
- number of women	4,335
- number of men	18,917
Number of nationalities, year-end	85
Number of employees, year-end:	
- production	11,533
- sales and service	7,791
- R&D	2,277
- others	1,651





Vestas works intensively on reducing the number of industrial injuries, which again in 2010 was a success reaching an incidence of industrial injuries of 5.0 per one million working hours.



The amount of steel used in Vestas' own production in 2010 equals 171,024 tonnes corresponding to the amount of steel in 23 Eiffel Towers or two Golden Gate bridges.

#### Occupational health & safety

Number of industrial injuries	201
Number of near-miss incidents	8,830
Number of fatal industrial injuries	0
Incidence of industrial injuries per one million working hours	5.0
Number of employees, who have completed a safety awareness course	5,006

#### Produced and shipped

Number of MW produced and shipped	4,057 MW
Number of turbines produced and shipped	2,025 turbines
Number of projects	239

#### Utilisation of resources

- energy	578,063 MWh
- water	598,258 m <sup>3</sup>
- metals	171,024 tonnes
- other raw materials	107,485 tonnes
Share of waste collected for recycling	40 per cent

#### Number of transportations from Vestas to site by:

- ship/vessel	80
- train	5,640
- lorry	34,120

## Accounting policies for non-financial highlights for the Group

Vestas has selected a number of non-financial key figures that are relevant to understanding Vestas' development, results and financial position. These key figures are monitored closely, and specific targets have been defined for relevant indicators.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start and for acquired companies from the time when coming under Vestas' operational control. Companies are excluded from the reporting from the time when the company leaves Vestas' operational control. The same measurement and calculation methods are applied at all Vestas sites.

No information provided in earlier reports has been re-stated. There have been no significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.

### Safety and health

Occupational health & safety is measured for all activities under the organisational structure. Industrial injuries of all employees are stated on the basis of registration of incidents that have caused more than one day's absence.

From 2009, injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of injuries per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees, the injuries are reported by Vestas, and working hours are reported by the external supplier.

Absence due to illness is defined as hours absent due to illness, exclusive of absence caused by industrial injuries, maternity leave and child's first day of illness. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards (hourly-paid employees) and absence records (salaried employees), respectively.

### Management systems

Percentages of Vestas certified according to ISO 9001, ISO 14001 and OHSAS 18001, respectively, is stated on the basis of the number of employees in the certified departments.

### Consumption of resources

Metals and other raw materials are stated on the basis of consumption from inventories to manufacturing in the first phase of production and to servicing of wind turbines, respectively, as recorded in the company's ordinary registration systems. Metals include only the amount of metal that is processed at Vestas.

Consumables are stated on the basis of decentralised lists of quantities delivered per site in the financial year. Relevance has mainly been determined on the basis of Vestas' sector assessment of material environmental impacts, followed by a selection in relation to quantities consumed compared with the activities carried out at the sites.

Electricity, gas and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind turbines. Oil for heating is stated on the basis of external purchases adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water and geothermal heat. Nuclear power is not considered to be renewable energy. Consumption of electricity from non-renewable sources purchased as a result of not being able to purchase renewable electricity at some locations, is in the Group statement balanced with renewable electricity produced by wind power plants owned by Vestas and sold to the local grid.

The consumption of water is stated as measured consumption of fresh water. Water of less quality than drinking water is part of the fresh water consumption and is primarily used for watering of the outdoor areas and process water. Cooling water from streams, rivers, lakes, etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

### Waste and emissions

Waste including hazardous waste is stated on the basis of weight slips received from the waste recipients for deliveries effected in the accounting period, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load. Waste disposal is based on supplier statements.

Direct emission of CO<sub>2</sub> is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the Danish Energy Authority.

Indirect emission of CO<sub>2</sub> is calculated on the basis of direct consumption of electricity and district heating, with the usage of national grid emissions factors published by International Energy Agency. Indirect CO<sub>2</sub> emissions from electricity consumption based on non-renewable sources is balanced out by CO<sub>2</sub> emission savings caused by production and sale to the grid from Vestas owned turbines.

### MW produced and shipped

Produced and shipped MW is stated as the accumulated effect of wind turbines that were produced and shipped to the customers in the accounting period.

### CO<sub>2</sub> savings from the produced and shipped MW

CO<sub>2</sub> savings are calculated on the basis of a capacity factor of 30 per cent of the produced and shipped MW, an expected lifetime of 20 years of the produced and shipped MW, and the latest updated standard factor from the International Energy Agency (IEA) of average CO<sub>2</sub> emission for electricity in the world, at present 507 grams of CO<sub>2</sub> per kWh.

### Breaches of internal control conditions

Breaches of internal inspection conditions are stated as the conditions for which measurements are required, and where measurements show breaches of stated conditions.

### Environmental accidents

Accidental release of substance and chemicals that Vestas considers to have an irreversible impact on the environment.

### Employees and diversity

The number of employees is calculated as the number of employees who have a direct contract with Vestas and permanent staff employed through third parties. The average number of employees is calculated as the number of active employees at the end of a month distributed on the 12 months of the year. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of nationality, sex and IPE level (Mercers International Position Evaluation).

### **The independent auditor's statement concerning non-financial highlights for 2010**

We have made an assessment of Vestas Wind Systems A/S' non-financial key figures and indicators for 2010, stated on page 7, in the annual report for 2010.

#### **Criteria for the preparation of reporting on non-financial issues**

Page 74 of the annual report for 2010 includes the Management's responsibility for choice of the non-financial highlights relevant for integration in the annual report page 7. The non-financial key figures and indicators have been included in the annual report for 2010 according to the accounting policies for non-financial highlights for the Group applied and described on page 74.

The preparation of the reporting on non-financial issues and non-financial highlights is the responsibility of the Company Management. Our responsibility is to express an opinion on the reporting on non-financial key figures and indicators based on our assessment.

#### **Basis of opinion**

Our work has been planned and performed in accordance with the International Standard on Assurance Engagements, ISAE 3000 (other assurance than audit or review of historical, financial information) to obtain reasonable assurance that the data stated on page 7 have been computed in accordance with the criteria for the preparation of reporting on non-financial highlights.

Based on an assessment of materiality and risk, our work has comprised accounting technical analyses, inquiries and spot-checks of systems, data and underlying documentation, including test that the guidelines for measurement and statement of data have been followed. We have assessed the expediency of the internal recording and reporting system as basis for consistent recording and reporting on the non-financial environmental and occupational health & safety data.

#### **Opinion**

In our opinion, the non-financial key figures and indicators included on page 7 of the annual report for 2010 have been stated in accordance with the criteria mentioned.

Copenhagen, 9 February 2011

**PricewaterhouseCoopers**  
Statsautoriseret Revisionsaktieselskab

**Lars Holtug**  
State Authorised  
Public Accountant

**Birgitte Mogensen**  
State Authorised  
Public Accountant



# In the region **for the region**

## **Vestas Mediterranean**

In April, Vestas signed the largest single order in the company's history for delivery in 2011 and 2012 of up to 2,100 MW (1,500 MW with an option for an additional 600 MW). The first project was installed in France before end of December 2010.

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## Consolidated accounts

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# Consolidated accounts

## Consolidated income statement 1 January – 31 December

mEUR	Note	2010	2009
<b>Revenue</b>	3, 4	6,920	5,079
Cost of sales	5, 6	(5,745)	(4,243)
<b>Gross profit</b>		<b>1,175</b>	<b>836</b>
Research and development costs	5, 6, 7	(150)	(92)
Selling and distribution expenses	5, 6	(206)	(178)
Administrative expenses	5, 6	(351)	(315)
<b>Operating profit before one-off costs</b>		<b>468</b>	<b>251</b>
One-off costs	5, 8	(158)	0
<b>Operating profit</b>		<b>310</b>	<b>251</b>
Income from investments in associates	15	0	1
Financial income	9	22	14
Financial expenses	10	(94)	(62)
<b>Profit before tax</b>		<b>238</b>	<b>204</b>
Corporation tax	11	(82)	(79)
<b>Profit for the year</b>		<b>156</b>	<b>125</b>
Distributed as follows:			
Shareholders in Vestas Wind Systems A/S		156	125
		<b>156</b>	<b>125</b>
<b>Earnings per share (EPS)</b>	12		
Earnings per share (EUR)		0.77	0.63
Earnings per share (EUR), diluted		0.77	0.63

## Consolidated statement of comprehensive income 31 December

mEUR	2010	2009
<b>Profit for the year</b>	<b>156</b>	<b>125</b>
Exchange rate adjustment from conversion to EUR	(4)	2
Exchange rate adjustments relating to foreign entities	42	13
Fair value adjustments of derivative financial instruments	10	(8)
Fair value adjustments of derivative financial instruments transferred to the income statement (cost of sales)	8	38
Tax on derivative financial instruments and other comprehensive income	(6)	(8)
Other comprehensive income after tax	50	37
<b>Total comprehensive income</b>	<b>206</b>	<b>162</b>
Distributed as follows:		
Shareholders in Vestas Wind Systems A/S	206	162
	<b>206</b>	<b>162</b>

## Consolidated balance sheet 31 December – Assets

mEUR	Note	2010	2009	2008
Goodwill		320	320	320
Completed development projects		169	99	60
Software		88	73	62
Development projects in progress		457	320	202
<b>Total intangible assets</b>	13	<b>1,034</b>	<b>812</b>	<b>644</b>
Land and buildings		867	661	433
Plant and machinery		304	230	159
Other fixtures and fittings, tools and equipment		248	216	167
Property, plant and equipment in progress		285	354	271
<b>Total property, plant and equipment</b>	14	<b>1,704</b>	<b>1,461</b>	<b>1,030</b>
Investments in associates	15	4	1	1
Other receivables	20	25	16	25
Deferred tax	16	224	384	186
<b>Total other non-current assets</b>		<b>253</b>	<b>401</b>	<b>212</b>
<b>Total non-current assets</b>		<b>2,991</b>	<b>2,674</b>	<b>1,886</b>
Inventories	17	2,735	3,929	2,867
Trade receivables	18	624	525	938
Construction contracts in progress	19	40	16	123
Other receivables	20	277	234	181
Corporation tax	21	64	93	49
Investments		0	0	121
Cash at bank and in hand	30	335	488	162
<b>Total current assets</b>		<b>4,075</b>	<b>5,285</b>	<b>4,441</b>
<b>Total assets</b>		<b>7,066</b>	<b>7,959</b>	<b>6,327</b>

Comparative figures for 2009 and 2008 are changed in line with the changes in accounting policy in 2010, refer to note 40 to the consolidated accounts.

## Consolidated balance sheet 31 December – Equity and liabilities

mEUR	Note	2010	2009	2008
Share capital	22	27	27	25
Other reserves		9	(41)	(78)
Retained earnings		2,718	2,556	1,640
<b>Total equity</b>		<b>2,754</b>	<b>2,542</b>	<b>1,587</b>
Deferred tax	16	6	121	9
Provisions	23	139	137	122
Pension obligations	24	2	2	2
Financial debts	25	910	339	14
<b>Total non-current liabilities</b>		<b>1,057</b>	<b>599</b>	<b>147</b>
Prepayments from customers		1,546	2,889	2,677
Construction contracts in progress	19	15	0	80
Trade payables		1,120	1,062	1,030
Provisions	23	223	274	260
Financial debts	25	4	12	109
Other liabilities	26	323	436	395
Corporation tax	21	24	145	42
<b>Total current liabilities</b>		<b>3,255</b>	<b>4,818</b>	<b>4,593</b>
<b>Total liabilities</b>		<b>4,312</b>	<b>5,417</b>	<b>4,740</b>
<b>Total equity and liabilities</b>		<b>7,066</b>	<b>7,959</b>	<b>6,327</b>

Comparative figures for 2009 and 2008 are changed in line with the changes in accounting policy in 2010, refer to note 40 to the consolidated accounts.

## Consolidated statement of changes in equity 1 January – 31 December

mEUR	Share capital	Other reserves		Reserves	Total
		Translation reserve	Cash flow hedging reserve		
<b>Equity at 1 January 2010</b>	<b>27</b>	<b>(35)</b>	<b>(6)</b>	<b>2,556</b>	<b>2,542</b>
Capital increase	0	0	0	0	0
Costs of capital increase	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
Share based payment	0	0	0	6	6
Total comprehensive income for the year	0	38	12	156	206
<b>Equity at 31 December 2010</b>	<b>27</b>	<b>3</b>	<b>6</b>	<b>2,718</b>	<b>2,754</b>

mEUR	Share capital	Other reserves		Reserves	Total
		Translation reserve	Cash flow hedging reserve		
<b>Equity at 1 January 2009</b>	<b>25</b>	<b>(50)</b>	<b>(28)</b>	<b>1,640</b>	<b>1,587</b>
Capital increase	2	0	0	800	802
Costs of capital increase	0	0	0	(10)	(10)
Acquisition of treasury shares	0	0	0	(1)	(1)
Share based payment	0	0	0	2	2
Total comprehensive income for the year	0	15	22	125	162
<b>Equity at 31 December 2009</b>	<b>27</b>	<b>(35)</b>	<b>(6)</b>	<b>2,556</b>	<b>2,542</b>

Refer to the parent company's statement of changes in equity on page 143 for information about which reserves are available for distribution. For proposed distribution of profit, refer to the parent company's annual accounts on page 141.



## Consolidated cash flow statement 1 January – 31 December

mEUR	Note	2010	2009
Profit for the year		156	125
Adjustments for non-cash transactions	27	411	369
Interest received, etc.		22	8
Interest paid, etc.		(49)	(31)
Corporation tax paid		(131)	(114)
Cash flow from operating activities before change in net working capital		409	357
Change in net working capital	28	(353)	(391)
<b>Cash flow from operating activities</b>		<b>56</b>	<b>(34)</b>
Purchase of intangible assets		(328)	(227)
Purchase of property, plant and equipment		(458)	(606)
Purchase of other non-current assets		(12)	0
Acquisition of enterprise	29	(2)	0
Disposal of property, plant and equipment		11	15
Disposal of other non-current assets		0	10
<b>Cash flow from investing activities</b>		<b>(789)</b>	<b>(808)</b>
<b>Free cash flow</b>		<b>(733)</b>	<b>(842)</b>
Capital increase		0	792
Acquisition of treasury shares		0	(1)
Repayment of non-current liabilities		(28)	0
Raising of non-current liabilities		596	284
<b>Cash flow from financing activities</b>		<b>568</b>	<b>1,075</b>
<b>Change in cash at bank and in hand less current portion of bank debt</b>		<b>(165)</b>	<b>233</b>
Cash at bank and in hand less current portion of bank debt at 1 January		479	219
Exchange rate adjustments of cash at bank and in hand		18	27
<b>Cash at bank and in hand less current portion of bank debt at 31 December</b>		<b>332</b>	<b>479</b>
The balance is specified as follows:			
Cash at bank and in hand without disposal restrictions		325	468
Cash at bank and in hand with disposal restrictions	30	10	20
Investments		0	0
Total cash at bank and in hand		335	488
Current portion of bank debt	25	(3)	(9)
		<b>332</b>	<b>479</b>

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## 1 Group accounting policies

The Consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The parent company's annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to listed companies.

The annual report has been prepared in accordance with the additional Danish disclosure requirements for annual reports of listed companies. Reference is made to the disclosure requirements for annual reports of listed companies laid down by the NASDAQ OMX Copenhagen, the Danish Financial Statements Act and the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

### Basis of preparation

The annual report has been prepared under the historical cost method, except for the derivative financial instruments.

The accounting policies as described below have been applied consistently over the financial year and in respect of the comparative figures.

The accounting policies remain unchanged from 2009 except for the changes in accounting policies related to IFRIC 15 and the implementation of the new accounting standards specified below.

The annual report is presented in million EUR.

### Implementation of new International Financial Reporting Standards

With effect from 1 January 2010, the Vestas Group has implemented amendments to IAS 27 consolidated and separate financial statements, amendments to IAS 39 financial instruments, amendments to IFRS 3 business combination, IFRIC 12 service concession arrangements, IFRIC 17 distributions of non-cash assets to owners and transfers of assets from customers.

The amendments and interpretations have not affected recognition and measurement.

Furthermore, the Vestas Group implemented IFRIC 15 construction of real estate; see company announcement No. 44/2010. The implementation of IFRIC 15 resulted in Vestas changing its accounting policies for revenue recognition in relation to supply-and-installation projects. The consequences of the changes in accounting policies are illustrated in the aforementioned announcement and note 40 of the consolidated accounts.

Apart from IFRIC 15, the new standards and interpretations do not affect earnings per share and diluted earnings per share. Refer to note 40 for the illustration of the impact of IFRIC 15 on earnings per share and diluted earnings per share.

The description of new standards and interpretations that are not yet effective has been included in note 41 to the consolidated accounts.

### Consolidated accounts and business combinations

The consolidated accounts comprise Vestas Wind Systems A/S (the parent company) and the enterprises in which Vestas Wind Systems A/S directly or indirectly holds more than 50 per cent of the votes or otherwise exercises control (subsidiaries). Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Enterprises that are not subsidiaries, but in which the Group holds between 20 per cent and 50 per cent of the votes or otherwise exercises significant influence on operational and financial management, are classified as associates.

An overview of Group legal entities is provided on pages 133–135.

The consolidated accounts are prepared from the financial statements of the parent company and subsidiaries by combining accounting items of

a uniform nature with subsequent elimination of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as unrealised profits and losses on transactions between consolidated enterprises.

The consolidated accounts are based on financial statements prepared under the accounting policies of the Vestas Group.

Newly acquired or newly founded subsidiaries are recognised from the date of obtaining the control of the enterprise acquired (date of acquisition). Upon acquisition of subsidiaries the acquisition method is applied.

Cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn-outs. Expenses related to the acquisition are recognised in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the enterprise acquired are recognised at the fair value at the date of acquisition calculated in accordance with the Group accounting policies.

In connection with every acquisition, goodwill and a non-controlling interest (minority) are recognised according to one of the following methods:

- 1) Goodwill relating to the enterprise acquired comprises a positive difference, if any, between the total fair value of the enterprise acquired and the fair value of the total net assets for accounting purposes. The non-controlling interest is recognised at the share of the total fair value of the enterprise acquired (full goodwill).
- 2) Goodwill relating to the enterprise acquired comprises a positive difference, if any, between cost and the fair value of the Group's share of the net assets for accounting purposes of the acquired enterprise at the date of acquisition. The non-controlling interest is recognised at the proportionate share of the net assets acquired (proportionate goodwill)

Goodwill is recognised in intangible assets. Goodwill is not amortised, but is valued once a year and in connection with indication of impairment to determine whether it has been subject to any impairment. If so, write-down for impairment is made to the lower recoverable amount of the asset.

Sold or liquidated enterprises are recognised up to the date of disposal. Any gain or loss compared to the carrying amount at the date of disposal is recognised in the income statement to the extent the control of the subsidiary is also transferred.

Comparative figures are restated for newly acquired, sold or liquidated enterprises.

### Translation policies

#### Functional currency and presentation currency

Assets, liabilities and transactions of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK); however, due to the Group's international relations, the consolidated accounts are presented in euro (EUR).

#### Translation into presentation currency

The balance sheet is translated into the presentation currency at the EUR rate at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction.

#### Translation of transactions and amounts

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are

translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

#### Translation of Group enterprises

On recognition in the consolidated accounts of foreign enterprises with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised directly in equity under the separate translation reserve.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognised directly in equity in the consolidated accounts. Similarly, exchange gains and losses on the part of loans and derivative financial instruments entered into in order to hedge the net investment in foreign enterprises with another functional currency than the presentation currency of the Group, which effectively hedge against corresponding exchange gains/losses on the net investment in the enterprise, are recognised directly in equity under a separate translation reserve in the consolidated accounts.

On recognition in the consolidated accounts of associates with functional currencies that differ from the presentation currency of the Group, the share of results for the year are translated at average exchange rates, and the shares of equity including goodwill are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign associates at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised directly in equity under the separate translation reserve.

On full or partial disposal of foreign entities or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised directly in and attributable to equity, is recognised in the income statement at the same time as any profit or loss on the disposal.

#### Derivative financial instruments

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off only where the enterprise has the right and intention to settle several financial instruments on a net basis.

A currency element of sales agreement is treated as a stand alone derivative financial instrument if the currency of the contract is neither the functional currency of Vestas or the counterpart or a commonly used currency in the country in which the sales take place.

Fair values of derivative financial instruments are calculated on the basis of market data as well as recognised valuation methods.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the value of the hedged asset or the hedged liability related to the hedged risk.

According to the agreements entered into the hedging of future cash flows, except for currency hedging, are treated as fair value hedges of a recognised asset or a recognised liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future cash flows and effectively

hedge changes in the value of the hedged item are recognised in equity. Profits or losses on such hedging transactions are transferred from equity on realisation of the hedged item and are recognised in the same entry as the hedged item. However, on hedging of proceeds from future borrowing, profits or losses on hedging transactions are transferred from equity over the term of the loan.

Changes in the fair values of derivative financial instruments, designated and qualify as hedges of net investments in foreign subsidiaries or associates and effectively hedge against exchange adjustments in these enterprises, are recognised directly in equity under the cash flow hedging reserve.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in financial income and expenses in the income statement.

#### Segment information

The reportable segments identified make up most of the Group's external revenue, which is solely derived from the sale of wind turbine generators and associated service activity. The reportable segments are an aggregation of operating segments within the Vestas Group as prescribed by IFRS 8. The reportable segments are determined based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Executive Management. Thus, they are determined based on both geographical segments and business units (production and sales business units) of the Group. The remaining operating segments not included in the identified reportable segments are included under all other operating segments.

The production business units are classified as one reportable segment because the revenues generated by these units are driven by the Group's transfer pricing policy and are consistent across the Group. Secondly, Vestas only sells one product - wind turbines - and revenue is recognised largely based on the delivery of a complete wind turbine not on the basis of the independent sale of the three main products (blades, nacelle and tower) that make up the wind turbine.

The measure of profit or loss, revenues and expenses included in segmental reporting are the same as those used in the consolidated accounts.

Income and expenses included in profit for the year are allocated to the extent that they can be directly or indirectly attributed to the segments on a reliable basis. Expenses allocated as either directly or indirectly attributable comprise: cost of sales, research and development costs, selling and distribution expenses and administrative expenses.

The income and expenses allocated as indirectly attributable to the segments are allocated by means of sharing keys determined on the basis of the utilisation of key resources in the segment.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets, property, plant and equipment and investments in associates.

Current segment assets comprise the current assets used directly for segment operations, including inventories, trade receivables, other receivables and prepayments.

Inter-company balances primarily comprise arms' length transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the consolidated accounts.

#### Share-based payments

The value of the services received in exchange for the granting of options is measured at the fair value of the options.

Equity settled share options granted to employees are measured at fair value at the time of granting and are recognised in staff expenses in the income statement over the vesting period. The counter item is recognised directly in equity.

On initial recognition of the share options, the number of options expected to vest is estimated. Subsequently, the estimate of the number of vested options is revised so that the total recognised is based on the actual number of options vested.

The fair value of the options granted is estimated using an option pricing model (Black-Scholes). In determining fair value, terms and conditions relating to the share options granted are taken into account.

#### **Government grants**

Government grants comprise grants for investments, research and development projects, etc. Grants are recognised when there is reasonable certainty that they will be received.

Grants for investments and capitalised development projects are set off against the cost of the assets to which the grants relate. Other grants are recognised in development costs in the income statement so as to offset the expenses for which they compensate.

#### **Income statement**

##### **Revenue**

Revenue comprises sale of wind turbines and wind power systems, after-sales service and sale of spare parts.

Sale of individual wind turbines and small wind power systems based on standard solutions (supply-only and supply-and-installation projects) as well as spare parts sales are recognised in the income statement provided that the risk has been transferred to the buyer prior to the year end, and provided that the income can be measured reliably and is expected to be received. Contracts to deliver large wind power systems with a high degree of customisation are recognised in revenue as the systems are constructed based on the stage of completion of the individual contract (turnkey projects). Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power systems sold, are recognised in the income statement over the term of the agreement as the agreed services are provided.

##### **Cost of sales**

Cost of sales, including warranty costs, comprise the expenses incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect expenses such as salaries, rental and lease expenses as well as depreciation of production facilities.

Furthermore, provisions for losses on construction contracts are included in cost of sales.

##### **Research and development costs**

Research and development costs comprise development costs that do not qualify for capitalisation, as well as amortisation of and impairment losses on capitalised development costs.

##### **Selling and distribution expenses**

Selling and distribution expenses comprise expenses incurred for the sale and distribution of products sold during the year as well as for sales campaigns, etc. carried out during the year. Also included are, expenses relating to sales staff, advertising and exhibitions and depreciation are recognised.

##### **Administrative expenses**

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

##### **One-off costs**

One-off costs comprises material amounts that are not attributable to normal operations. This includes costs related to significant organisational restructuring and adjustments to production capacity and the product pro-

gramme. The costs will include the write-down of intangible and tangible assets as well as provisions for reorganisations and any reversal of these.

##### **Income from investments in associates**

The proportionate share of the results of associates after tax and after elimination of the proportionate share of intercompany profits/losses is recognised in the consolidated income statement.

##### **Financial income and expenses**

Financial income and expenses comprise interest, exchange gains and losses and impairment losses on securities, debt and foreign currency transactions, amortisation of financial assets and liabilities, including finance lease obligations, as well as extra payments and repayments under the on-account taxation scheme.

Borrowing costs related to construction of qualifying assets are recognised as part of the assets' cost price.

##### **Corporation tax**

Tax for the year consists of current tax and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

To the extent that the Vestas Group achieves any tax allowance in the calculation of the taxable income in Denmark or abroad as a result of share-based payment schemes, the tax effect of the schemes is recognised in current tax for the year. However, where the total tax allowance exceeds the total cost of the scheme for accounting purposes, the tax effect of the excess allowance is recognised directly in equity.

##### **Balance sheet**

##### **Intangible assets**

###### **Goodwill**

Goodwill is initially recognised in the balance sheet as described under consolidated accounts and business combinations. Subsequently, goodwill is measured at this value less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units. Identification of cash-generating units is based on management structure and internal financial management. Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated are the Group's geographical segments, Europe and Africa, Americas and Asia Pacific.

The carrying amount of goodwill is tested at least annually for impairment, together with the other non-current assets of the cash-generating unit to which goodwill has been allocated, and if the recoverable amount is lower than the carrying amount, goodwill is written down to its lower recoverable amount in the income statement.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the enterprise or the activity (cash-generating unit) to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in a separate line in the income statement.

##### **Development projects and software**

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or application in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if cost can be measured reliably and sufficient certainty exists that future earnings or the net selling price can cover cost of sales, selling and distribution and administrative expenses as well as research and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries,



amortisation and other expenses attributable to the Group's development activities.

Following completion of the development work, development projects are amortised on a straight-line basis over the estimated useful life. The amortisation period is three to five years. The basis of amortisation is calculated net of any impairment losses.

The carrying amount of development projects in progress is tested for impairment at least annually and where the carrying amount exceeds the net present value of the future net cash flows expected to be generated by the development project, the project is written down to its recoverable amount in the income statement.

Patents and licences included in development projects are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised over the patent period or term of agreement, the life of the development project or the estimated useful life, whichever is shorter. The basis of amortisation is calculated net of any impairment losses.

Software is measured at cost less accumulated amortisation and impairment losses. Cost includes both direct internal and external expenses. Software is amortised on a straight-line basis over five years. The basis of amortisation is calculated net of any impairment losses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as expenses in the financial year in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period, more than three months, of time to get ready for its intended use or sale.

#### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for materials, components, sub-suppliers and labour. Estimated expenses for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is broken down into separate components which are depreciated separately.

The cost of assets held under finance leases is calculated at the lower of the fair value of the leased asset and the net present value of the future minimum lease payments computed by applying the interest rate implicit in the lease or an approximated value thereof as the discount rate.

Subsequent expenses, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that the expenses incurred will result in future economic benefits to the Group. The carrying amount of the replaced components is derecognised in the balance sheet and recognised in the income statement. All other expenses incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as expenses in the financial year in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period, more than three months, of time to get ready for its intended use or sale.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings, including installations .....	25–40 years
Plant and machinery .....	3–10 years
Power-operated tools of own construction and newly manufactured test and exhibition turbines.....	3–5 years
Other fixtures and fittings, tools and equipment .....	3–5 years
Land is not depreciated.	

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change of accounting estimate.

Depreciation is recognised in the income statement as cost of sales, research and development costs, selling and distribution expenses as well as administrative expenses to the extent that depreciation is not included in the cost of assets of own construction.

#### Leases

For accounting purposes, lease obligations are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset had been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives in accordance with the periods listed above. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straight-line basis in the income statement over the lease term.

#### Impairment of assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the year of acquisition. Similarly, development projects in progress are tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill has been allocated, and if the recoverable amount is lower than the carrying amount, goodwill is written down to its lower recoverable amount in the income statement. Impairment losses on goodwill are recognised in a separate line in the income statement.

Deferred tax assets relating to tax loss carry-forwards are reviewed on an annual basis and are only recognised when it is probable that they will be utilised in future periods.

The carrying amounts of other non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in use.

Value in use is calculated as the net present value of expected future net cash flows from the asset or the cash-generating unit to which the asset has been allocated.

Any impairment loss is recognised where the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in cost of sales, research and development costs, selling and distribution expenses and administrative expenses, respectively. Impairment losses on goodwill are presented in a separate line in the income statement.

Impairment losses on goodwill are not reversed. Impairment losses on other

assets are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation/amortisation had the asset not been impaired.

#### Investments in associates

Investments in associates are measured in the balance sheet at the proportionate share of the net asset value of the associates calculated under the Group's accounting policies with deduction or addition of a proportionate share of unrealised intercompany profits and losses and with addition of the carrying amount of goodwill.

Associates with negative net asset values are measured at EUR 0. Any legal or constructive obligation of the Group to cover the negative balance of the associate is recognised in provisions.

Receivables from associates are measured at amortised cost. Provisions are made for bad debts.

#### Inventories

Inventories are measured at the lower of cost using the weighted average method and net realisable value (NRV).

The cost of goods for resale, duties, raw materials and consumables comprises direct costs and transportation expenses.

The cost of work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise the cost of materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process together with costs of factory administration and management.

The NRV of inventories is measured at sales price less costs of completion and selling costs incurred. NRV is determined taking into account marketability, obsolescence and development in the expected selling price.

#### Trade receivables

Trade receivables and other receivables are measured at amortised cost. Provisions are made for bad debts.

Prepayments recognised as assets comprise prepaid expenses concerning subsequent financial years and are measured at cost.

#### Construction contracts in progress

Construction contracts in progress comprises agreements to deliver large wind power systems with a high degree of customisation (turnkey projects).

Construction contracts in progress are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. Construction contracts are characterised by the wind power systems delivered being customised to a high degree.

The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the income statement.

The value of self-constructed components is recognised in "Construction contracts in progress" upon delivery of the components to the specific wind power systems construction site.

Where it is probable that the total expenses of a construction contract in progress will exceed total revenues from the contract, the expected loss for construction contracts in progress is recognised immediately as an expense and an obligation.

Prepayments from customers are recognised as liabilities.

A construction contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Construction contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability.

Expenses relating to sales work and the securing of contracts are recognised in the income statement as incurred.

#### Investments

Shares and bonds included in the Group's trading portfolio are recognised under current assets at the trade date and are measured at fair value, in line with the Group's investment policies, corresponding to the market price for quoted securities. Changes in fair value are recognised in the income statement as financial income or financial expense.

#### Equity

##### Treasury shares

Purchase and sales sums as well as dividends relating to treasury shares are recognised directly in retained earnings in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares.

Proceeds from the sale of treasury shares and the issuing of new shares in Vestas Wind Systems A/S relating to the exercise of share options or employee shares are recognised directly in equity.

##### Dividend

A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The dividend distribution proposed for the year is disclosed as a separate equity item.

Interim dividend is recognised as a liability at the time of resolution.

##### Translation reserve

The translation reserve in the consolidated accounts comprises exchange adjustments arising on the translation of the financial statements of foreign enterprises from their functional currencies into the presentation currency of the Group (EUR).

Upon full or part realisation of the net investment, exchange adjustments are recognised in the income statement.

##### Cash flow hedging reserve

The cash flow hedging reserve in the consolidated accounts comprises gains and losses on fair value adjustments of forward exchange contracts concerning future transactions as well as hedging in connection with commodities.

The cash flow hedging reserve also includes fair value adjustments of interest rate swaps, outstanding at the balance sheet date, entered into to hedge against the interest rate risks on loans with floating interest rates.

##### Corporation tax and deferred tax

Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes, office premises and other items – apart from business acquisitions – where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in other non-current assets at the value at which the asset is expected to be realised, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment are made to deferred tax to take account of the elimination of unrealised intercompany profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement except for items recognised directly in equity.

#### Provisions

Provisions are recognised when - in consequence of an event that has occurred before or on the balance sheet date - the company has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

Provisions are measured at Management's best estimate of the expenses required to settle the obligation. Discounting is applied where relevant.

Warranty provisions are recognised systematically and comprise warranty obligations made in respect of delivered wind turbines and wind power systems based on experience. At the start of the warranty period, calculated provisions are made for each type of wind turbine and are reduced over the warranty period as warranty costs are incurred. Subsequently, periodic reviews are performed based on an overall assessment of the need for provisions.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected by no later than the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquired enterprise are recognised in goodwill only where a restructuring obligation relating to the acquired enterprise exists at the time of acquisition.

A provision for loss-making contracts is made where the expected benefits to the Group from the contract are lower than the unavoidable costs of meeting obligations under the contract (loss-making contracts). Expected losses on construction contracts in progress are, however, recognised in construction contracts in progress.

#### Pension obligations

Obligations relating to defined contribution plans where the Group continuously makes fixed pension contributions to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet in other payables.

For defined benefit plans, an annual actuarial calculation is made of the net present value of the future benefits under the defined benefit plan. Net present value is calculated based on assumptions of the future development in e.g. salary level, interest rates, inflation and mortality. The net present value is calculated only for benefits earned by employees from their employment to date with the Group. The actuarially calculated net present value less the fair value of any plan assets is recognised in the balance sheet in pension obligations in accordance with the corridor method.

In the income statement, the pension expense for the year is recognised based on the actuarial estimates and financial expectations at the beginning of the year. Furthermore, a share of the accumulated actuarial gains or losses at the beginning of the financial year is recognised if it exceeds the higher of 10 per cent of the pension obligations and 10 per cent of the fair value of the pension assets. The amount is recognised in the income statement over the employees' estimated average remaining period of employment with the Group. The non-recognised part of actuarial gains/losses is disclosed in the notes. Upon the change to IFRS, accumulated actuarial gains and losses were fully recognised in the opening balance sheet at 1 January 2005.

In the event of changes in benefits payable for employees' past services to the Group, a change is made to the actuarially calculated net present value, which is classified as past service cost. Past service cost is charged to the income statement immediately if the employees have already earned the right to the changed benefit. Otherwise, past service cost is recognised in the income statement over the period in which the employees earn the right to the changed benefit.

Where a pension plan constitutes a net asset, the asset is recognised only to the extent that it offsets non-recognised actuarial losses, future repayments from the plan, or if it will lead to a reduction in future contributions under the plan.

Other long-term staff benefits are similarly recognised by using an actuarial calculation, but without applying the corridor method. Accordingly, all actuarial gains and losses are recognised immediately in the income statement. Other long-term staff obligations include anniversary bonuses.

#### Financial debts

Loans from credit institutions, etc. are recognised initially at the fair value of the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in financial expenses in the income statement over the loan period.

Financial debts also include the capitalised remaining lease obligations on finance leases measured at amortised cost.

#### Prepayments from customers

Prepayments from customers recognised in liabilities are measured at cost and comprise prepayments received for wind turbines or wind power systems ordered but not yet delivered and service prepayments received in respect of wind turbines and wind power systems delivered.

#### Other debt

Other debts are measured at amortised cost.

Deferred income is measured at cost and comprises payments received in respect of income in subsequent years.

#### Cash flow statement

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows relating to acquired enterprises are recognised from the date of acquisition. Cash flows relating to enterprises disposed of are recognised until the date of disposal.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions and changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

#### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from business acquisitions and sales and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately.

The establishment of finance leases are treated as non-cash transactions.

#### Cash flows from financing activities

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, acquisition of shares for treasury and sale of treasury shares together with distribution of dividends to shareholders.

Cash flows from finance lease assets are recognised as interest payments and repayments of debts.

#### Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and in hand and current bank debt.

Assets and short term debts that are included as cash at hand and in bank in the cash flow statement are those included in the Group's cash management.

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## Glossary

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### Financial ratios

**EBIT margin:** Profit/loss before income from associates, financial income and expenses and tax as a percentage of revenue.

**EBITDA margin:** Profit/loss before financial income and expenses, depreciation and amortisation, income from associates, financial income and expenses and tax as a percentage of revenue.

**Gearing (%):** Interest-bearing liabilities at year end divided by equity at year-end.

**Gross margin (%):** Gross profit/loss as a percentage of revenue.

**Net interest-bearing debt/EBITDA:** Net interest-bearing debt divided by profit/loss before financial income and expenses, depreciation and amortisation.

**Return on equity (%):** Profit/loss after tax for the year divided by average equity.

**Return on invested capital (ROIC) (%):** Operating profit/loss after tax (effective tax rate) as a percentage of average property, plant and equipment and intangible assets, inventories and receivables less non-interest bearing debt including provisions.

**Solvency ratio (%):** Equity at year end divided by total assets.

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### Share ratios

**Book value per share:** Equity at year end divided by the number of shares at year-end.

**Cash flow from operating activities per share:** Cash flows from operating activities divided by average number of shares.

**Dividend per share:** Dividend percentage multiplied by the nominal value of the share.

**Earnings per share (EPS):** Profit/loss for the year divided by the average number of shares in circulation.

**Payout ratio:** Total dividend distribution divided by profit/loss for the year.

**P/E ratio:** The official closing price on the NASDAQ OMX Copenhagen divided by earnings per share for the year.

**Price/book value:** The official closing price on the NASDAQ OMX Copenhagen divided by year-end book value per share.

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### Terminology used in accounting policies

**IFRS:** International Financial Reporting Standards

**IAS:** International Accounting Standards

**IASB:** International Accounting Standards Board

**IFRIC/SIC:** International Financial Reporting Interpretations Committee/ Standing Interpretations Committee

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## 2 Critical accounting judgements and estimates

When preparing the annual report of the Vestas Group, Management makes a number of accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are described below. The Group's accounting policies are described in detail in note 1 to the consolidated accounts.

### Critical judgements

#### Use of percentage-of-completion method

Management performs critical accounting estimates in connection with income-recognition. Provided that certain criteria in respect of project complexity, etc. are met, revenue from projects in progress is recognised under the percentage-of-completion method corresponding to the selling price of the work performed based on the stage of completion (turnkey projects). Where projects do not qualify for recognition under the percentage-of-completion method, total revenue is not recognised until the point in time when the risk is transferred to the buyer (supply-only and supply-and-installation projects).

Delays, etc. may result in material timing deviations in the Group's revenue recognition, and thus earnings, compared to expectations.

### Critical estimates

The calculation of the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions relating to future events.

The estimates and assumptions made are based on experience and other factors that Management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unexpected events or circumstances, may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual amounts deviating from these estimates. Special risks of the Vestas Group have been described on page 21 of the Management report, and in the individual notes to the consolidated accounts.

It may be necessary to change estimates made previously due to changes in the assumptions on which the previous estimates were based or due to new knowledge or subsequent events.

### Warranty provisions

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers.

In addition to the above, provisions are made for upgrades of turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments of previous estimates, upwards as well as downwards, in the light of factual information about population size, costs of repair and the timing of such repair.

It is estimated that 30–35 per cent of the warranty provisions made for the year relate to adjustments of estimates in previous years of provisions for serial faults, etc. Included in this, is the cost of upgrades of turbines sold in previous year, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

Total warranty provisions of EUR 194m have been made in 2010, corresponding to 2.8 per cent of the Group's annual revenue.

For further information on warranty provisions and related product risks, reference is made to page 26 of the Management report and to note 23 to the consolidated accounts.

Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when a written agreement with the sub-supplier has been made.

The carrying amount of warranty provisions at 31 December 2010 is EUR 283m (2009: EUR 339m).

### Impairment of assets

#### Goodwill

In the annual impairment test of goodwill, an estimate is made to determine how parts of the enterprise (cash-generating units) related to the goodwill will be able to generate sufficient future positive net cash flows to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the enterprise in question.

The estimate of the future free net cash flows is based on budgets and business plans for the coming five years and on projections for subsequent years. Key parameters are revenue development, profit margin, proposed capital expenditure as well as growth expectations for the following years. Budgets and business plans for the coming five years are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. Projections for years following the next five-year period are based on general expectations and risks.

The discount rates used to calculate the recoverable amount are before tax and reflect the risk-free interest rate of the individual geographical segments and related risk. The proportion of equity in relation to the Group's future capital structure is expected to continue to be high.

For a description of the impairment test of intangible assets, refer to note 13 to the consolidated accounts.

The carrying value of goodwill at 31 December 2010 is EUR 320m (2009: EUR 320m).

### Development projects

Finished development projects are reviewed on an annual basis to determine whether there is any indication of impairment. If this is indicated, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of the estimated future earnings as well as interest rate and risks.

The carrying value of development projects in progress and finished development projects at 31 December 2010 are EUR 626m (2009: EUR 419m).

### Receivables

Receivables are measured at amortised cost less provisions for bad debts based on customers' inability to pay. If the ability to pay changes in future, further provisions may be required. Management makes analyses based on customers' expected ability to pay, historical data on payment patterns, doubtful debts, customer concentrations, customers' credit standing and security received as well as economic trends in the company's sales channels.

It is estimated that the provisions made are sufficient to meet bad debts. The financial uncertainty related to provisions for bad debts is considered limited.

The carrying value of receivables at 31 December 2010 is EUR 966m (2009: EUR 791m).



#### Deferred tax

The Vestas Group recognises deferred tax assets, including the tax value of tax loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future for set-off against future positive taxable income. The assessment is made on an annual basis and is based on budgets and business plans for the future years, including planned business initiatives.

The value of recognised deferred tax assets amounts to EUR 224m (2009: EUR 384m), of which EUR 27m (2009: EUR 18m) relates to tax loss carry-forwards. Of the total tax carry-forwards, EUR 27m is expected to be realised within 12 months, and EUR 0m is expected to be realised later than 12 months after the balance sheet date. The value of non-recognised tax assets (primarily tax loss carry-forwards) totals EUR 21m (2009: EUR 26m), which is not expected to be utilised in the foreseeable future.

For further description of the Group's tax assets, refer to note 16 to the consolidated accounts.



### 3 Segment information

2010 mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Total reportable segments
<b>EXTERNAL REVENUE</b>					
Wind turbines and wind power systems	3,773	1,482	1,028	0	6,283
Service	377	143	103	0	623
Other	6	1	1	6	14
<b>Total external revenue</b>	<b>4,156</b>	<b>1,626</b>	<b>1,132</b>	<b>6</b>	<b>6,920</b>
Internal revenue <sup>*)</sup>	531	143	52	3,274	4,000
<b>Total segment revenue</b>	<b>4,687</b>	<b>1,769</b>	<b>1,184</b>	<b>3,280</b>	<b>10,920</b>
Other operating income	0	0	0	0	0
<b>Reportable segments' operating results (EBIT)</b>	<b>170</b>	<b>49</b>	<b>(83)</b>	<b>(197)</b>	<b>(61)</b>
<b>Financial items (net)</b>	<b>(82)</b>	<b>(36)</b>	<b>(26)</b>	<b>(11)</b>	<b>(155)</b>
<b>OTHER SEGMENT ITEMS</b>					
Depreciation and amortisation	20	10	13	115	158
Impairment losses (recognised in the income statement)	0	0	0	56	56
Impairment losses (recognised in equity)	0	0	0	0	0
Reversal of impairment losses (recognised in the income statement)	0	0	0	0	0
Reversal of impairment losses (recognised in equity)	0	0	0	0	0
Warranty provisions for the year	3	0	1	0	4
Share-based payments	0	0	0	0	0
Additions to property, plant and equipment and intangible assets	26	5	13	278	322
Additions to investments in associates	2	0	0	0	2
Investments in associates	3	0	1	0	4
Non current assets (excluding deferred tax, pensions, etc.)	123	15	46	1,260	1,444
Segment assets	2,118	656	802	2,316	5,892
External revenue specified by countries:					
USA	-	1,218	-	-	-
Germany	0	-	-	-	-
Spain	0	-	-	-	-
China	-	-	0	-	-
External revenue in Denmark					111
External revenue outside Denmark					6,809
		USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)		-	-	-	1,616
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)		476	277	369	1,122

\*) Internal revenue relates to inter-group sales as well as management fee, service, royalty and rental income from other Group companies.

External revenue specified by country comprises all countries with external revenue that account for more than 10 per cent of the Group's total external revenue. The given amounts comprise total revenue generated from the countries specified.

No single customer accounts for more than 10 per cent of the Group's total external revenue. None of the Group's assets are classified as held-for-sale. None of the write-downs made on a single asset is material in itself. The non-current assets in all other countries do not individually exceed 10 per cent of total non-current assets for the Group except for the USA and China.

### 3 Segment information (continued)

2009 mEUR	Europe and Africa sales units	Americas sales units	Asia Pacific sales units	Production units	Total reportable segments
<b>EXTERNAL REVENUE</b>					
Wind turbines and wind power systems	2,879	1,240	450	0	4,569
Service	324	116	64	0	504
Other	0	0	0	6	6
<b>Total external revenue</b>	<b>3,203</b>	<b>1,356</b>	<b>514</b>	<b>6</b>	<b>5,079</b>
Internal revenue <sup>*)</sup>	655	142	67	5,249	6,113
<b>Total segment revenue</b>	<b>3,858</b>	<b>1,498</b>	<b>581</b>	<b>5,255</b>	<b>11,192</b>
Other operating income	0	0	0	0	0
<b>Reportable segments' operating results (EBIT)</b>	<b>97</b>	<b>68</b>	<b>(32)</b>	<b>(136)</b>	<b>(3)</b>
<b>Financial items (net)</b>	<b>(63)</b>	<b>(27)</b>	<b>(5)</b>	<b>(62)</b>	<b>(157)</b>
<b>OTHER SEGMENT ITEMS</b>					
Depreciation and amortisation	20	12	6	94	132
Impairment losses (recognised in the income statement)	0	0	0	1	1
Impairment losses (recognised in equity)	0	0	0	0	0
Reversal of impairment losses (recognised in the income statement)	0	0	0	0	0
Reversal of impairment losses (recognised in equity)	0	0	0	0	0
Warranty provisions for the year	5	0	1	0	6
Share-based payments	0	0	0	0	0
Additions to property, plant and equipment and intangible assets	48	11	25	441	525
Additions to investments in associates	0	0	0	0	0
Investments in associates	1	0	0	0	1
Non current assets (excluding deferred tax, pensions, etc.)	122	20	64	1,077	1,283
Segment assets	3,718	532	772	1,381	6,403
External revenue specified by countries:					
USA	-	909	-	-	-
Germany	683	-	-	-	-
Spain	891	-	-	-	-
China	-	-	362	-	-
External revenue in Denmark					
					124
External revenue outside Denmark					4,955
		USA	China	Others	Total
Non-current assets located in Denmark (excluding deferred tax, pensions, etc.)		-	-	-	1,349
Non-current assets located outside Denmark (excluding deferred tax, pensions, etc.)		231	265	429	925

\*) Internal revenue relates to inter-group sales as well as management fee, service, royalty and rent income from other Group companies.

### 3 Segment information (continued)

mEUR	2010	2009
<b>RECONCILIATIONS</b>		
Reportable segments' EBIT	(61)	(3)
All other operating segments' EBIT <sup>*)</sup>	371	254
<b>Consolidated operating profit (EBIT)</b>	<b>310</b>	<b>251</b>
Reportable segments' revenue	10,920	11,192
All other segments' revenue	494	1,114
Elimination of internal revenue	(4,494)	(7,227)
<b>Consolidated revenue</b>	<b>6,920</b>	<b>5,079</b>
Reportable segments' assets	5,892	6,403
All other segments' assets	2,895	2,659
Elimination	(1,721)	(1,103)
<b>Consolidated total assets</b>	<b>7,066</b>	<b>7,959</b>

<sup>\*)</sup> Includes parent company income (management fee, service, royalty and other rental income from Group companies) reduced by costs related to Vestas Technology R&D and Group staff functions.

### 4 Revenue

mEUR	2010	2009
Sale of wind turbines and wind power systems	6,283	4,569
Sale of service	623	504
Other	14	6
	<b>6,920</b>	<b>5,079</b>
Sale of wind turbines and wind power systems are specified as follows:		
Revenue using percentage-of-completion method (turnkey projects)	397	32
Revenue using completed contract method (supply-only and supply-and-installation projects)	5,886	4,537
	<b>6,283</b>	<b>4,569</b>

### 5 Amortisation, depreciation and impairment losses

mEUR	2010	2009
Amortisation, depreciation and impairment losses of non-current assets are specified as follows:		
Amortisation, intangible assets	90	60
Impairment losses, intangible assets	15	0
Depreciation, property, plant and equipment	182	151
Impairment losses, property, plant and equipment	83	1
Gains and losses on sold property, plant and equipment	4	6
	<b>374</b>	<b>218</b>
– and have been expensed as follows:		
Cost of sales	147	122
Research and development costs	84	52
Selling and distribution expenses	34	25
Administrative expenses	14	19
One-off costs	95	0
	<b>374</b>	<b>218</b>

## 6 Staff costs

mEUR	2010	2009
Staff costs are specified as follows:		
Wages and salaries, etc.	882	852
Share-based payment	6	2
Pension schemes	48	41
Other social security expenses	89	72
	<b>1,025</b>	<b>967</b>
EUR 345m (2009: EUR 418m) out of the total staff costs is expensed in cost of sales and EUR 680m (2009: EUR 549m) expensed in research and development costs, selling and distribution expenses and administrative expenses.		
Attributable to:		
<b>Board of Directors</b>		
Board remuneration	1	1
	<b>1</b>	<b>1</b>
<b>Executive Management</b>		
Wages and salaries, etc.	2	2
Share-based payment	1	1
	<b>3</b>	<b>3</b>
<b>Other executives (Vestas Government)</b>		
Wages and salaries, etc.	7	5
Share-based payment	2	1
Pension schemes	0	0
	<b>9</b>	<b>6</b>
Board of Directors and Executive Management are not covered by any pension schemes.		
Average number of employees	22,216	20,832
Number of employees 31 December	23,252	20,730

## 7 Research and development costs

mEUR	2010	2009
Research and development costs expensed in the year are specified as follows:		
Research and development costs	372	249
Capitalised development projects	(292)	(199)
Amortisation of development projects	70	42
Impairment losses of development projects	0	0
	<b>150</b>	<b>92</b>



## 8 One-off costs

mEUR	2010	2009
Impairment losses of intangible assets	15	0
Impairment losses of property, plant and equipment	80	0
Impairment losses of inventories	10	0
Staff costs	47	0
Other restructuring cost	6	0
	<b>158</b>	<b>0</b>

## 9 Financial income

mEUR	2010	2009
Exchange rate adjustments	0	0
Investments (bonds)	0	0
Deposits and receivables:		
– Interest income	20	6
– Other financial income	2	2
Hedge ineffectiveness (cash flow hedge)	0	6
Hedge ineffectiveness (fair value hedge)	0	0
	<b>22</b>	<b>14</b>

## 10 Financial expenses

mEUR	2010	2009
Exchange rate adjustments	41	29
Financial debts, which is measured at amortised cost:		
– Interest expenses	40	14
– Other financial expenses	9	17
Hedge ineffectiveness (cash flow hedge)	1	0
Hedge ineffectiveness (fair value hedge)	0	0
Change in discounting of provisions	3	2
	<b>94</b>	<b>62</b>

In 2010, borrowing costs amounting to EUR 1m (2009: EUR 0m) were capitalised as part of property, plant and equipment and development projects at a rate of 3.9 per cent.

## 1.1 Corporation tax

mEUR	2010	2009
Current tax on profit for the year	46	154
Deferred tax on profit for the year	30	(89)
Tax on profit for the year	76	65
Change in corporation tax rate	0	0
Adjustments relating to previous years (net)	6	14
<b>Corporation tax in the consolidated income statement</b>	<b>82</b>	<b>79</b>
Tax on entries in comprehensive income related to deferred tax	6	8
<b>Tax on entries in comprehensive income</b>	<b>6</b>	<b>8</b>
<b>Total corporation tax for the year</b>	<b>88</b>	<b>87</b>
Computation of effective tax rate:		
Corporation tax rate in Denmark	25%	25%
Adjustment relating to previous years	2%	7%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	1%	7%
Non-tax deductible expenses	0%	0%
Non-taxable income	0%	0%
Tax on one-off costs	6%	0%
Provisions for tax loss carry-forwards	0%	0%
Change in corporation tax rate	0%	0%
<b>Effective tax rate</b>	<b>34%</b>	<b>39%</b>

Vestas Wind Systems A/S is jointly taxed with all its Danish subsidiaries. The current Danish corporation tax is allocated to the jointly taxed enterprises in proportion to their taxable incomes. Enterprises that utilise tax losses of other enterprises pay a joint tax contribution to the parent company corresponding to the tax value of the utilised tax losses, whereas enterprises whose tax losses are utilised by other enterprises receive a joint tax contribution from the parent company corresponding to the tax value of the utilised losses (full allocation). The jointly taxed enterprises have adopted the on-account taxation scheme.

## 1.2 Earnings per share (EPS)

mEUR	2010	2009
<b>Profit for the year</b>	<b>156</b>	<b>125</b>
Weighted average number of ordinary shares	203,704,103	197,723,281
Weighted average number of treasury shares	(756,798)	(757,641)
Weighted average number of ordinary shares outstanding	202,947,305	196,965,640
Dilutive effect of outstanding options	0	0
<b>Average number of shares outstanding including dilutive effect of options</b>	<b>202,947,305</b>	<b>196,965,640</b>
Earnings per share (EPS)	0.77	0.63
Earnings per share (EPS-D), diluted	0.77	0.63

For information about numbers of shares used for the calculation of earnings per share (EPS), refer to note 22 to the consolidated accounts.

### 13 Intangible assets

<b>2010 mEUR</b>	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	320	207	103	320	950
Exchange rate adjustments	0	0	0	(1)	(1)
Additions	0	0	36	292	328
Disposals	0	0	(2)	0	(2)
Transfers	0	154	0	(154)	0
<b>Cost at 31 December</b>	<b>320</b>	<b>361</b>	<b>137</b>	<b>457</b>	<b>1,275</b>
Amortisation and impairment losses at 1 January	0	108	30	0	138
Exchange rate adjustments	0	0	0	0	0
Amortisation for the year	0	70	20	0	90
Impairment losses for the year	0	14	1	0	15
Reversal of amortisation of disposals in the year	0	0	(2)	0	(2)
Transfers	0	0	0	0	0
<b>Amortisation and impairment losses at 31 December</b>	<b>0</b>	<b>192</b>	<b>49</b>	<b>0</b>	<b>241</b>
<b>Carrying amount at 31 December</b>	<b>320</b>	<b>169</b>	<b>88</b>	<b>457</b>	<b>1,034</b>
Internally generated assets included above	0	169	86	457	712
Amortisation period		3–5 years	5 years		

The impairment losses on development projects and software relates to the restructuring that has taken place within the Group in 2010.

Included in software are IT projects in progress amounting to EUR 35m at 31 December 2010.

<b>2009 mEUR</b>	Goodwill	Completed development projects	Software	Development projects in progress	Total
Cost at 1 January	320	126	75	202	723
Exchange rate adjustments	0	0	0	0	0
Additions	0	0	28	199	227
Disposals	0	0	0	0	0
Transfers	0	81	0	(81)	0
<b>Cost at 31 December</b>	<b>320</b>	<b>207</b>	<b>103</b>	<b>320</b>	<b>950</b>
Amortisation and impairment losses at 1 January	0	66	13	0	79
Exchange rate adjustments	0	0	(1)	0	(1)
Amortisation for the year	0	42	18	0	60
Impairment losses for the year	0	0	0	0	0
Reversal of amortisation of disposals in the year	0	0	0	0	0
Transfers	0	0	0	0	0
<b>Amortisation and impairment losses at 31 December</b>	<b>0</b>	<b>108</b>	<b>30</b>	<b>0</b>	<b>138</b>
<b>Carrying amount at 31 December</b>	<b>320</b>	<b>99</b>	<b>73</b>	<b>320</b>	<b>812</b>
Internally generated assets included above	0	99	71	320	490
Amortisation period		3–5 years	5 years		

Included in software are IT projects in progress amounting to EUR 13m at 31 December 2009.

### 13 Intangible assets (continued)

#### Goodwill

At 31 December 2010, management completed impairment testing of the carrying amount of goodwill. The impairment testing was done in the fourth quarter based on the budgets and business plans approved by the Board of Directors and the Executive Management as well as other assumptions adjusted, as required, to comply with IAS 36.

The main part of the carrying amount of goodwill in the Vestas Group arose in connection with the merger between Vestas Wind Systems A/S and NEG Micon A/S in 2004 when Vestas acquired NEG Micon A/S.

For the purpose of the impairment test, the carrying amount of goodwill at 1 January 2004 plus goodwill from subsequent acquisitions have been allocated to the cash flow generating units: Europe and Africa, Americas and Asia Pacific. At 31 December 2009, goodwill of the three units amounted to EUR 229m, EUR 84m and EUR 7m, respectively.

When performing impairment tests of cash-generating units, the recoverable amount (value in use) calculated as the discounted value of expected future cash flows is compared to the carrying amount of each of the cash-generating units.

Expected future cash flows are based on budgets and business plans for the next five years.

For all segments, the key parameters are revenue, EBIT, working capital investments, capital investments in progress and contracted as well as growth assumptions.

The revenue growth rate from 2009 to 2010 was 36 per cent, and in the period 2006–2009, the average growth amounted to 17 per cent per year.

The growth rate used in the impairment model for the years after 2012 is 3 per cent, which, to be prudent, is significantly lower than the expected growth rate included in No. 1 in Modern Energy's Triple15 ambitions.

At 31 December 2010, the net working capital as a percentage of revenue amounted to 10 per cent. In the period 2006–2009 the net working capital as a percentage of revenue moved from 0 to 6 per cent. It is Vestas' expectation that the net working capital going forward will not exceed 20 per cent of revenue, which has been included in the impairment test.

Budgets and business plans for the next five years are based on Vestas' investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and recognised in the expected future cash flows. The first five years are based on the strategy No. 1 in Modern Energy and the Triple15 ambition approved by management. Projections for year six onwards are based on general market expectations and risks.

The terminal value after the five years is determined taking into account general growth expectations for the segments in question.

The discount rates used to calculate the recoverable amount are before tax and reflect the risk-free interest rate of the individual geographical segments and related risk. The proportion of equity in relation to the Group's future capital structure is expected to continue to be high.

	Discount rates before tax (%)		Growth in terminal period (%)	
	2010	2009	2010	2009
Europe and Africa	17.5	13.6	3.0	3.0
Americas	16.4	13.6	3.0	3.0
Asia Pacific	14.2	12.7	3.0	3.0

It is management's assessment that probable changes to the fundamental assumptions will not result in the carrying amount of goodwill exceeding the recoverable amount in any of the segments.

#### Development projects

Recognised completed development projects and development projects in progress comprise development and testing of new wind turbines. The new wind turbines are expected to result in competitive advantages and thus a strengthening of the Group's market position.

The values of the development projects recognised have been compared to expected sales of the individual turbine types. The impairment losses on development projects, included in one-off costs on the income statement, relates to cancelled development projects in relation to the restructuring.

#### Software

Software comprises expenses for acquiring software licences and own development. The value of the recognised software has been compared to the expected value in use. The impairment losses on software, included in one-off costs on the income statement, relates to cancelled software projects in relation to the restructuring.

## 14 Property, plant and equipment

2010 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	768	421	419	354	1,962
Exchange rate adjustments	27	15	14	21	77
Additions	185	133	133	7	458
Disposals	(1)	(36)	(8)	0	(45)
Transfers	77	15	5	(97)	0
<b>Cost at 31 December</b>	<b>1,056</b>	<b>548</b>	<b>563</b>	<b>285</b>	<b>2,452</b>
Depreciation and impairment losses at 1 January	107	191	203	0	501
Exchange rate adjustments	2	5	5	0	12
Depreciation for the year	37	46	99	0	182
Impairment losses for the year	41	30	12	0	83
Reversal of depreciation of disposals in the year	0	(29)	(1)	0	(30)
Transfers	2	1	(3)	0	0
<b>Depreciation and impairment losses at 31 December</b>	<b>189</b>	<b>244</b>	<b>315</b>	<b>0</b>	<b>748</b>
<b>Carrying amount at 31 December</b>	<b>867</b>	<b>304</b>	<b>248</b>	<b>285</b>	<b>1,704</b>
Assets held under finance leases included above	0	0	0	0	0
Depreciation period	25–40 years	3–10 years	3–5 years		

The impairment losses on property, plant and equipment relates to the restructuring that has taken place within the Group in 2010.

2009 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	514	324	303	271	1,412
Exchange rate adjustments	1	4	2	(4)	3
Additions	81	77	119	329	606
Disposals	(2)	(24)	(32)	(1)	(59)
Transfers	174	40	27	(241)	0
<b>Cost at 31 December</b>	<b>768</b>	<b>421</b>	<b>419</b>	<b>354</b>	<b>1,962</b>
Depreciation and impairment losses at 1 January	81	165	136	0	382
Exchange rate adjustments	1	2	0	0	3
Depreciation for the year	26	41	84	0	151
Impairment losses for the year	0	1	0	0	1
Reversal of depreciation of disposals in the year	(1)	(17)	(18)	0	(36)
Transfers	0	(1)	1	0	0
<b>Depreciation and impairment losses at 31 December</b>	<b>107</b>	<b>191</b>	<b>203</b>	<b>0</b>	<b>501</b>
<b>Carrying amount at 31 December</b>	<b>661</b>	<b>230</b>	<b>216</b>	<b>354</b>	<b>1,461</b>
Assets held under finance leases included above	1	0	1	0	2
Depreciation period	25–40 years	3–10 years	3–5 years		



## 15 Investments in associates

mEUR	2010	2009
Cost at 1 January	2	2
Exchange rate adjustments	0	0
Additions	3	0
Disposals	0	0
Disposals, disposals of companies	0	0
<b>Cost at 31 December</b>	<b>5</b>	<b>2</b>
Value adjustments at 1 January	(1)	(1)
Exchange rate adjustments	0	0
Share of profit	0	1
Dividend	0	(1)
Disposals	0	0
<b>Value adjustments at 31 December</b>	<b>(1)</b>	<b>(1)</b>
<b>Carrying amount at 31 December</b>	<b>4</b>	<b>1</b>
Summary accounting information concerning associates owned at 31 December:		
Revenue	0	1
Profit for the year	0	0
Total assets	5	5
Total liabilities	2	2

## 16 Deferred tax

mEUR	2010	2009	2008
Deferred tax at 1 January (net)	263	177	260
Exchange rate adjustments	5	2	(6)
Deferred tax on profit for the year	(30)	89	(91)
Adjustment relating to previous years	(15)	3	4
Changes in corporation tax rate	1	0	0
Tax on entries in comprehensive income	(6)	(8)	10
<b>Deferred tax at 31 December (net)</b>	<b>218</b>	<b>263</b>	<b>177</b>
Tax base of tax loss carry-forwards (net)	27	18	14
Intangible assets	(90)	1	0
Property, plant and equipment	(6)	4	2
Current assets	110	272	105
Provisions	82	53	41
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	(23)	0	0
Tax credit	38	0	0
Other	86	36	24
<b>Deferred tax assets</b>	<b>224</b>	<b>384</b>	<b>186</b>
Intangible assets	0	87	34
Property, plant and equipment	0	(4)	(21)
Current assets	(1)	20	(26)
Provisions	1	(9)	(9)
Balance of tax losses for recapture in foreign subsidiaries under Danish joint taxation	0	24	26
Other	6	3	5
<b>Provision for deferred tax</b>	<b>6</b>	<b>121</b>	<b>9</b>
<b>Deferred tax asset at 31 December (net)</b>	<b>218</b>	<b>263</b>	<b>177</b>

## 16 Deferred tax (continued)

No provision is made for deferred tax regarding undistributed earnings in subsidiaries, as the Group controls the release of the obligation.

If the earnings were to be distributed, this would release a current tax charge of EUR 37m for 2010 (2009: EUR 38m).

Deferred tax assets are recognised for tax loss carry-forwards corresponding to earnings that are likely to be generated in the future. The assessment has been made considering the ability to utilise tax carry-forwards in previous years as well as future expectations. Of the total tax carry-forwards, EUR 31m (2009: EUR 0m) are subject to expiry limits, however, these are all expected to be utilised within the set time limit. Deferred tax assets amounting to EUR 21m (2009: EUR 26m) have not been recognised in the balance sheet, as their utilisation is not assessed to be sufficiently certain, primarily because of Vestas' earnings expectations in some countries.

Of the total deferred tax relating to tax loss carry-forwards included in the deferred tax assets, an amount of EUR 26m (2009: EUR 0m) relates to Denmark. Of the tax-loss carry-forwards noted above, EUR 0m (2009: EUR 0m) relates to Denmark. For further description of the utilisation of tax-loss carry-forwards, refer to note 2 to the consolidated accounts.

## 17 Inventories

mEUR	2010	2009	2008
Raw materials and consumables	800	797	809
Work in progress	366	220	332
Finished goods	1,568	2,891	1,708
Prepayments for goods	1	21	18
	<b>2,735</b>	<b>3,929</b>	<b>2,867</b>
Inventories used for the year, which are included in costs of sales	3,814	2,982	3,326
Write-downs of inventories in the year	64	86	21
Reversal of write-downs in the year	34	22	12

The reversal of write-downs in the year is due to goods sold at a higher value than the written down carrying amount. Write-downs of inventories in the year include EUR 10m related to the restructuring that has taken place in the Group in 2010.

## 18 Trade receivables

mEUR	2010	2009
Trade receivables	624	525
Fair value of security received for trade receivables balances outstanding as at 31 December	105	170
Write-downs included in trade receivables, developed as follows:		
Write-downs at 1 January	0	0
Write-downs in the year	(2)	(1)
Realised in the year	0	1
Reversals	0	0
<b>Write-downs at 31 December</b>	<b>(2)</b>	<b>0</b>
All trade receivables are expected to be received within 12 months.		
The age distribution of receivables is as follows:		
Not overdue	543	467
0–60 days overdue	46	33
61–120 days overdue	11	8
121–180 days overdue	4	3
More than 180 days overdue	20	14
	<b>624</b>	<b>525</b>

## 18 Trade receivables (continued)

Of the total write-downs of trade debtors of EUR 2m (2009: EUR 1m) that is based on an individual assessment of each receivable, less than EUR 2m (2009: EUR 1m) relates to companies in bankruptcy, while the remaining amount relates to companies with suspension of payments.

Trade receivables are mainly owed by companies within the energy sector. The credit risk is dependent on the development within this sector. Vestas does not have a single significant trade debtor nor are the trade receivables concentrated in specific countries.

## 19 Construction contracts in progress

mEUR	2010	2009	2008
Sales value of construction contracts in progress	322	32	173
Progress billings	(297)	(16)	(130)
	<b>25</b>	<b>16</b>	<b>43</b>
– which are included as follows:			
Construction contracts in progress (assets)	40	16	123
Construction contracts in progress (liabilities)	(15)	0	(80)
	<b>25</b>	<b>16</b>	<b>43</b>

No retentions related to construction contracts in progress at the end of 2008, 2009 and 2010.

All receivables relating to construction contracts in progress are expected to be received within 12 months.

## 20 Other receivables

mEUR	2010	2009
Prepayments	27	18
Supplier claims	26	17
Other receivables	249	215
	<b>302</b>	<b>250</b>
– specified as follows:		
0–1 years	277	234
> 1 year	25	16
	<b>302</b>	<b>250</b>

Other receivables stated above principally comprise VAT and insurance receivables.

## 21 Corporation tax

mEUR	2010	2009
Corporation tax 1 January	(52)	7
Exchange rate adjustments	(1)	(2)
Corporation tax for the year	(46)	(154)
Adjustments relating to previous years	9	(17)
Change in corporation tax rate	(1)	0
Corporation tax paid in the year	131	114
<b>Corporation tax at 31 December</b>	<b>40</b>	<b>(52)</b>
Corporation tax (assets)	64	93
Corporation tax (liabilities)	(24)	(145)
	<b>40</b>	<b>(52)</b>

## 22 Share capital

	2010	2009
The share capital comprises of 203,704,103 shares of DKK 1.00	203,704,103	203,704,103
Number of shares at 1 January	203,704,103	185,204,103
Capital increase	0	18,500,000
<b>Number of shares at 31 December</b>	<b>203,704,103</b>	<b>203,704,103</b>
Shares outstanding	202,948,290	202,945,740
Treasury shares	755,813	758,363
<b>Number of shares at 31 December</b>	<b>203,704,103</b>	<b>203,704,103</b>

The share capital was increased by 18,500,000 shares of DKK 1.00 in 2009 and by 10,292,930 shares of DKK 1.00 in 2006. Except for these increases, the share capital has been unchanged in the period 2006–2010.

All shares rank equally.

	2010	2009	2010	2009	2010	2009
	Number of shares	Number of shares	Nominal value (DKK)	Nominal value (DKK)	% of share capital	% of share capital
Treasury shares at 1 January	758,363	736,393	758,363	736,393	0.4	0.4
Purchases/(sales)	(2,550)	21,970	(2,550)	21,970	0.0	0.0
<b>Treasury shares at 31 December</b>	<b>755,813</b>	<b>758,363</b>	<b>755,813</b>	<b>758,363</b>	<b>0.4</b>	<b>0.4</b>

The Board of Directors has been authorised at the Annual General Meeting to allow Vestas Wind Systems A/S to acquire treasury shares amounting to a total nominal value of 10 per cent of the company's share capital during the period up until the next Annual General Meeting on 28 March 2011.

Vestas Wind Systems A/S has acquired treasury shares in 2009, at a nominal value of DKK 22k at a share price of DKK 339.17 corresponding to an acquisition sum of EUR 1m and in 2007, at nominal values of DKK 569k and DKK 28k at share prices of DKK 378.54 and DKK 357.90, respectively, corresponding to an acquisition sum of EUR 30m.

Treasury shares are acquired with a view to using them for the Group's share option programmes.

The share capital has been fully paid.

No dividend has been paid out in 2010 and 2009 relating to the financial years 2009 and 2008.

## 23 Provisions

mEUR	2010	2009	2008
<b>WARRANTY PROVISIONS</b>			
Warranty provisions at 1 January	339	302	326
Exchange rate adjustments	0	0	(2)
Warranty provisions for the year	194	292	265
Utilised warranty provisions during the year	(253)	(257)	(262)
Reversed warranty provisions during the year	0	0	(6)
Adjustment to previously recognised warranty provisions	0	0	(20)
Adjustments relating to the change in discounting of warranty provisions	3	2	1
<b>Warranty provisions at 31 December</b>	<b>283</b>	<b>339</b>	<b>302</b>
The warranty provisions are expected to be consumed as follows:			
0–1 year	171	234	211
>1 year	112	105	91
	<b>283</b>	<b>339</b>	<b>302</b>

The product warranties, which in the great majority of cases cover component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the wind turbine. In certain cases, a warranty of up to five years is granted. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. Reference is made to page 26 of the management report and note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

In addition to the above, provisions are made for upgrades to wind turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include wind turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the type faults, etc. identified may lead to adjustments, upwards as well as downwards, of previous estimates in light of factual information about population size, costs of repairs and the timing of such repairs.

In line with the new accounting policies from now on, potential product warranties will always be recognised as warranty provisions when revenue from sale of wind turbines is recognised. This may result in commercial constructive obligations beyond the specified legally obligatory warranty period for the turbine being recognised as a warranty obligation.

It is estimated that 30–35 per cent of the warranty provisions made for the year relate to adjustments of previous years' estimates of provisions for serial faults, etc. Included in this is the cost for upgrades of wind turbines sold in previous years, commercial settlements and proactive upgrading as well as new information about the serial faults in question.

### Product risks

Lack of reliability in several of Vestas' products has previously led to major warranty provisions, and in recent years, Vestas has invested significant resources in improving the products and increasing their reliability. This work comprises design, production, installation and continuous maintenance.

The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitiveness of the Group's products and to improve supplier earnings.

## 23 Provisions (continued)

mEUR	2010	2009
<b>OTHER PROVISIONS</b>		
Other provisions at 1 January	72	80
Exchange rate adjustments	1	1
Other provisions for the year	70	51
Utilised other provisions during the year	(64)	(60)
Adjustment to previously recognised other provisions	0	0
<b>Other provisions at 31 December</b>	<b>79</b>	<b>72</b>
Other provisions include compensation regarding agreements made to purchase wind turbine parts which are not expected to be fulfilled in accordance with the contractually agreed parameters and provisions for onerous service contracts. The provisions have been calculated based on management's best estimate and are expected to be settled in 2013 at the latest.		
Other provisions are expected to be payable as follows:		
0–1 year	52	40
> 1 year	27	32
	<b>79</b>	<b>72</b>
The provisions are expected to be payable as follows:		
0–1 year	223	274
> 1 year	139	137
	<b>362</b>	<b>411</b>



## 24 Pension obligations

The Vestas Group's entities have different pension schemes and severance programmes which have been adapted to the labour market variables of the individual countries. Approx 99 per cent of the Group's pension expenses relate to defined contribution plans, which includes no further obligations to the company other than the contributions paid.

The other plans are defined benefit plans, the majority of which have related plan assets in independent pension funds. The defined benefit plans will typically secure the employees covered by a pension based on final-salary.

Under defined contribution plans, an employer commits to paying a certain contribution (e.g. a fixed amount or a fixed percentage of their salary). Under a defined contribution plan, the Group does not carry the risk relating to the future development in interest rate, inflation, mortality and disablement.

Under defined benefit plans, an employer commits to paying a certain benefit (e.g. a retirement benefit as a fixed amount or a fixed percentage of the employee's final salary). Under a defined benefit plan, the Group carries the risk relating to the future development in interest rate, inflation, mortality and disablement.

The pension obligation of Danish and some foreign entities are covered by insurance. Foreign entities whose obligations are not or are only partly covered by insurance (defined benefit plans) calculate their obligations, using actuaries, at net present value at the balance sheet date. These pension plans are fully or partly covered through pension funds for the employees. In the consolidated accounts an amount of EUR 2m (2009: EUR 2m) has been recognised in liabilities in respect of the Group's obligations towards current and previous employees after deducting plan assets.

mEUR	2010	2009
The following amounts have been recognised in the consolidated income statement:		
Defined contribution plans	57	48
Defined benefit plans	2	2
	<b>59</b>	<b>50</b>
The cost has been recognised in the following items:		
Cost of sales	34	29
Research and development costs	6	5
Selling and distribution expenses	6	5
Administrative expenses	13	11
	<b>59</b>	<b>50</b>
Net present value of covered defined benefit plans	(9)	(8)
Net present value of uncovered defined benefit plans	(1)	(2)
Net present value of defined benefit plans	(10)	(10)
Fair value of plan assets	6	7
Surplus/(deficit) cover	(4)	(3)
Non-recognised actuarial (gains)/losses	2	1
<b>Net obligation recognised in the balance sheet</b>	<b>(2)</b>	<b>(2)</b>
Development in net present value of defined benefit plan obligations:		
Net present value of defined benefit plan obligations at 1 January	10	10
Exchange adjustments	0	0
Pension expenses relating to current financial year	0	0
Calculated interest on obligations	0	0
Actuarial gains /(losses)	0	(1)
Loss on reductions and fulfilment	1	0
Pension expenses relating to prior financial years	0	0
Pensions paid	(1)	1
<b>Net present value of defined benefit plan obligations at 31 December</b>	<b>10</b>	<b>10</b>

## 24 Pension obligations (continued)

mEUR	2010	2009
Development in fair value of pension assets:		
Pension assets at 1 January	7	7
Exchange rate adjustments	0	0
Estimated return on plan assets	0	1
Actuarial gains/(losses)	0	0
Paid in by the Vestas Group	0	0
Pensions paid	(1)	(1)
<b>Pension assets at 31 December</b>	<b>6</b>	<b>7</b>
Pension expenses recognised in the income statement:		
Pension expenses relating to current financial year	1	1
Calculated interest on obligation	1	1
Estimated return on plan assets	0	0
Recognised actuarial (gain)/loss for the year	0	0
Pension expenses relating to prior financial years	0	0
Loss on reductions and fulfilment	0	0
<b>Total recognised for defined benefit plans</b>	<b>2</b>	<b>2</b>
Pension assets break down as follows:		
European shares	2	2
European bonds	3	4
Cash funds	1	1
	<b>6</b>	<b>7</b>
Return on pension assets:		
Estimated return on plan assets	0	0
Actual return on plan assets	0	0
Actuarial gain/(loss) on plan assets	0	0
The Group expects to pay less than EUR 1m to the defined benefit plan in 2011.		
The average assumptions underlying actuarial calculations at the balance sheet date are as follows:		
Discount rate (%)	3.8	5.3
Estimated return on pension funds (%)	4.6	5.6
Estimated rate of pay increase (%)	4.0	4.3
Estimated pension increase (%)	2.0	2.0

The estimated return on the plan assets has been determined based on the composition of the assets and general expectations with respect to economic trends.

mEUR	2010	2009	2008	2007	2006
Actuarially calculated pension obligations	(10)	(10)	(10)	(10)	(11)
Pension assets	6	7	7	8	7
<b>Deficit cover</b>	<b>(4)</b>	<b>(3)</b>	<b>(3)</b>	<b>(2)</b>	<b>(4)</b>
Changes to obligations based on experience	0	0	0	0	0
Changes to pension assets based on experience	0	0	0	0	0

There are no restrictions on the types of the pension assets which Vestas is allowed to invest in to meet the pension obligations. The pension assets include no Vestas shares, receivables from or any property leased by Vestas. All relevant assumptions relating to the actuarial calculations exclude immaterial costs.

## 25 Financial debts

mEUR	2010	2009
Financial debts are recognised in the balance sheet as follows:		
<b>CURRENT LIABILITIES</b>		
Mortgage debt	1	3
Bank debt and debt to credit institutions	3	9
	<b>4</b>	<b>12</b>
<b>NON-CURRENT LIABILITIES</b>		
Mortgage debt	7	8
Debt to credit institutions	306	331
Corporate bonds	597	0
	<b>910</b>	<b>339</b>
1–5 years	906	302
> 5 years	4	37
<b>Financial debts</b>	<b>914</b>	<b>351</b>
Fair value	914	351
Nominal value	914	351

On 23 March 2010, Vestas issued euro dominated corporate bonds at a nominal amount of EUR 600m at a rate of 4.625 per cent and an effective interest of 4.8 per cent. The corporate bonds will mature 23 March 2015.

It is Group policy to endeavour and ensure an appropriate development in the financial ratios with a view, for example, to maintaining the Group's credit rating and to complying with the agreed requirements in the Group's financing agreements.

The fair value is calculated as the present value of agreed cash flows using a current market-based interest rate.

Obligations relating to assets held under finance leases are included in mortgage debt and debt to credit institutions as follows:

mEUR	2010			2009		
	Minimum lease payment	Interest	Carrying amount	Minimum lease payment	Interest	Carrying amount
0–1 year	0	0	0	1	0	1
1–5 years	0	0	0	0	0	0
> 5 years	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
Weighted effective interest rate at 31 December (%)			0			7.9

The fair value of the leasing obligations amounts to EUR 0m (2009: EUR 1m).

The finance lease agreements of the Group mainly relate to service vans and run for up to three years after the balance sheet date.

The lease agreements will not result in any restrictions in relation to raising of other debts or dividend payments.

## 26 Other liabilities

mEUR	2010	2009
Staff cost	120	157
Taxes and duties	120	181
Accruals	0	0
Other payables	83	98
	<b>323</b>	<b>436</b>

## 27 Adjustment for non-cash transactions

mEUR	2010	2009
Amortisation and depreciation for the year of intangible assets and property, plant and equipment, including gains and losses on sale of non-current assets	374	218
Share of profit in associates	0	(1)
Warranty provisions in the year (net)	(56)	37
Pension provisions in the year	0	0
Other provisions in the year	7	(8)
Exchange rate adjustment	(74)	(6)
Financial income	(22)	(14)
Financial expenses	94	62
Corporation tax for the year	82	79
Cost of share-based payments	6	2
Other adjustments	0	0
	<b>411</b>	<b>369</b>

## 28 Change in net working capital

mEUR	2010	2009
Change in inventories	1,198	(1,062)
Change in receivables	(166)	466
Change in prepayments from customers	(1,328)	132
Change in trade payables	58	32
Change in other liabilities	(115)	41
	<b>(353)</b>	<b>(391)</b>

## 29 Acquisition of enterprises

mEUR	2010		2009	
	Fair value	Carrying amount prior to acquisition	Fair value	Carrying amount prior to acquisition
Other non-current assets	0	0	0	0
<b>Total non-current assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Inventories	4	4	0	0
Trade receivables	0	0	0	0
Cash at bank and in hand	0	0	0	0
Other receivables	0	0	0	0
<b>Total current assets</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Trade payables	0	0	0	0
Other liabilities	0	0	0	0
<b>Total current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net assets	4	4	0	0
Goodwill	0	0	0	0
<b>Total purchase consideration:</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
of which relate to cash and cash equivalents less bank debt	0	0	0	0
Purchase consideration payable	(2)	(2)	0	0
<b>Cash purchase consideration</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
Share consideration	0	0	0	0
<b>Net cash purchase consideration</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

In October 2010, Vestas acquired the activities (activities related to project development) in GB Linowo Sp. Z.o.o. in Poland.

## 30 Cash at bank and in hand

Cash at bank and in hand with disposal restrictions, EUR 10m (2009: EUR 20m), primarily consist of prepayments from customers regarding projects, and the amounts are released in line with the fulfilment of the related contractual obligations.

### 31 Fees to auditors appointed by the Annual General Meeting

mEUR	2010	2009
Audit:		
PricewaterhouseCoopers	3	2
KPMG	-	2
<b>Total audit</b>	<b>3</b>	<b>4</b>
Non-audit services:		
PricewaterhouseCoopers		
Other assurance statements	0	0
Tax assistance	1	0
Other services	1	1
	<b>2</b>	<b>1</b>
KPMG		
Other assurance statements	-	0
Tax assistance	-	4
Other services	-	1
	<b>-</b>	<b>5</b>
<b>Total non-audit services</b>	<b>2</b>	<b>6</b>

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the obvious choice due to business knowledge, confidentiality and costs consideration. Vestas has a comprehensive policy for non-audit services ensuring that the provision of non-audit services to the Group does not impair the auditors' independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy and monitors compliance.

In 2010 and 2009, other services include fees mainly for other assistance in accounting.

### 32 Management's option programme and shareholdings

#### Option programme

A share option programme was established in 2006 for the Executive Management, the Vestas Government and other selected executives of the Group, totalling 20 people. Options were granted based on the achievement of specified targets for 2006 and 2007. The market value, based on the Black-Scholes valuation model calculated at the date of grant/establishment of the programme, amounted to EUR 3m.

In 2007, a new option programme was introduced for the same members as in the 2006 programme. The programme granted 580,080 options, which were valued, based on the Black-Scholes valuation model, on 15 May 2007 at a market value of EUR 12m. 155,102 of the options, valued at EUR 3m, were allocated to the Executive Management.

The 2007 programme was expanded in 2010 to include other members of management. 774,539 options were granted on 25 January 2010 at a market value of EUR 16m based on the Black-Scholes valuation model. 75,335 options, valued at EUR 2m, were allocated to the Executive Management.

The members may exercise their options in specified periods and choose to purchase the company's shares at the relevant strike price depending on the programme. Exercise of the options can only occur in the periods where executives are allowed to trade shares in accordance with the Group's internal rules, being within the four weeks following the company announcement of the annual report and quarterly financial reports.

Options are allotted to members when the Board of Directors approves the final annual report for each year except for options allotted in 2007. The allotment for 2007 was on 15 May 2007 when the programme was announced. No options expired in 2009 and 2010.



## 32 Management's option programme and shareholdings (continued)

The share prices and the exercise prices are based on the closing share prices obtained from Bloomberg Financial Markets on the day before the options were granted. The risk free interest rate is estimated as the effective interest rate on a Danish government bond with the same economic life, in this case two, five, six and seven-year bonds. The future volatility, which means movement in the shares' total yield, is calculated based on historic weekly closing share prices for a period corresponding to time to maturity of the options.

### 2006 programme

All the options allotted in 2006 have lapsed. 56,448 options were the net allotted amount in 2007 with a value of EUR 1m at grant. The members of the scheme lose the right to the options, if they terminate their employment before the end of the vesting period. The options can be exercised between two and four years after they have been allotted. Options allotted in 2007 can be exercised from 2010 to 2012. There will be no more new allotments from this programme.

### 2007 programme

The options allotted to the members of the schemes for 2007, 2008 and 2009 are valued based on the equivalent of 60 per cent of their 2006 annual salary. For 2008 and 2009, members will only be allotted options if they are still employed when the Board of Directors approves the annual report for the respective years. 207,952 and 189,002 options were allotted in 2007 and 2008, respectively, leaving 183,126 options to be allotted for 2009.

### 2009 expansion

Three new members were added to the programme on 7 January 2009 and were granted 21,970 options at a value estimated to be EUR 1m. A further four members were added to the scheme on 27 October 2009 and were granted 31,858 options with an estimated value of EUR 1m. In both cases the date of allotment of the options will be the Board of Director's approval of the annual report for 2009 but the service periods start in January 2009 and October 2009, respectively. The terms and conditions of the options are the same as the terms and conditions of the options granted in May 2007.

### 2010 expansion

On 25 January 2010, the 2007 programme was expanded to include other members of management and a total of 774,539 options with an estimated value of EUR 16m were granted. The options will be allotted to the participants when the Board of Directors approves the annual report for 2010. The options can be exercised within two years when three years have elapsed after they have been allotted. This five-year period after the allotment of options is referred to as vesting period. The terms and conditions of the options are the same as the terms and conditions of the options granted in May 2007.

The exercise of the options can only occur, if the members themselves have not terminated their employment at the time of the exercise. Options allotted in 2007, 2008, 2009 and 2010 can be exercised from 2010 to 2012, 2012 to 2013, 2013 to 2015 and 2014 to 2016, respectively. The members of the scheme lose the right to the options, if they terminate their employment before the end of each of the three allotments' vesting period. On exercising the options government members and Senior Vice Presidents reporting to the Executive Management must invest 50 per cent of the profit after tax in Vestas shares, which must be held for at least three years.

The fair value at the grant date has been calculated under the Black-Scholes option pricing model adjusted for dilution of share capital based on the following assumptions:

	2007 programme 2010 expansion	2007 programme 2009 expansion (October)	2007 programme 2009 expansion (January)	2007 programme 2007 and 2008 grant	2006 programme 2007 grant
Share price at grant (DKK)	299.00	337.00	303.50	380.50	167.00
Volatility (%)	56	65	88	44	54
Exercise price (DKK)	320.6	380.5	380.5	380.5	147.6
Risk-free interest rate for options (%)	2.85	3.47	3.27	4.30	3.80
Annual dividend per share (DKK)	0	0	0	0	0
Years to expiry	5	5	5	5	5

### 32 Management's option programme and shareholdings (continued)

	Grant date						Balance sheet date
	Group Executive Management pcs	Other executives pcs	Total pcs	Exercise price per option DKK	Fair value per option DKK	Total fair value tEUR	Total fair value tEUR
<b>Outstanding at 1 January 2009</b>	<b>171,480</b>	<b>440,692</b>	<b>612,172</b>			<b>12,488</b>	
Granted 2007 programme (Jan)	0	21,970	21,970	380.5	206.9	611	-
Granted 2007 programme (Oct)	0	31,858	31,858	380.5	189.9	813	-
Lapsed 2006 programme	0	(2,295)	(2,295)	147.6	89	(26)	-
Lapsed 2007 programme	0	(21,566)	(21,566)	380.5	152-165	(458)	-
Exercised	0	0	0		-	-	-
Expired	0	0	0		-	-	-
<b>Outstanding at 31 December 2009</b>	<b>171,480</b>	<b>470,659</b>	<b>642,139</b>			<b>13,428</b>	<b>13,355</b>
<b>Outstanding at 1 January 2010</b>	<b>171,480</b>	<b>470,659</b>	<b>642,139</b>			<b>13,428</b>	
Granted 2007 programme	75,335	699,204	774,539	320.6	158	16,387	-
Lapsed 2006 programme	0	(2,805)	(2,805)	147.6	89	(33)	-
Lapsed 2007 programme	0	(17,614)	(17,614)	380.5	152-207	(419)	-
Exercised	0	(2,550)	(2,550)	147.6	89	(31)	-
Expired	0	0	0		-	-	-
<b>Outstanding at 31 December 2010</b>	<b>246,815</b>	<b>1,146,894</b>	<b>1,393,709</b>			<b>29,322</b>	<b>11,598</b>
Number of exercisable options at 31 December 2009	0	0	0				
Number of exercisable options at 31 December 2010	16,378	30,227	46,605				

Average remaining life of the options outstanding at 31 December 2010 is three years (2009: three years).

## 32 Management's option programme and shareholdings (continued)

### Management's holdings of Vestas shares

The internal rules regarding the trading in Vestas shares for the Board of Directors, the Executive Management and certain employees only allow trading in the four weeks following the publication of the annual report and quarterly reports.

	Balance at 1 January	Purchased in the year	Sold in the year	Balance 31 December	Market value <sup>*)</sup> tEUR
<b>THE BOARD OF DIRECTORS</b>					
Bent Erik Carlsen	98,120	8,000	-	106,120	2,507
Torsten Erik Rasmussen	3,837	4,000	-	7,837	185
Elly Smedegaard Rex	0	-	-	0	0
Freddy Frandsen	3,653	-	-	3,653	86
Håkan Eriksson	0	-	-	0	0
Jørgen Huno Rasmussen	500	-	-	500	12
Jørn Ankær Thomsen	0	2,500	-	2,500	59
Kim Hvid Thomsen	2,657	484	-	3,141	74
Kurt Anker Nielsen	1,600	4,650	-	6,250	148
Michael Abildgaard Lisbjerg	150	278	-	428	10
Ola Rollén	200	-	-	200	5
Sussie Dvinge Agerbo	2,400	600	-	3,000	71
	<b>113,117</b>	<b>20,512</b>	<b>-</b>	<b>133,629</b>	<b>3,157</b>
<b>EXECUTIVE MANAGEMENT</b>					
Ditlev Engel	224	2,000	-	2,224	53
Henrik Nørremark	3,213	-	3,000	213	5
	<b>3,437</b>	<b>2,000</b>	<b>3,000</b>	<b>2,437</b>	<b>58</b>

\*) The calculation of the year-end market value is based on the share price quoted on the NASDAQ OMX Copenhagen at the end of the year (DKK 176.10).

### 33 Related party transactions

Vestas Wind Systems A/S has no shareholders with controlling influence.

The related parties of the Vestas Group include the Board of Directors of the company, the Executive Management, and other executives (Vestas Government), together with close members of the family of these individuals. Furthermore, related parties include entities which are significantly influenced by the afore-mentioned individuals.

#### **Transactions with the Board of Directors, Executive Management and other executives**

Transactions with the Executive Management only consist of normal management remuneration and the transactions mentioned below, see note 6 to the consolidated accounts.

Transactions with the Board of Directors, Executive Management and other executives in the year comprise the following:

Purchase of normal legal services for EUR 1.2m at arm's length basis (2009: EUR 1.1m) from the law firm Gorrissen Federspiel, where Jørn Ankær Thomsen is a partner. The outstanding balance payable to Gorrissen Federspiel at 31 December 2010 amounted to EUR 0.1m (2009: EUR 0.1m).

Five people (2009: five) covered by the definition of related parties have directly or indirectly full or part ownership of wind turbines where a company in the Vestas Group performs service work. These transactions take place at arm's length and in total amounted to EUR 0.2m in 2010 (2009: EUR 0.4m). The outstanding amount of purchases from related parties at 31 December 2010 amounted to EUR 0.1m (2009: EUR 0m).

There have been no other transactions with any members of the Board of Directors and the Executive Management in Vestas Wind Systems A/S or other executives during the year.

With the exception of the Board members elected by the employees, no members of the Board of Directors have been employed by the Group in 2010.

#### **Transactions with associates and joint ventures**

Related parties also include associates over whom Vestas Wind Systems A/S has control or significant influence.

The Vestas Group's associates and related shareholdings are listed under "Legal entities" on pages 133–135.

Outstanding balances with associates have resulted from standard business transactions regarding purchase and sale of goods and services. No interest is calculated on the outstanding balances and the transactions are entered into with the same trading conditions as for the Group's other customers and suppliers.

### 34 Government grants

The Group has received a number of government grants, of which EUR 2m has been offset against incurred expenses (2009: EUR 2m) and EUR 23m has been offset against non-current assets (2009: EUR 27m).

### 35 Mortgages and security

As security for the Group's mortgage loans, mortgage deeds registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment. Some of the Group's other property, plant and equipment has been placed as security.

Furthermore, the Group has issued mortgage deeds registered to the mortgagor and all-money mortgages which are secured on the aforementioned properties. These mortgage deeds registered to the mortgagor and all-money mortgages are all in the possession of the Group.

As security for credit facilities, the Group has given security in its cash at bank and in hand and other current assets.

mEUR	2010	2009
Total mortgage loans	8	11
Mortgage deeds and all-money mortgages:		
Nominal value of mortgage deeds and all-money mortgages	10	10
Carrying amount of pledged assets	19	25
Other mortgage deeds and all-money mortgages in the possession of the Group	122	109
The carrying amounts of the collaterals outstanding as at 31 December are specified below:		
Letters of credit	0	0
Bank guarantees	293	198
	<b>293</b>	<b>198</b>

### 36 Contractual obligations

mEUR	2010	2009
The minimum lease obligations relating to operating leases fall due:		
0–1 year	44	37
1–5 years	109	73
> 5 years	74	65

Operating leases comprise irrevocable operating leases regarding buildings and vehicles. The main obligation relates to buildings in Germany and runs for up to 22 years after the balance sheet date. The lease agreements will not result in any restrictions in relation to raising of other debts or payment of dividends.

The Group has entered into a binding leasing contract, starting in 2012 and finishing in 15 years, costing EUR 49m.

Costs recognised in the income statement relating to operating leases amount to EUR 37m in 2010 (2009: EUR 49m).

The Group has entered into binding contracts concerning purchase of plant to be delivered in 2011 and thereafter at a value of EUR 54m (2009: EUR 97m).

The Group has entered into binding contracts concerning purchase of components for production to be delivered in 2011 and thereafter at a total value of EUR 2,021m (2009: EUR 3,099m).

### 37 Contingent liabilities and contingent assets

#### Contingent liabilities

Vestas is involved in some litigation proceedings including agent matters and other disputes with the authorities regarding e.g. VAT and taxes. However, it is the opinion of management that settlement or continuation of these proceedings will not have a material effect on the financial position of the Group.

#### Contingent assets

Vestas is involved in some litigation proceedings and Vestas has also made supplier claims for faulty deliveries. However, it is the opinion of management that settlement of these will not have a material effect on the financial position of the Group.

### 38 Derivative financial instruments, risk and financial management

#### The Group's policy for managing financial risks

The Vestas Group is exposed to changes in exchange rates, interest rates and commodity prices due to its investments and financing operations. Management identifies the level and concentration of risks and initiates policies to address these, through continuous business reviews. Moreover, the Group is exposed to credit and liquidity risks. It is the Group's policy not to engage in any active speculation in financial risks. Accordingly, the Group's financial management is directed solely at managing or eliminating financial risks relating to operations and funding.

The Group's policy for managing financial risks remains unchanged from last year.

#### Credit risks

The Group's credit risk primarily relates to receivables and bank balances, investments as well as derivative financial instruments.

Credit risks relating to receivables arise when Vestas makes sales for which no prepayment has been received. It is Vestas' policy to hedge uncertainties of payment by way of letters of credit, bank guarantees, credit insurance, conditional sale, etc. Security received is taken into account in the assessment of any provision for bad debts.

Vestas' customers' creditworthiness is reviewed in connection with the closing of contracts. If Vestas does not receive security for the payments, the total contract amount plus VAT, or if the customer does not have adequate credit rating from S&P, Moody's or Fitch, a more detailed assessment of the customer's creditworthiness is performed by the sales unit, Contract Review Board and Group Treasury prior to the signing of the contract to mitigate any risks to Vestas.

87 per cent (2009: 91 per cent) of Vestas' customers/trade receivables have not exceeded the deadline for payment at 31 December 2010. Historically, Vestas' customers have paid within the payment period agreed upon.

Vestas sells wind turbines, wind power systems and service to companies, which are well positioned in national and international markets. These companies are considered to be reputable companies. All outstanding trade debtors are owed by reputable companies.



### 38 Derivative financial instruments, risk and financial management (continued)

Credit risks relating to bank balances, investments as well as derivative financial instruments arise due to uncertainty as to whether the counterparty will be able to meet its obligations when they are due. The Group minimises this risk by only using financial institutions with a high credit standing as brokers for the purchase and sale of financial instruments. Furthermore, internally Vestas has set limits for the Group's total balance with each bank.

The group of Vestas' bankers currently consists of 9 banks, which all fulfil the minimum required long term credit rating from either S&P, Moody's or Fitch of:

Credit Rating Agency	Rating
S&P	A
Moody's	A2
Fitch	A

No bank balances or derivative financial instruments are overdue or written down due to the counterparty's inability to pay. There are no historic losses related to bank balances and derivative financial instruments due to the counterparty's inability to pay.

mEUR	2010	2009
Maximum credit risk without taking into account security received for trade receivables	624	525
Maximum credit risk related to bank balances, securities and derivative financial instruments	376	490
Maximum credit risk related to construction contracts and other receivables	274	32
	<b>1,274</b>	<b>1,047</b>

#### Liquidity risks

Liquidity risk is the risk that Vestas is unable to meet its obligations as they fall due because of inability to realise assets or obtain adequate funding. The Group ensures that a strong liquidity position is maintained in order to service its financial obligations as they fall due, both under normal and more pressing conditions.

Group Treasury is charged with ensuring that substantial capital resources are in place at all times through a combination of liquidity management, non-committed and committed credit facilities and other debt instruments. Vestas controls its liquidity risk through a combination of cash pool systems, non-committed and committed credit facilities with several banks and other debt instruments on the basis of continuous cash flow forecast.

However, it is naturally not possible to guarantee that Vestas will always be able to maintain its credit rating or to comply with the minimum requirements in the financing agreements. The occurrence of either eventuality would be likely to have a significant adverse effect on the Group.

The value of cash assets with disposal restrictions was EUR 10m at 31 December 2010 (2009: EUR 20m).

### 38 Derivative financial instruments, risk and financial management (continued)

The following table shows the timing of cash flows related to financial obligations, assets and hedging instruments.

2010 mEUR	Carrying amount	Fair value	< 1 year	1–5 years	More than 5 years	Total cash flows
<b>MEASURED AT AMORTISED COST (LOANS AND OTHER DEBT)</b>						
Mortgage debts	8	8	1	1	7	9
Bank debt and debt to credit institutions	309	309	6	352	0	358
Trade payables	1,120	1,120	1,120	0	0	1,120
Other liabilities	254	254	254	0	0	254
Corporate bonds	597	583	0	717	0	717
	<b>2,288</b>	<b>2,274</b>	<b>1,381</b>	<b>1,070</b>	<b>7</b>	<b>2,458</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Interest SWAPS (gross):						
Floating-rate obligation	0	0	0	0	0	0
Fixed-rate obligation	0	0	0	0	0	0
Currency hedging agreements:						
Cash flow hedges	28	28	19	9	0	28
Fair value hedges	10	10	10	0	0	10
	<b>38</b>	<b>38</b>	<b>29</b>	<b>9</b>	<b>0</b>	<b>38</b>
<b>Total financial liabilities</b>	<b>2,326</b>	<b>2,312</b>	<b>1,410</b>	<b>1,079</b>	<b>7</b>	<b>2,496</b>
<b>MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)</b>						
Trade receivables	624	624	624	0	0	624
Construction contracts and other receivables	274	274	249	25	0	274
	<b>898</b>	<b>898</b>	<b>873</b>	<b>25</b>	<b>0</b>	<b>898</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Interest SWAPS (gross):						
Floating-rate assets	0	0	0	0	0	0
Currency hedging agreements:						
Cash flow hedges	40	40	32	8	0	40
Fair value hedges	9	9	9	0	0	9
	<b>49</b>	<b>49</b>	<b>41</b>	<b>8</b>	<b>0</b>	<b>49</b>
<b>Total financial assets</b>	<b>947</b>	<b>947</b>	<b>914</b>	<b>33</b>	<b>0</b>	<b>947</b>

### 38 Derivative financial instruments, risk and financial management (continued)

2009 mEUR	Carrying amount	Fair value	< 1 year	1–5 years	More than 5 years	Total cash flows
<b>MEASURED AT AMORTISED COST (LOANS AND OTHER DEBT)</b>						
Mortgage debts	11	11	3	3	8	14
Bank debt and debt to credit institutions	340	340	9	306	32	347
Trade payables	1,062	1,062	1,062	0	0	1,062
Other liabilities	423	423	423	0	0	423
Corporate bonds	0	0	0	0	0	0
	<b>1,836</b>	<b>1,836</b>	<b>1,497</b>	<b>309</b>	<b>40</b>	<b>1,846</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Interest SWAPS (gross):						
Floating-rate obligation	0	0	0	0	0	0
Fixed-rate obligation	1	1	1	0	0	1
Currency hedging agreements:						
Cash flow hedges	10	10	9	1	0	10
Fair value hedges	2	2	2	0	0	2
	<b>13</b>	<b>13</b>	<b>12</b>	<b>1</b>	<b>0</b>	<b>13</b>
<b>Total financial liabilities</b>	<b>1,849</b>	<b>1,849</b>	<b>1,509</b>	<b>310</b>	<b>40</b>	<b>1,859</b>
<b>MEASURED AT AMORTISED COST (RECEIVABLES AND DEPOSITS)</b>						
Trade receivables	525	525	525	0	0	525
Construction contracts and other receivables	32	32	16	16	0	32
	<b>557</b>	<b>557</b>	<b>541</b>	<b>16</b>	<b>0</b>	<b>557</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Interest SWAPS (gross):						
Floating-rate assets	0	0	0	0	0	0
Currency hedging agreements:						
Cash flow hedges	1	1	1	0	0	1
Fair value hedges	0	0	0	0	0	0
	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total financial assets</b>	<b>558</b>	<b>558</b>	<b>542</b>	<b>16</b>	<b>0</b>	<b>558</b>

Cash at bank and in hand and investments are measured at fair value and any adjustments are made through the income statement.

Cash flows for hedged assets and hedged liabilities as well the hedging instrument are recognised in the income statement in the same period.

For a description of cash flows relating to operating leases, reference is made to note 36 to the consolidated accounts.

The carrying amounts of derivative financial instruments are included in other receivables and other liabilities, as appropriate.

As a general rule, the fair value of financial liabilities and financial assets is calculated using discounted cash flow models based on the market interest rates and credit conditions at the balance sheet date.

Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments.

Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.

Level 3: Valuation techniques primarily based on unobservable prices.

The fair value of Vestas' forward exchange contracts as well as of other derivative financial instruments (commodity instruments) is measured according to level 2 as the fair value can be established directly based on exchange rates published and forward interest rates specified at the balance sheet date.

Fair value of bonds is measured as level 1 because the fair value is set from the share price in an open market.

### 38 Derivative financial instruments, risk and financial management (continued)

#### Market risks

Vestas' market risks relating to financial instruments comprise: currency risks, interest rate risks and commodity price risks.

#### Currency risks

The Group's business activities involve a number of currency risks in connection with purchases and sales of goods and services in foreign currencies. It is Group policy to hedge the currency risk at the time of entering into a binding agreement in foreign currency. Only the net exposure for each currency is hedged. The currency risk is primarily hedged by forward exchange contracts and currency swap agreements.

In 2009 and 2010, Vestas invested in production facilities ensuring that customers in Europe and Africa are supplied from Europe, customers in Americas from USA and those in Asia Pacific from Asia. This ensures significant reduction in the currency risk for the Group.

Exchange adjustments relating to investments in Group subsidiaries and associates abroad with a different functional currency than that of the parent company are recognised directly in equity. Related currency risks are not hedged as, in the Group's opinion, hedging of such long-term investments will not be optimal from an overall risk, liquidity and cost perspective.

The isolated effects of the exchange rate changes considered probable by Management, (1 per cent) increase, at 31 December against the EUR are specified as follows:

		2010	2009
USD:	Equity	(12)	7
	Profit for the year	0	1
CAD:	Equity	2	6
	Profit for the year	1	1
GBP:	Equity	0	10
	Profit for the year	1	1
AUD:	Equity	0	0
	Profit for the year	(1)	0
SEK:	Equity	(2)	0
	Profit for the year	0	0

Only currencies with material effect on comprehensive income and income statement are specified above. The above analysis is based on the assumption that all other variables, interest rates in particular, remain constant. The expectations are based on currently available market data.

A corresponding decline in the exchange rates for the above currencies will have the same but opposite effect for both equity and profit for the year. The differences between the 2010 and 2009 values are solely due to differences in the nominal amounts in the individual currencies.

### 38 Derivative financial instruments, risk and financial management (continued)

#### Currency hedging agreements relating to future transactions (cash flow hedges)

The following net outstanding forward exchange contracts of the Group at 31 December, which are publicly traded, are used and qualify as cash flows hedges:

	2010				2009			
	Nominal principal amount <sup>1)</sup>	Accumulated capital gain/loss recognised in the statement of comprehensive income	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount <sup>1)</sup>	Accumulated capital gain/loss recognised in the statement of comprehensive income	Fair value of principal amount	Term to maturity (months), up to
USD	465	5	460	19	133	(9)	142	17
SEK	(232)	0	(232)	24	(20)	0	(20)	15
CAD	254	(8)	262	18	1	0	1	6
GBP	(88)	0	(88)	14	(5)	0	(5)	7
AUD	(157)	(5)	(152)	23	0	0	0	-
PLN	(41)	(2)	(39)	10	0	0	0	-
BRL	59	(1)	60	8	0	0	0	-
DKK	(42)	0	(42)	12	0	0	0	-
BGL	(39)	0	(39)	56	0	0	0	-
RON	(57)	0	(57)	25	0	0	0	-
TRY	(24)	0	(24)	4	0	0	0	-
NZD	(1)	0	(1)	2	0	0	0	-
ARS	(6)	0	(6)	4	0	0	0	-
EUR	(91)	18	(109)	56	(109)	0	(109)	17
	<b>0</b>	<b>7</b>	<b>(7)</b>		<b>0</b>	<b>(9)</b>	<b>9</b>	

<sup>\*)</sup> Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

The Group's cash flow hedges relate primarily to net cash flows outside euro-based countries, primarily in American, Australian and Canadian dollars as well as Swedish kroner and Great British pound (USD, AUD, CAD, SEK and GBP, respectively) with equivalents in Danish kroner (DKK) and euro (EUR).

#### Currency hedging agreements relating to assets and liabilities recognised in the balance sheet (fair value hedges)

The following net outstanding forward exchange contracts of the Group at 31 December are used and qualify as fair value hedging of assets and liabilities included in the balance sheet.

	2010				2009			
	Nominal principal amount <sup>1)</sup>	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to	Nominal principal amount <sup>1)</sup>	Accumulated capital gain/loss recognised in the income statement	Fair value of principal amount	Term to maturity (months), up to
USD	29	(2)	31	5	(6)	0	(6)	4
AUD	17	(1)	18	5	0	0	0	-
NOK	(8)	0	(8)	12	0	0	0	-
CAD	0	0	0	-	40	0	40	6
INR	12	0	12	3	55	(1)	56	4
EUR	(50)	0	(50)	0	(89)	0	(89)	6
	<b>0</b>	<b>(3)</b>	<b>3</b>		<b>0</b>	<b>(1)</b>	<b>1</b>	

<sup>\*)</sup> Positive principal amounts of forward exchange contracts are sales of the currency in question, and negative principal amounts are purchases.

Gains/(losses) on derivative financial instruments for the year used for hedging of fair values amounted to EUR (46)m (2009: EUR (3)m).

Fair value adjustments caused by movements in the hedged risk on hedged instruments amounted to EUR 0m (2009: EUR 0m).

The Vestas Group's fair value hedges relate to receivables outside euro-based countries, primarily in American and Australian dollars (USD and AUD), with equivalents in euro (EUR).

All fair value changes are recognised in the income statement.

### 38 Derivative financial instruments, risk and financial management (continued)

#### Commodity price risks

Vestas continuously controls the overall commodity price risk in relation to sale and production of wind turbines. The majority of the commodity risk is managed by the sourcing organisation by means of contractual agreements with suppliers. At those commodities where the price risk management can be supported by financial derivatives both alternatives are taken into consideration to obtain the most effective hedging of the price risks. Financial derivatives are only traded with counterparts included in the Vestas banking group.

The fair value of the commodity hedges outstanding at the balance sheet date amounts to EUR 0m (2009: EUR 0m), which has been recognised in equity.

The isolated effects of a 10 per cent increase or decline in the price curve for the hedged commodities at 31 December are specified as follows:

	2010	2009
<b>10 PER CENT INCREASE</b>		
Equity	0	0
Profit for the year	0	0
<b>10 PER CENT DECLINE</b>		
Equity	0	0
Profit for the year	0	0

The above analysis is based on the outstanding financial hedge instruments at the balance sheet date.

The hedging of commodities are considered to be an effective cash flow hedge and changes in the value of these are recognised in the statement of comprehensive income. The sensitivity analyses are prepared on the assumption that all other factors are kept constant.

#### Interest rate risks

The Group's interest rate risk relates to interest rate fluctuations that can affect the Group's cash flows related to interest payments and receipts. The basis for management of the interest rate risk is an ongoing evaluation of the risk versus interest expenses and taking decisions on what part of the funding should be fixed and what part should be variable.

#### Sensitivity analysis – interest rate risks

Vestas estimates based on the current market conditions that a change in the interest rate of one percentage point either up or down is considered likely. An increase or decline of 1 percentage point in the level of interest rates, in relation to SWAPS financial derivatives outstanding at the balance sheet day, will have the following effect on equity and the income statement.

mEUR	2010	2009
<b>1 PERCENTAGE POINT INCREASE</b>		
Equity	(9)	2
Profit for the year	(9)	2
<b>1 PERCENTAGE POINT DECLINE</b>		
Equity	9	(2)
Profit for the year	9	(2)



### 38 Derivative financial instruments, risk and financial management (continued)

The Group's interest-bearing financial assets and liabilities have the following term to contractual review or maturity, depending on which date occurs first. The differences in between 2009 and 2010 values are solely due to differences in the interest bearing assets and liabilities.

	Time of review/maturity				Fixed-interest part	Effective interest rate (%)
2010 mEUR	< 1 year	1–5 years	> 5 years			
FINANCIAL LIABILITIES						
Mortgage debt	1	3	4	8	8	4.6
Bank debt and debt to credit institutions	3	306	0	309	0	3.7
Corporate bonds	0	597	0	597	597	4.8
	4	906	4	914	605	
FINANCIAL ASSETS						
Trade receivables	624	0	0	624		
	624	0	0	624		

2009 mEUR	Time of review/maturity				Fixed-interest part	Effective interest rate (%)
	< 1 year	1–5 years	> 5 years	Total		
FINANCIAL LIABILITIES						
Mortgage debt	3	1	7	11	8	4.9
Bank debt and debt to credit institutions	9	301	30	340	9	2.0
	12	302	37	351	17	
FINANCIAL ASSETS						
Trade receivables	525	0	0	525		
	525	0	0	525		

The effective interest rates were calculated at the balance sheet date.

#### Financial management

In connection with financial management it is the Group's objective to create the necessary stability to implement strategic development work while in the long term achieving a competitive return for the company's shareholders. At the same time, the Group has the objective of reducing cost of capital.

The Group's possible methods of maintaining or changing its capital structure are: adjustment of the dividends level; share buy-backs; issuing of new shares; new borrowing, change of the level of funding from prepayments received and credit granted by suppliers or the sale of assets to reduce debts.

The Group assesses its financial position on the basis of the debt-equity ratio calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts. Vestas' ambition is to have a net interest-bearing debt/EBITDA which does not exceed 2:1, as at the last day of each financial year.

### 39 Subsequent events

#### Orders

In 2011, Vestas has announced two orders for China and Germany, respectively, for a total capacity of 88 MW.

A complete overview of announced orders is available at [vestas.com/news](http://vestas.com/news). Vestas only announces firm and unconditional orders and in relation to company announcements, the order value must exceed EUR 66m.

#### Major shareholders

On 17 January 2011, the Central Bank of Norway, Norway, announced that on 13 January 2011 it had increased its holding of Vestas shares to 10,277,212, corresponding to 5.05 per cent of the share capital.

#### 40 New accounting policies

With reference to company announcement No. 44/2010 of 22 November 2010, Vestas Wind Systems A/S' Board evaluated and implemented IFRIC 15 (International Financial Reporting Interpretation Committee) as of 1 January 2010. The implementation of IFRIC 15 resulted in a change in the accounting policies for revenue recognition in relation to supply-and-installation projects and Vestas is preparing its annual report for 2010 in accordance with the changed accounting policies.

The changed accounting policies for supply-and-installation projects require these projects to be recognised in the income statement, when the project has been delivered to the customer and risk transferred to the customer in accordance with the contract. Until now, supply-and-installation projects have been recognised in line with construction based on the rate of completion of each project. After the change, supply-and-installation projects will be recognised in the same way as the Group's supply-only projects are currently recognised i.e. in compliance with the International Accounting Standards (IAS) No. 18.

In order to comply with the forthcoming accounting standards for revenue recognition (June 2010, IFRS standard for revenue recognition), a difference is now made between the actual product warranties and service obligations. Thus, from now on, potential product warranties will always be recognised as

warranty provisions when revenue from sale of wind turbines is recognised. This may result in commercial constructive obligations beyond the specified legally obligatory warranty period for the turbine being recognised as a warranty obligation. During the terms of the contracts, there are no changes to the Group's expected costs for this. The changed accounting policies has the effect that the Group's expected costs in relation to this, will now be recognised as provisions earlier instead of currently.

As a consequence of the above reclassification, the balance sheet total per 1 January 2010 is increased by EUR 1,524m, while the net working capital decreases by EUR 918m. The changes result in equity per 1 January 2010 being reduced by EUR 822m, revenue and EBIT for 2009 decrease by EUR 1,557m and EUR 605m, respectively, while cash flow remains unaffected by the change.

The effect of the change to the 2009 figures in relation to IAS 8 are included in the following pages.

#### 40 New accounting policies (continued)

mEUR	2009 before adjustment	Adjustment	2009
<b>CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER</b>			
<b>Revenue</b>	6,636	(1,557)	5,079
Cost of sales	(5,195)	952	(4,243)
<b>Gross profit</b>	<b>1,441</b>	<b>(605)</b>	<b>836</b>
Research and development costs	(92)		(92)
Selling and distribution expenses	(178)		(178)
Administrative expenses	(315)		(315)
<b>Operating profit</b>	<b>856</b>	<b>(605)</b>	<b>251</b>
Income from investments in associates	1		1
Financial income	14		14
Financial expenses	(62)		(62)
<b>Profit before tax</b>	<b>809</b>	<b>(605)</b>	<b>204</b>
Corporation tax	(230)	151	(79)
<b>Profit for the year</b>	<b>579</b>	<b>(454)</b>	<b>125</b>
Distributed as follows:			
Shareholders in Vestas Wind Systems A/S	579		125
	<b>579</b>		<b>125</b>
<b>EARNINGS PER SHARE (EPS)</b>			
Earnings per share (EUR)	2.94		0.63
Earnings per share (EUR), diluted	2.94		0.63

#### 40 New accounting policies (continued)

mEUR	2009 before adjustment	Adjustment	2009
<b>CONSOLIDATED BALANCE SHEET 31 DECEMBER – ASSETS</b>			
Goodwill	320		320
Completed development projects	99		99
Software	73		73
Development projects in progress	320		320
<b>Total intangible assets</b>	<b>812</b>		<b>812</b>
Land and buildings	661		661
Plant and machinery	230		230
Other fixtures and fittings, tools and equipment	216		216
Property, plant and equipment in progress	354		354
<b>Total property, plant and equipment</b>	<b>1,461</b>		<b>1,461</b>
Investments in associates	1		1
Other receivables	16		16
Deferred tax	110	274	384
<b>Total other non-current assets</b>	<b>127</b>	<b>274</b>	<b>401</b>
<b>Total non-current assets</b>	<b>2,400</b>	<b>274</b>	<b>2,674</b>
Inventories	1,663	2,266	3,929
Trade receivables	525		525
Construction contracts in progress	1,032	(1,016)	16
Other receivables	234		234
Corporation tax	93		93
Investments	0		0
Cash at bank and in hand	488		488
<b>Total current assets</b>	<b>4,035</b>	<b>1,250</b>	<b>5,285</b>
<b>Total assets</b>	<b>6,435</b>	<b>1,524</b>	<b>7,959</b>

#### 40 New accounting policies (continued)

mEUR	2009 before adjustment	Adjustment	2009
<b>CONSOLIDATED BALANCE SHEET 31 DECEMBER – EQUITY AND LIABILITIES</b>			
Share capital	27		27
Other reserves	(41)		(41)
Retained earnings	3,378	(822)	2,556
<b>Total equity</b>	<b>3,364</b>	<b>(822)</b>	<b>2,542</b>
Deferred tax	121		121
Provisions	82	55	137
Pension obligations	2		2
Financial debts	339		339
<b>Total non-current liabilities</b>	<b>544</b>	<b>55</b>	<b>599</b>
Prepayments from customers	123	2,766	2,889
Construction contracts in progress	598	(598)	0
Trade payables	1,062		1,062
Provisions	151	123	274
Financial debts	12		12
Other liabilities	436		436
Corporation tax	145		145
<b>Total current liabilities</b>	<b>2,527</b>	<b>2,291</b>	<b>4,818</b>
<b>Total liabilities</b>	<b>3,071</b>	<b>2,346</b>	<b>5,417</b>
<b>Total equity and liabilities</b>	<b>6,435</b>	<b>1,524</b>	<b>7,959</b>

#### 41 New accounting regulations

IASB has issued the following amendments to standards and new interpretations which have not yet been approved by the EU:

##### **Amendment to IAS 24 "Related Party Disclosures"**

The amendment implies a change of the definition of related parties. The interpretation is not expected to affect the annual report for the coming financial year.

##### **Amendment to IAS 32 "Financial Instruments Presentation"**

The amendment implies that rights issues in another currency than the company's functional currency are classified as equity instruments if the amount receivable by the company is a fixed amount of foreign currency and the rights are issued pro rata to all existing shareholders.

Vestas has no intentions of offering rights issues in other currencies than the company's functional currency. Implementation of the amended IAS 32 is therefore not expected to have any effect on the annual report for the coming financial years.

##### **Amendment to IFRIC 14 "The Limit on a Defined Benefit Asset"**

The amendment has resulted in elimination of the inconsistency relating to defined benefit schemes with a prepayment of a minimum funding requirement. The amendment is not expected to affect Vestas.

##### **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"**

The interpretation states how to account for a non-contractual conversion of debt into equity in debtor's financial statements. The interpretation is not expected to be of any importance to Vestas.

Moreover, the IASB has issued the following amendments to standards and new interpretations which have not yet been approved by the EU:

##### **IAS 12 (Amended 2010) "Income Taxes"**

The amendment will be effective for financial years starting on or after January 1, 2012. The change means that investment properties, measured at fair value according to IAS 40, only is considered to be recovered through sale. The Group will apply IAS 12 (Amended 2010) from 1 January 2012. The change has no impact on Vestas's financial statements as the Vestas does not hold investment properties.

##### **Amendment to IFRS 7 "Financial instruments, disclosures"**

The amendment implies changed disclosure requirements with respect to derecognition of financial instruments. The implementation is not expected to have any material impact.

##### **IFRS 9 "Financial Instruments: Classification and Measurement"**

The number of categories of fixed asset investments is reduced to two – amortised cost category or the fair value model. The classification is made on the basis of the nature of the business model and the characteristics of the instrument, respectively. The implementation of the standard is not expected to have any material effect on the recognition of the fixed asset investments of Vestas.

##### **Annual improvements to ten existing standards and two existing interpretations**

These constitute only minor amendments and clarifications which are not expected to have any material effect on the annual report for future financial years.



## Legal entities<sup>1)</sup>

Name	Place of registered office	Share capital	Votes and ownership	
Parent company				
Vestas Wind Systems A/S	Randers, Denmark	tDKK	203,704	-
Production units				
Vestas Blades A/S	Randers, Denmark	tDKK	91,000	100%
Vestas Blades Deutschland GmbH	Lauchhammer, Germany	tEUR	26	100%
Vestas Blades Italia S.r.l.	Taranto, Italy	tEUR	21,364	100%
Vestas Wind Technology (China) Co. Ltd.	Tianjin, China	tCNY	945,516	100%
Vestas Blades America Inc.	Windsor (CO), USA	tUSD	12,000	100%
Vestas Blades Spain S.L.U.	Madrid, Spain	tEUR	25,500	100%
Vestas Control Systems A/S	Randers, Denmark	tDKK	12,000	100%
Vestas Control Systems Spain S.L.U.	Olvega, Spain	tEUR	384	100%
Vestas Nacelles A/S	Randers, Denmark	tDKK	300,000	100%
Vestas Nacelles Italia S.r.l.	Taranto, Italy	tEUR	8,423	100%
Vestas Nacelles Deutschland GmbH	Lübeck, Germany	tEUR	25	100%
Vestas Nacelles Spain S.A.	Viveiro, Spain	tEUR	601	100%
Vestas Nacelles Estonia, OÜ	Tallinn, Estonia	tEUR	100	100%
Vestas Nacelles America Inc.	Windsor (CO), USA	tUSD	20,000	100%
Vestas Castings Magdeburg GmbH	Magdeburg, Germany	tEUR	260	100%
Vestas Castings Guldsmeshyttan AB	Guldsmeshyttan, Sweden	tSEK	11,000	100%
Vestas Castings Kristiansand AS	Kristiansand, Norway	tNOK	62,797	100%
Vestas Castings (Xuzhou) Co. Ltd.	Xuzhou, China	tCNY	172,119	100%
Vestas Towers A/S	Randers, Denmark	tDKK	55,000	100%
Vestas Torres Spain S.L.U.	Zaragoza, Spain	tEUR	500	100%
Vestas Towers America Inc.	Windsor (CO), USA	tUSD	20,000	100%
Vestas Towers Mediterranean S.L.	Madrid, Spain	tEUR	2,060	100%

1) Companies of immaterial significance have been left out of the overview.

## Legal entities

Name	Place of registered office		Share capital	Votes and ownership
Sales and service units				
Vestas Americas A/S	Randers, Denmark	tDKK	50,000	100%
Vestas Americas Holding, Inc.	Portland (CO), USA	tUSD	1,200,000	100%
Vestas - American Wind Technology Inc.	Portland (OR), USA	tUSD	105,856	100%
Vestas - Canadian Wind Technology Inc.	Kincardine (ON), Canada	tCAD	92,010	100%
Vestas Asia Pacific A/S	Randers, Denmark	tDKK	33,000	100%
Vestas Asia Pacific Wind Technology Pte. Ltd.	Singapore, Singapore	tSGD	10,000	100%
Vestas - Australian Wind Technology Pty. Ltd.	Melbourne, Australia	tAUD	53,000	100%
Vestas Korea Wind Technology Ltd..	Seoul, South Korea	tKRW	500,000	100%
Vestas New Zealand Wind Technology Ltd.	Wellington, New Zealand	tNZD	100	100%
Vestas Taiwan Ltd.	Tapei City, Taiwan	tTWD	500	100%
Vestas Wind Technology (Beijing) Co. Ltd.	Beijing, China	tCNY	8,171	100%
Vestas - Danish Wind Technology A/S	Randers, Denmark	tDKK	30,000	100%
Vestas Wind Technology India Pvt Limited	Chennai, India	tINR	1,490,150	100%
Vestas Wind Technology Japan Co. Ltd.	Tokyo, Japan	tJPY	110,000	100%
Vestas Central Europe A/S	Randers, Denmark	tDKK	57,000	100%
Vestas Deutschland GmbH	Husum, Germany	tEUR	16,873	100%
Vestas Services GmbH	Husum, Germany	tEUR	47,390	100%
Vestas Benelux B.V.	Rheden, The Netherlands	tEUR	1,362	100%
Vestas Österreich GmbH	Schwechat, Austria	tEUR	7,035	100%
Vestas Czechia s.r.o.	Prague, Czech Republic	tCZK	200	100%
Vestas Hungary Kft.	Budapest, Hungary	tHUF	500	100%
Vestas Bulgaria EOOD	Sofia, Bulgaria	tBGN	5	100%
Vestas CEU Romania S.R.L	Bucharest, Romania	tRON	570	100%
Vestas Central Europe Zagreb d.o.o	Zagreb, Croatia	tHRK	20	100%
Vestas Slovakia spol S.r.o.	Bratislava, Slovakia	tEUR	5	100%
LCC Vestas RUS	Moscow, Russia	tRUB	2,667	100%
Vestas Eastern Africa	Nairobi, Kenya	tKHS	100	100%
Vestas Southern Africa Pty. Ltd.	Sunninghill, South Africa	tZAR	1	100%
Vestas Mediterranean A/S	Randers, Denmark	tDKK	50,000	100%
Vestas Italia S.r.l.	Rome, Italy	tEUR	3,000	100%
Vestas Hellas Wind Technology S.A.	Athens, Greece	tEUR	6,808	100%
Vestas Eólica SAU	Madrid, Spain	tEUR	12,680	100%
Vestas France SAS	Montpellier, France	tEUR	5,040	100%
VestasPor Serviços de Tecnología Eólica Lda.	Lisbon, Portugal	tEUR	6,000	100%
Vestas Mexico S.A. de C.V.	Condesa, Mexico	tMXN	156	100%
Vestas Mexicana del Viento S.A. de C.V.	Mexico DF, Mexico	tMXN	61	100%
Vestas do Brasil Ltda.	Sao Paolo, Brazil	tBRL	2,538	100%
Vestas Argentina S.A.	Buenos Aires, Argentina	tARS	66	100%
Vestas Chile Turbinas Eólica Limitade	Santiago, Chile	tCLP	5,080	100%
Vestas Rüzgar Enerjisi Sistemleri Sanayi ve Ticaret Ltd. Sirket	Istanbul, Turkey	tTRY	11,500	100%
Vestas Turbinas Eólicas del Uruguay S.A.	Montevideo, Uruguay	tURU	690	100%
Vestas Northern Europe A/S	Randers, Denmark	tDKK	100,000	100%
Vestas - Celtic Wind Technology Ltd.	Warrington, England	tGBP	8,200	100%
Vestas Northern Europe AB	Malmö, Sweden	tSEK	1,000	100%
Vestas Poland Sp.z.o.o.	Szczecin, Poland	tPLN	435	100%
NEG Micon UK Ltd.	Cheltenham, England	tGBP	4,000	100%
Vestas Northern Europe (Ireland) Ltd.	Dublin, Ireland	tEUR	2,000	100%
Vestas Norway AS	Oslo, Norway	tNOK	100	100%

## Legal entities

Name	Place of registered office	Share capital	Votes and ownership	
Sales and service units (continued)				
Vestas Offshore A/S	Randers, Denmark	tDKK	97,000	100%
Vestas Offshore The Netherlands B.V.	Ijmuiden, The Netherlands	tEUR	18	100%
Vestas Offshore UK Ltd.	Warrington, England	tGBP	11,500	100%
Vestas Offshore Belgium N.V.	Brussels, Belgium	tEUR	62	100%
Vestas Offshore France SAS	Paris, France	tEUR	20	100%
Vestas Offshore Sweden AB	Malmö, Sweden	tSEK	100	100%
Vestas Offshore GmbH	Hamburg, Germany	tEUR	25	100%
Other subsidiaries and associates				
Vestas Spare Parts & Repair A/S	Randers, Denmark	tDKK	50,000	100%
Vestas Spare Parts Belgium	Bruxelles, Belgium	tEUR	500	100%
Vestas Spare Parts & Repair UK, Ltd.	Bristol, England	tGBP	1,000	100%
Vestas Spare Parts & Repair, S.L.	Barcelona, Spain	tEUR	4,000	100%
Vestas Spare Parts & Repair America, Inc.	Windsor (CO), USA	tUSD	1000	100%
Vestas Wind Technology (China) Co. Ltd.	Hohhot, China	tCNY	321,799	100%
Vestas Schwitterland AG	Zürich, Schwitzerland	tCHF	100	100%
Vestas Services Philippines, Inc.	Makai City, Philippines	tPHP	9,336	100%
Vestas India Holding A/S	Randers, Denmark	tDKK	267,110	100%
Wind Power Invest A/S	Randers, Denmark	tDKK	25,000	100%
Vestas Technology (UK) Limited	Isle of Wight, England	tGBP	90	100%
Vestas Technology R&D Singapore Pte. Ltd.	Singapore, Singapore	tSGD	1,500	100%
Vestas Technology R&D Chennai Pte. Ltd.	Chennai, India	tINR	40,000	100%
Vestas Technology R&D Americas Inc.	Houston (TX), USA	tUSD	1,000	100%
Vestas Technology R&D (Beijing) Co., Ltd.	Beijing, China	tCNY	6,729	100%
GREP A/S	Randers, Denmark	tDKK	12,000	100%
GREP Svenska AB	Falkenberg, Sweden	tSEK	1,824	100%
GREP USA Inc.	California, USA	tUSD	2,001	100%
GREP Wind Power Inc.	California, USA	tUSD	1,100	100%
GREP California Aquisitions, Inc.	California, USA	tUSD	2,006	100%
Pecsa, Plantas Eólicas De Canarias Sociedad Anónima	Las Palmas, Spain	tEUR	1,496	49.8% <sup>2)</sup>
Planta Eólica Europea S.A.	Tarifa, Spain	tEUR	1,199	44.0% <sup>2)</sup>
Windco, LLC	California, USA	tUSD	39	38.0% <sup>2)</sup>

2) Associates (wind power plants).

## Management's statement

The Executive Management and Board of Directors have today considered and adopted the annual report of Vestas Wind Systems A/S for the financial year 2010.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of Vestas Wind Systems A/S, are prepared in accordance with the Danish Financial Statements Act. Moreover, the consolidated financial statements and the financial statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The management report is also prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the financial position at 31 December 2010 of the Group and the company and of the results of the Group and company's operations and consolidated cash flows for the financial year 1 January – 31 December 2010.

In our opinion, the management report includes a true and fair account of the development in the operations and financial circumstances of the Group and the company, of the results for the year and of the financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company.

We recommend that the annual report be approved at the Annual General Meeting.

Randers, 9 February 2011

### Executive Management

**Ditlev Engel**  
President and CEO

**Henrik Nørremark**  
Executive Vice President  
and CFO

### Board of Directors

**Bent Erik Carlsen**  
Chairman

**Torsten Erik Rasmussen**  
Deputy Chairman

**Elly Smedegaard Rex**

**Freddy Frandsen**

**Håkan Eriksson**

**Jørgen Huno Rasmussen**

**Jørn Ankær Thomsen**

**Kim Hvid Thomsen**

**Kurt Anker Nielsen**

**Michael Abildgaard Lisbjerg**

**Ola Rollén**

**Sussie Dvinge Agerbo**

## The independent auditor's report

### To the shareholders of Vestas Wind Systems A/S

We have audited the consolidated financial statements, the financial statements and management report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2010. The consolidated financial statements and the financial statements comprise statements of income, assets, liabilities and equity, statements of changes in equity and notes for the Group and the company as well as consolidated statements of comprehensive income and cash flow.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the financial statements are prepared in accordance with the Danish Financial Statements Act. Moreover, the consolidated financial statements and the financial statements are prepared in accordance with additional Danish disclosure requirements for listed companies. The management report is also prepared in accordance with Danish disclosure requirements for listed companies.

The audit did not comprise the "Non-financial highlights for the Group" and "Non-financial issues" on pages 7 and 65–74, respectively, in respect of which a separate statement has been issued on page 75.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the financial statements in accordance with the above-mentioned legislation and disclosure requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and the financial statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, the management is responsible for preparing a management report that includes a true and fair account in accordance with Danish disclosure requirements for listed companies.

### Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements, the financial statements and management report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements, the financial statements and management report is free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the financial statements and management report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, the financial statements and management report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent company's financial statements and to the preparation of a management report that includes a true and fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements, the financial statements and management report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position at 31 December 2010 of the Group and of the results of the Group's operations and consolidated cash flows for the financial year 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the financial statements give a true and fair view of the financial position at 31 December 2010 of the company and of the results of the company's operations for the financial year 1 January to 31 December 2010 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies.

In our opinion, the management report includes a true and fair account of the Group and the company, of the results for the year and of the financial position of the Group and the company as well as a description of the most significant risks and elements of uncertainty facing the Group and the company in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 9 February 2011

**PricewaterhouseCoopers**  
Statsautoriseret Revisionsaktieselskab

**Lars Holtug**  
State Authorised  
Public Accountant

**Claus Lindholm Jacobsen**  
State Authorised  
Public Accountant



# In the region **for the region**

## **Vestas Northern Europe**

The Havsnäs project consisting of 48 V90-2.0 MW turbines in the northern part of Sweden, set a new record in construction of onshore turbines on site – the fastest installation time was down to six hours for a complete turbine, and the average was three turbines installed per week.

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## Annual accounts for Vestas Wind Systems A/S

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# Annual accounts for Vestas Wind Systems A/S

## Accounting policies for Vestas Wind Systems A/S

The annual accounts have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to enterprises of reporting class D, as well as the requirements laid down by NASDAQ OMX Copenhagen in respect of the financial reporting of companies listed on the stock exchange.

Vestas Wind Systems A/S' functional currency is Danish kroner (DKK), but due to the international relations of the Group the annual accounts are presented in euro (EUR).

For adopted accounting policies refer to note 1 to the consolidated accounts on page 85. The denomination of the items in the parent company's annual accounts complies with the requirements of the DK GAAP but conforms to the contents of the accounting policies according to IFRS. Refer to the section "Terminology" for a description of the main differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year except for new accounting policies for recognition of revenue and warranty provisions.

With effect from 1 January 2010, the Vestas Group implemented IFRIC 15 (International Financial Reporting Interpretation Committee). The implementation of IFRIC 15 resulted in Vestas changing accounting policies in relation to revenue recognition of supply-and-installation projects. The annual report 2010 is prepared in accordance with the changed accounting policies.

For the parent company, the changes result in a decline of EUR 280m in the balance sheet total as per 1 January 2009. As at 1 January 2009, equity and investments in subsidiaries are reduced by EUR 369m and EUR 280m, respectively, while warranty provisions increase by EUR 119m. Furthermore, deferred tax is reduced by EUR 30m and profit for the year 2009 is reduced by EUR 453m.

For 2010, the changes result in a decline of EUR 689m in the balance sheet total for the parent company as per 1 January 2010. As at 1 January 2010, equity and investments in subsidiaries are reduced by EUR 822m and EUR 689m, respectively, while warranty provisions increase by EUR 178m. Furthermore, deferred tax is reduced by EUR 45m.

The annual report for 2010 has been prepared in accordance with the changed accounting policy in respect of changing comparative figures.

The financial effect of the changed accounting policies for the first nine months appears from Vestas' company announcement No. 44/2010 of 22 November 2010. As the Group has changed its recording systems due to the implementation of the changed accounting policies, the total effect for the 2010 financial year cannot be calculated.

For further description of the accounting impact of the new accounting policies, refer to note 40 to the consolidated financial statements.

The accounting policies of the parent company deviate from the Group's accounting policies in the following areas:

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured in the annual report of the parent company under the equity method.

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the enterprise acquired is determined at

the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the enterprise acquired.

Any remaining positive differences in connection with the acquisition of subsidiaries are included in the item "Investments in subsidiaries". The item "Share of profit in subsidiaries after tax" in the income statement includes the proportionate share of the profit after tax less goodwill amortisation.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill).

Subsidiaries with a negative net asset value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value. Any legal or constructive obligation of the parent company to cover the negative balance of the company is recognised in provisions.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected cost of disposal or winding up. The gains or losses are included in the income statement.

### Goodwill

Goodwill is included in the item "Goodwill" or in the item "Investments in subsidiaries" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is maximum 20 years, and which will be longest for enterprises acquired for strategic purposes with a long-term earnings profile.

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## Terminology

**Net revenue (DK GAAP):** Revenue (IFRS)

**Fixed assets (DK GAAP):** Non-current assets (IFRS)

**Provisions (DK GAAP):** Non-current and current liabilities (IFRS)

**Long-term debt (DK GAAP):** Non-current liabilities (IFRS)

**Short-term debt (DK GAAP):** Current liabilities (IFRS)

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## Income statement 1 January – 31 December for Vestas Wind Systems A/S

mEUR	Note	2010	2009
<b>Net revenue</b>	1	522	1,140
Cost of sales	2	(394)	(490)
<b>Gross profit</b>		<b>128</b>	<b>650</b>
Administrative expenses	2, 3	(392)	(303)
<b>Operating profit before one-off costs</b>		<b>(264)</b>	<b>347</b>
One-off costs	4	(44)	0
<b>Operating profit</b>		<b>(308)</b>	<b>347</b>
Share of profit in subsidiaries after tax	5	304	(235)
Financial income and expenses (net)	6	94	111
<b>Profit before tax</b>		<b>90</b>	<b>223</b>
Corporation tax	7	50	(112)
<b>Profit for the year</b>		<b>140</b>	<b>111</b>
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		304	(343)
Retained earnings		(164)	454
Dividends		0	0
<b>Profit for the year</b>		<b>140</b>	<b>111</b>

## Balance at 31 December for Vestas Wind Systems A/S – Assets, equity and liabilities

mEUR	Note	2010	2009
Intangible assets	8	725	504
Property, plant and equipment	9	364	334
Investments in subsidiaries	10	1,279	915
<b>Total fixed assets</b>		<b>2,368</b>	<b>1,753</b>
Inventories	11	1	7
Receivables from subsidiaries		3,177	2,753
Other receivables		43	34
Corporation tax		6	0
Prepayments and accrued income	12	6	1
<b>Total receivables</b>		<b>3,232</b>	<b>2,788</b>
Cash at bank and in hand		123	359
<b>Total current assets</b>		<b>3,356</b>	<b>3,154</b>
<b>Total assets</b>		<b>5,724</b>	<b>4,907</b>
Share capital		27	27
Reserve for net revaluation under the equity method		17	0
Retained earnings		2,597	2,417
<b>Total equity</b>		<b>2,641</b>	<b>2,444</b>
Warranty provisions	14	276	328
Deferred tax	13	16	68
Other provisions	15	4	6
<b>Total provisions</b>		<b>296</b>	<b>402</b>
Mortgage debt	16	7	8
Debt to credit institutions	16	902	330
<b>Total long-term debt</b>		<b>909</b>	<b>338</b>
Short-term share of mortgage debt and debt to credit institutions	16	0	0
Trade payables		98	75
Payables to subsidiaries		1,705	1,508
Corporation tax		0	34
Other liabilities		75	106
<b>Total short-term debt</b>		<b>1,878</b>	<b>1,723</b>
<b>Total debt</b>		<b>2,787</b>	<b>2,061</b>
<b>Total equity and liabilities</b>		<b>5,724</b>	<b>4,907</b>
Mortgages and security	17		
Contractual obligations	18		
Contingent liabilities	19		
Related party transactions	20		
Currency and interest rate risks and the use of derivative financial instruments	21		
Subsequent events	22		

## Statement of changes in equity 1 January – 31 December for Vestas Wind Systems A/S

2010 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
<b>Equity at 1 January</b>	<b>27</b>	<b>0</b>	<b>2,417</b>	<b>2,444</b>
Exchange rate adjustments from conversion to EUR	0	0	(3)	(3)
Exchange rate adjustments relating to foreign entities	0	42	0	42
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	8	8
Fair value adjustments of derivative financial instruments	0	26	(16)	10
Share-based payments	0	0	6	6
Tax on changes in equity	0	(7)	1	(6)
Profit for the year	0	304	(164)	140
Capital increase	0	0	0	0
Costs of capital increase	0	0	0	0
Acquisition of treasury shares	0	0	0	0
Transferred from retained earnings	0	(348)	348	0
<b>Equity at 31 December</b>	<b>27</b>	<b>17</b>	<b>2,597</b>	<b>2,641</b>

2009 mEUR	Share capital	Reserve under the equity method	Retained earnings	Total
<b>Equity at 1 January</b>	<b>25</b>	<b>0</b>	<b>1,479</b>	<b>1,504</b>
Exchange rate adjustments from conversion to EUR	0	0	1	1
Exchange rate adjustments relating to foreign entities	0	13	0	13
Reversal of fair value adjustments of derivative financial instruments, recognised in the income statement	0	0	38	38
Fair value adjustments of derivative financial instruments	0	0	(8)	(8)
Share-based payments	0	0	2	2
Tax on changes in equity	0	0	(8)	(8)
Profit for the year	0	(343)	454	111
Capital increase	2	0	800	802
Costs of capital increase	0	0	(10)	(10)
Acquisition of treasury shares	0	0	(1)	(1)
Transferred to retained earnings	0	330	(330)	0
<b>Equity at 31 December</b>	<b>27</b>	<b>0</b>	<b>2,417</b>	<b>2,444</b>

## Notes to the annual accounts for Vestas Wind Systems A/S

### 1 Net revenue

The net revenue in the parent company consists of management fee, service, royalty and rental income from other Group companies.

### 2 Staff costs

mEUR	2010	2009
Staff costs are specified as follows:		
Wages and salaries, etc.	208	211
Pension schemes	14	11
Other social security costs	1	1
	<b>223</b>	<b>223</b>
For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company see note 6 to the consolidated accounts. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For option programme, see note 32 to the consolidated accounts.		
Average number of employees	2,611	2,261

### 3 Fees to auditors appointed by the Annual General Meeting

mEUR	2010	2009
Audit:		
PricewaterhouseCoopers	1	1
KPMG	-	1
<b>Total audit</b>	<b>1</b>	<b>2</b>
Non-audit services:		
PricewaterhouseCoopers		
Other assurance statements	-	-
Tax assistance	0	0
Other services	1	1
	<b>1</b>	<b>1</b>
KPMG		
Other assurance statements	-	0
Tax assistance	-	0
Other services	-	1
	<b>-</b>	<b>1</b>
<b>Total non-audit services</b>	<b>1</b>	<b>2</b>

Vestas' auditors can be used, within certain parameters, for certain non-audit services and may often be the obvious choice due to business knowledge, confidentiality and costs consideration. Vestas has a comprehensive policy for non-audit services ensuring that the provision of non-audit services to the Group does not impair the auditors' independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy and monitors compliance.

In 2009 and 2010, other services include fees mainly for other assistance in accounting.

#### 4 One-off costs

One-off costs comprise expenses related to restructuring including write down of property, plant and equipment, intangible assets and compensation to employees affected by the restructuring.

#### 5 Share of profit in subsidiaries

mEUR	2010	2009
Share of profit in subsidiaries before tax	452	(256)
Share of tax of subsidiaries	(134)	35
Amortisation of goodwill	(14)	(14)
	<b>304</b>	<b>(235)</b>

#### 6 Financial income and expenses

mEUR	2010	2009
Financial income from subsidiaries	172	130
Financial expenses to subsidiaries	(1)	(3)
Exchange rate adjustments	(34)	2
Other financial income	0	1
Other financial expenses	(43)	(19)
	<b>94</b>	<b>111</b>

#### 7 Corporation tax

mEUR	2010	2009
Current tax on profit for the year	5	47
Deferred tax on profit for the year	(54)	87
Change to tax rate	0	0
Joint taxation contribution	0	(20)
Adjustments relating to previous years (net)	(1)	(2)
<b>Total corporation tax for the year</b>	<b>(50)</b>	<b>112</b>
Tax on entries in equity relating to deferred tax	6	8
<b>Tax on entries in equity</b>	<b>6</b>	<b>8</b>
<b>Total tax for the year</b>	<b>(44)</b>	<b>120</b>

## 8 Intangible assets

2010 mEUR	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January	265	19	94	321	699
Additions	0	0	35	290	325
Disposals	0	0	(2)	0	(2)
Transfers	153	0	0	(153)	0
<b>Cost at 31 December</b>	<b>418</b>	<b>19</b>	<b>127</b>	<b>458</b>	<b>1,022</b>
Amortisation at 1 January	166	6	23	0	195
Amortisation for the year	69	1	20	0	90
Impairment for the year	14	0	0	0	14
Reversal of amortisation of disposals in the year	0	0	(2)	0	(2)
<b>Amortisation at 31 December</b>	<b>249</b>	<b>7</b>	<b>41</b>	<b>0</b>	<b>297</b>
<b>Carrying amount at 31 December</b>	<b>169</b>	<b>12</b>	<b>86</b>	<b>458</b>	<b>725</b>
Amortisation period	3–5 years	5–20 years	3–5 years		

Write down of development projects is related to the restructuring that has taken place in the company in 2010.

Included in software are IT projects in progress amounting to EUR 35m at 31 December 2010.

## 9 Property, plant and equipment

2010 mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	306	24	45	45	420
Additions	0	3	17	65	85
Disposals	0	(6)	(8)	0	(14)
Transfers	31	2	0	(33)	0
<b>Cost at 31 December</b>	<b>337</b>	<b>23</b>	<b>54</b>	<b>77</b>	<b>491</b>
Depreciation at 1 January	59	9	18	0	86
Depreciation for the year	13	3	13	0	29
Write down for the year	23	0	0	0	23
Reversal of amortisation on disposals in the year	0	(4)	(7)	0	(11)
Transfer	1	0	(1)	0	0
<b>Depreciation at 31 December</b>	<b>96</b>	<b>8</b>	<b>23</b>	<b>0</b>	<b>127</b>
<b>Carrying amount at 31 December</b>	<b>241</b>	<b>15</b>	<b>31</b>	<b>77</b>	<b>364</b>
Assets held under finance leases included above amount to	0	0	0	0	0
Depreciation period	25–40 years	3–10 years	3–5 years		

Write down of property, plant and equipment is related to the restructuring that has taken place in the company in 2010.



## 10 Investments in subsidiaries

mEUR	2010	2009
Cost at 1 January	1,263	1,229
Exchange rate adjustments from conversion to EUR	(1)	0
Additions	0	34
Disposals	0	0
<b>Cost at 31 December</b>	<b>1,262</b>	<b>1,263</b>
Value adjustments at 1 January	(348)	(18)
Exchange rate adjustments	42	13
Profit shares for the year after tax	318	(221)
Changes in equity	19	0
Dividend	0	(108)
Disposals	0	0
Amortisation of goodwill	(14)	(14)
<b>Value adjustments at 31 December</b>	<b>17</b>	<b>(348)</b>
<b>Carrying amount at 31 December</b>	<b>1,279</b>	<b>915</b>
Remaining positive difference included in the above carrying amount at 31 December	180	194

The legal entities in the Vestas Group are listed on pages 133–135 in the consolidated accounts.

## 11 Inventories

mEUR	2010	2009
Raw materials and consumables	1	7
Work in progress	0	0
Finished goods	0	0
	<b>1</b>	<b>7</b>

## 12 Prepayments and accrued income

Prepayments and accrued income comprise prepaid membership fees and rent.

## 13 Deferred tax

mEUR	2010	2009
Deferred tax at 1 January	(68)	(9)
Deferred tax on profit for the year	54	(87)
Tax on entries in equity	(6)	(8)
Change in corporate tax rate	0	0
Adjustment relating to previous years	4	36
<b>Deferred tax at 31 December (net)</b>	<b>(16)</b>	<b>(68)</b>

## 14 Warranty provisions

mEUR	2010	2009
Warranty provisions at 1 January	328	282
Warranty provisions for the year	191	287
Used warranty provisions for the year	(243)	(241)
<b>Warranty provisions at 31 December</b>	<b>276</b>	<b>328</b>
The warranty provisions are expected to be payable as follows:		
0–1 year	166	225
1–5 years	110	103
	<b>276</b>	<b>328</b>

The product warranties, which in the great majority of cases cover both component defects, functional errors and any financial losses suffered by the customer in connection with unplanned suspension of operations, are usually granted for a two-year period from delivery of the wind turbine. In certain cases, a warranty of up to five years is granted. To the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions only include standard warranty, whereas services purchased in addition to the standard warranty are included in prepayments from customers. Reference is made to page 26 of the management report and note 2 to the consolidated accounts for further information on Vestas' warranty provisions.

In addition to the above, provisions are made for upgrades of wind turbines sold due to type faults, etc. where Vestas has a warranty obligation at the date of provision. Such provisions will also include wind turbines sold in prior years, but where type faults, etc. are identified later. Moreover, it should be emphasised that the complexity of some of the identified type faults, etc. may lead to adjustments of previous estimates, upwards as well as downwards, affected by factual information about population size, costs of repair and the timing of such repair.

## 15 Other provisions

mEUR	2010	2009
Other provisions at 1 January	6	9
Provisions for the year	0	1
Used other provisions during the year	(2)	(4)
Adjustment relating to previous years provisions	0	0
<b>Other provisions at 31 December</b>	<b>4</b>	<b>6</b>
Other provisions are expected to be payable as follows:		
0–1 year	1	1
> 1 year	3	5
	<b>4</b>	<b>6</b>

## 16 Long-term debt

mEUR	2010	2009
Short-term share of long-term debt breaks down as follows:		
Mortgage debt	0	0
Debt to credit institutions	0	0
	<b>0</b>	<b>0</b>
Long-term debt breaks down as follows:		
1–5 years	904	302
> 5 years	5	36
	<b>909</b>	<b>338</b>

## 17 Mortgages and security

As security for the company's mortgage loans, mortgage deeds registered to the mortgagor and all-money mortgages have been secured on land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Furthermore, the company has issued mortgage deeds registered to the mortgagor and all-money mortgages secured on the above-mentioned properties. These mortgage deeds and all-money mortgages are all in the possession of the company.

mEUR	2010	2009
Total mortgage loans	8	8
Mortgage deeds and all-money mortgages relating to the company's mortgage loans:		
Nominal value of mortgage deeds and all-money mortgages	10	10
Carrying amount of pledged assets	19	25
Other mortgage deeds and all-money mortgages in the possession of the company	104	109
Provided work and payment guarantees	293	164

## 18 Contractual obligations

mEUR	2010	2009
The lease obligation relating to operating leases falls due:		
0-1 year	2	2
1-5 years	0	1
> 5 years	-	-

Operating leases comprise irrevocable operating leases regarding buildings and cars. The main obligations relate to buildings.

## 19 Contingent liabilities

mEUR	2010	2009
Guarantees for bank debt of subsidiaries	35	35

In addition to this, the parent company provides performance bonds in connection with project supplies in subsidiaries, and their warranty obligations to customers.

The company is of a joint taxation with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

For pending lawsuits refer to note 37 to the consolidated accounts.

## 20 Related party transactions

For transactions with related parties refer to note 33 to the consolidated accounts.

## 21 Currency and interest rate risks and the use of derivative financial instruments

For the use of derivative financial instruments and risks and capital management refer to note 38 to the consolidated accounts.

## 22 Subsequent events

For subsequent events refer to note 39 to the consolidated accounts.

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Jørn Ankær Thomsen  
Kim Hvid Thomsen  
Kurt Anker Nielsen  
Michael Abildgaard Lisbjerg  
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Sussie Dvinge Agerbo

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