

Remuneration report 2013 for 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 employees. The Executive Management is further encouraged to reach short- and long-term business results and to create shareholder value through partly incentive-based pay.

According to law firm Gorrissen Federspiel's remuneration analysis of Large Cap and OMX C20 CAP companies listed on NASDAQ OMX Copenhagen A/S in Denmark, the average remuneration (incl. of pension, benefits and cash bonus) in 2012 for an executive management function was EUR 4.25m¹⁾ (DKK 31.7m).²⁾

Remuneration policy and incentive pay

Based on proposals from the Nomination & Compensation Committee for the remuneration of the Executive Management, the Board of Directors annually assesses and approves the remuneration to ensure that it is in line with the conditions for comparable positions in other companies. All terms of the remuneration of the Executive Management are fixed by the Board of Directors.

Members of the Executive Management receive a competitive remuneration package consisting of a fixed salary, bonus, share-based incentives, warrants and personal benefits, ref. remuneration policy approved by the Annual General Meeting in March 2013.

Members of the Executive Management are employed under executive service contracts, which contain a notice of termination of up to 24 months, which is normal for executives in Danish companies.

Fixed salary

The fixed salary is based on market level to attract and retain talented executives with the required competencies.

Cash bonus

Members of the Executive Management participate in a bonus scheme based on the results for the year and bonus is paid out annually after adoption of the annual report for the relevant financial year.

Bonus pay-out level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at 50 per cent and 75 per cent of the annual base salary, respectively. No pay-out will be made if the targets are not met at the defined minimum acceptable performance level.

The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT and cash flow as well as any other targets approved by the Board of Directors.

Share-based incentives

Share-based incentives focus on retention and long-term value creation for the shareholders.

For any performance year, the number of shares to be granted to the combined Executive Management may amount to a total of 150,000 performance shares if the specified targets are achieved. The maximum grant for any performance year is 225,000 performance shares and is only achievable if the targets are overachieved (150 per cent of the target) but the value of the granted performance shares must not exceed 75 per cent of the annual base salary. The actual number of shares is decided after the end of the performance year, and can be adjusted upwards or downwards, taking the company's performance into consideration. If the minimum requirements for financial performance are not met, there will be no grant of performance shares.

The performance shares will be granted in two portions; the first half of the shares will be granted two years after the performance year and the second half of the shares will be granted four years after the performance year, with the total grant size based on the results in the performance year.

Personal benefits

Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home and work-related newspapers and magazines.

Compensation on takeover of Vestas Wind Systems A/S

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. The Executive Management's notice of termination will, however, be extended to 36 months.

Redundancy pay

There is no agreed redundancy pay or compensation for voluntary or non-voluntary termination.

Pension scheme

Members of the Executive Management are not covered by Vestas' employer administered pension plan or a defined benefit pension scheme. For members of the Executive Management, pension is considered included in the fixed salary.

Remuneration approved by the Board of Directors

In 2013, a total of EUR 3.7m was paid in salaries to the Executive Management.

Based on the results achieved in 2013, the combined Executive Management will receive a bonus of EUR 2.1m in 2014.³⁾ In 2013, EUR 0.7m was expensed as share-based payment, ref. note 32 to the consolidated accounts. In the financial year 2013, a total of 139,571 performance shares were granted to the combined Executive Management.⁴⁾ The first half of the performance shares will be granted in 2016 and the second half will be granted in 2018.

Executive Management's remuneration

	2013 ⁵⁾	2012
Fixed salary (EUR)	3,696,301	2,846,151
Bonus (EUR)	2,066,498	-
Granted performance shares/share options for the financial year (number)	139,571	172,014
Granted performance shares/share options for the financial year (EUR)	892,515	599,432
Exercised options in the financial year (number)	-	-
Exercised options in the financial year (EUR)	-	-
Total granted options for the period 2008 to 2012 (number)	119,687	352,613

1) The average number of members of an executive management function is four members.

2) Gorrissen Federspiel: Large Cap companies (remuneration, composition, Board of Directors and Executive Management 2012). June 2013.

3) The Group's bonus targets for 2013 were a free cash flow of EUR 500m (55 per cent weighting) and an EBIT margin before special items and before provisioning for bonus of 5 per cent (45 per cent weighting). As the targets for bonus pay-out were achieved in 2013, a bonus of EUR 2.1m was provided for the Executive Management in the fourth quarter of 2013.

4) The targets for grant of performance shares are similar to the ones for bonus pay-out.

5) Does not include severance payment, bonus, options and restricted shares to former Executives, ref. notes 6 and 32 to the consolidated accounts. Vestas annual report 2013.