

## Company announcement from Vestas Wind Systems A/S

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### Annual report 2010

#### **- 2010 was a tough year, but Vestas is on track with a record-high order intake of 8,673 MW**

*Summary:* The year's order intake of 8,673 MW had a value of EUR 8.6bn, corresponding to EUR 1m per MW, which is on level with 2009, with an order intake of 3,072 MW at a value of EUR 3.2bn. Measured in MW, the order intake rose by 182 per cent.

In 2010, Vestas reached its expected revenue, earnings and net working capital as per announcement of 22 November 2010.

After record-high deliveries of 2,557 MW in the fourth quarter, the year's total deliveries to the customers in 2010 rose by 1,078 MW to 5,842 MW from 4,764 MW in 2009. The 36 per cent increase in revenue to EUR 6.9bn is due to the 23 per cent increase in deliveries. However, according to the wind organisation, GWEC, the total wind power market fell from 38.6 GW in 2009 to an installed capacity of 35.8 GW in 2010. The service business, which as per 31 December 2010 comprised 31,000 MW, generated revenue of EUR 623m – an increase of 24 per cent. The EBIT margin was 6.8 per cent before and 4.5 per cent after one-off costs of EUR 158m for closure of factories and lay-offs as announced on 26 October 2010.

Free cash flow was EUR (733)m after investments of a total of EUR 789m in regionalisation and quality, research and technology development. During the second half of 2010, Vestas generated a free cash flow of EUR 325m, of which EUR 145m was generated in the fourth quarter. The free cash flow was EUR (842)m in 2009. The interest-bearing net debt, which rose to EUR 896m as at 30 June 2010, stood at EUR 579m at the end of 2010, which is equivalent to the corporate bond of EUR 600m, issued by Vestas on 23 March 2010. At the end of the year, Vestas did not draw on its credit lines. At 31 December 2010, Vestas' backlog of firm and unconditional orders amounted to 7,622 MW at a value of EUR 7.7bn against 5,015 MW and EUR 5.4bn the year before.

The incidence of industrial injuries was reduced by 38 per cent to 5.0 injuries per one million working hours, the customer loyalty remained unchanged, whereas the green energy share only reached 42 per cent, which is due to lack of access to renewable electricity at several new locations. Vestas' wind power plants once again improved their performance in 2010; Lost Production Factor (share of possible wind, which is not harvested) is now below 3 per cent at the wind power plants where Vestas guarantees the performance. At the end of 2010, Vestas had installed a total of 44,114 MW.

The outlook for 2011 is revenue of around EUR 7bn with an EBIT margin of 7 per cent after an expected increase of approx EUR 100m in depreciations and amortisations. The EBIT margin is also affected by the fact that earnings on new products will only be generated in 2012. 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. The free cash flow is still expected to be positive, even though investments are now expected to amount to EUR 850m against the previous forecast of EUR 650m.

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There will be no bonus payout for 2010. The Group bonus targets for 2011 include an EBIT margin of 8.4 per cent (35 per cent weighting), a free cash flow of EUR 200m (30 per cent), a customer loyalty index of 72 (20 per cent) and revenue of EUR 7bn (15 per cent). Bonus targets in the business units also include incidence of industrial injuries, inventory days, production of the wind power plants, etc. In order to increase focus on profitability, the requirements for EBIT margin and free cash flow included in the Group bonus targets are higher than the guidance for the year.

Vestas will disclose its expectations for 2012 in February 2012.

### 2009, 2010 and 2011 in short

mEUR	Guidance for 2011	Full year 2010	Full year 2009	Q4 2010	Q4 2009
Order intake, firm and unconditional orders (MW)	7,000-8,000	8,673	3,072	2,106	1,022
Production and shipments (MW)	6,000	4,057	6,131	1,626	2,439
Delivered to customers (MW)	-	5,842	4,764	2,557	1,419
Revenue	7,000	6,920	5,079	3,123	1,474
- of which service revenue	700	623	504	169	140
EBIT margin (%)	7	6.8 <sup>*)</sup>	4.9	8.3	(3.8)
EBIT margin, service (%)	15	14	15	-	-
Financial items, net	(60)	(72)	(48)	(27)	(16)
Tax rate (%)	28	34	39	-	-
Net working capital (%)	-	9.7	6.2	-	-
Investments					
- property, plant and equipment	550	458	606	150	113
- intangible assets	300	328	227	98	71
Free cash flow	> 0	(733)	(842)	147	181
Warranty provisions (%)	< 3.0	2.8	5.8	1.9	8.5
Incidence of industrial injuries	≤ 5.0	5.0	8.1	5.5	4.0
Customer loyalty (index)	72	64	64	-	-
Share of green energy (%)	40	42	49	33	44
Share of green electricity (%)	95	74	85	62	81
Quality level, year-end (Sigma)	≥ 5	~ 5	> 4	-	-

<sup>\*)</sup> before one-off costs of EUR 158m.

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**Press and analyst meeting in London**

**Wednesday, 9 February 2011 at 2 p.m. GMT (London time)/3 p.m. CET**

In connection with the announcement of this annual report, an information meeting will be held today, Wednesday, at 2 p.m. GMT (London time)/3 p.m. CET for analysts, investors and the press at:

The London Marriott West India Quay Hotel  
22 Hertsmere Rd  
Canary Wharf  
London, E14 4ED  
England.

Further details on [www.vestas.com/investor](http://www.vestas.com/investor).

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

Yours sincerely  
**Vestas Wind Systems A/S**

Bent Erik Carlsen  
*Chairman of the Board of Directors*

Ditlev Engel  
*President & 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 <sup>2)</sup>	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 in the annual report 2010. Comments on non-financial issues for the Group, see pages 65-75 in the annual report 2010.

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.