Full year 2012 and outlook for 2013

Aarhus, 6 February 2013

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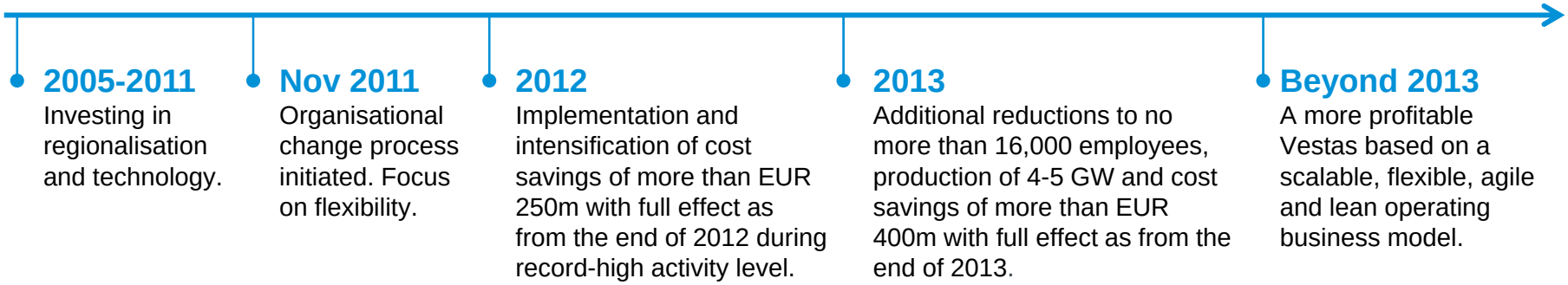
Agenda

1. Introduction	**Ditlev Engel**	**CEO**
2. Financials	**Dag Andresen**	**CFO**
3. Order intake	**Ditlev Engel**	**CEO**
4. Outlook	**Ditlev Engel**	**CEO**
5. Questions & answers	**Ditlev Engel and Dag Andresen**	

1 Introduction

Closing a challenging 2012

Transition to a more scalable, lean and agile Vestas

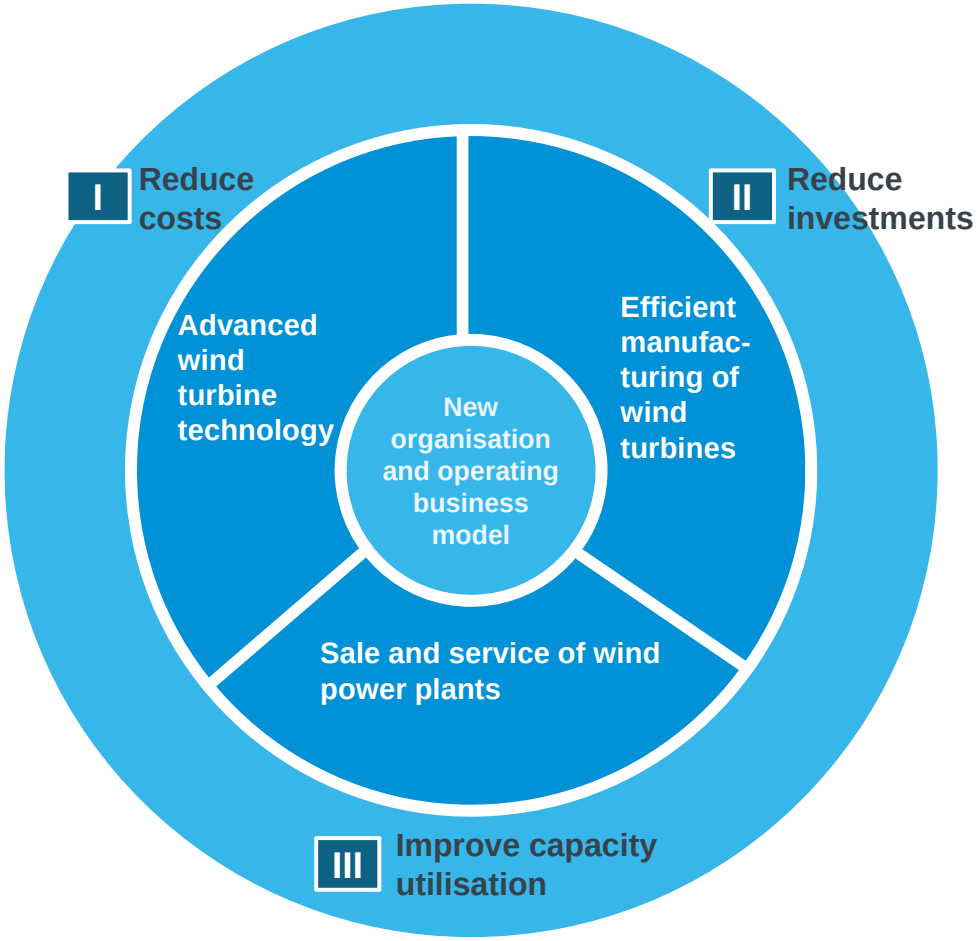


Reducing costs by more than EUR 400m with full effect as from the end of 2013.

New organisation and operating business model

Scalable, flexible, agile and lean

Vestas' operating business model



Three core focus areas

I Reduce costs through operational excellence.

II Reduce investments through asset-light solutions and simplified product roadmap.

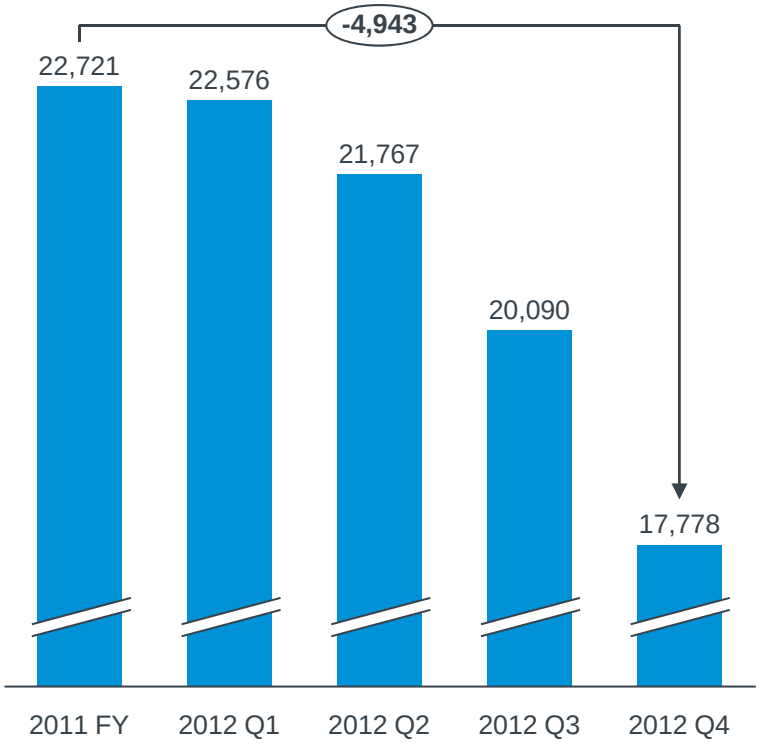
III Improve capacity utilisation through divestments and supply to third parties.

Fixed cost savings of more than EUR 250m*

Employee reductions of 22 per cent

Employees, end of period

Number of employees



Employee reductions of 4,943 during 2012.

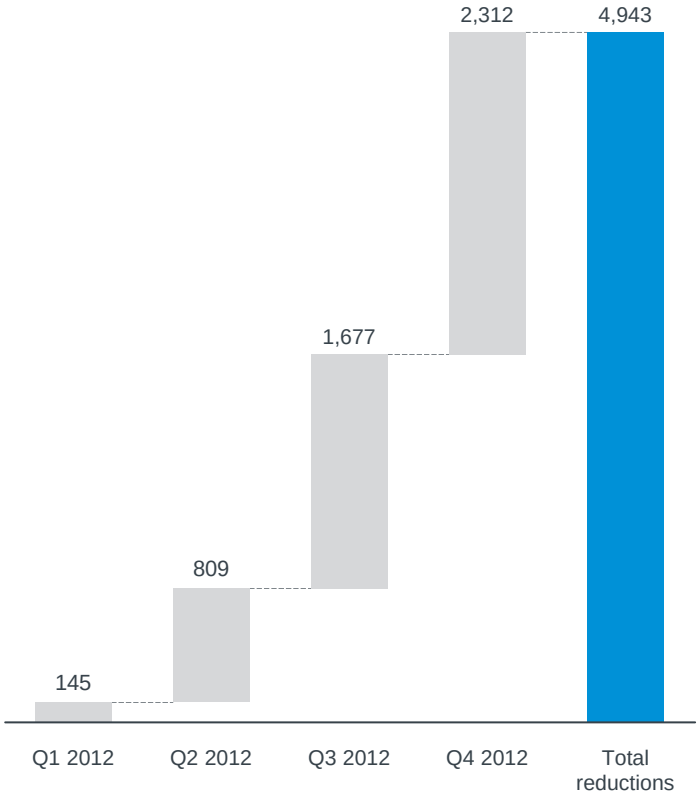
Back-end loaded reduction: 3,989 employees have left Vestas in H2.

* With full effect as from the end of 2012.

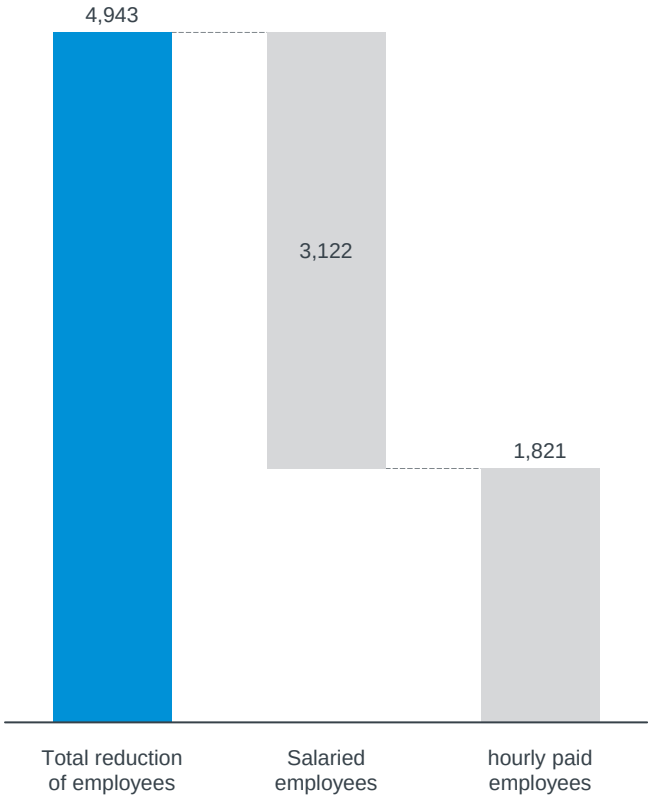
Fixed cost savings of more than EUR 250m*

Reduction of 4,943 employees - Salaried employees constituted 63 per cent

Employees reductions
Number of employees



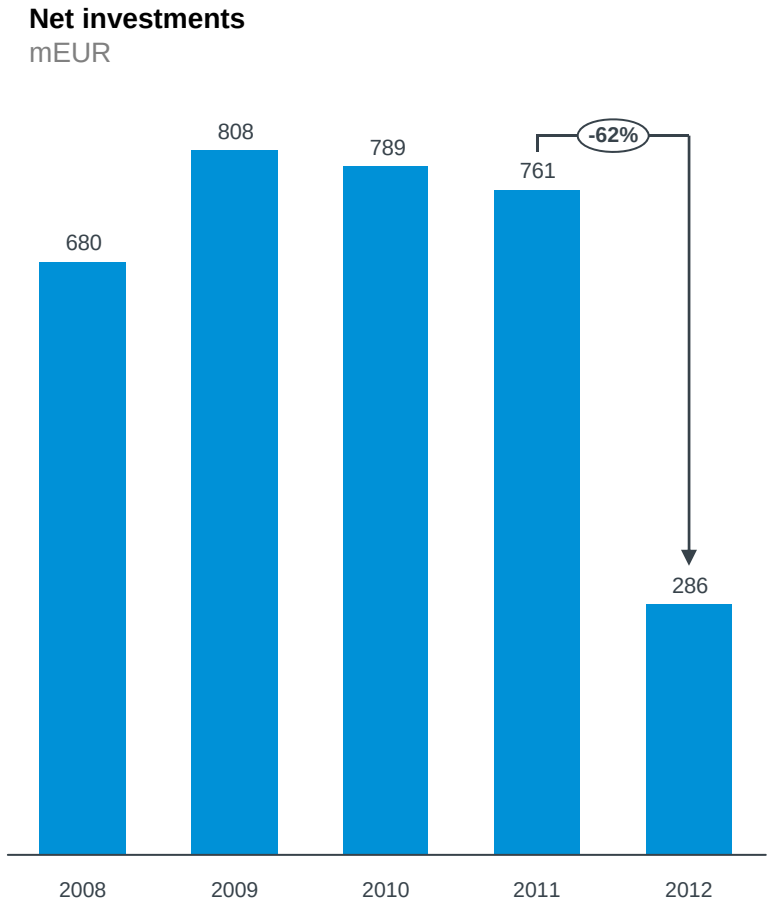
Employee reductions
Number of employees



* With full effect as from the end of 2012.

Lower capex

Net investments were lowered by 62 per cent in 2012



- Investments are declining after years of high investments in regionalisation and technology.
- Net investments are lowered to EUR 286m due to the lower activity level in 2013 and a more focused R&D.
- Key investments in 2012: Development of V164-8.0 MW and V126-3.0 MW.

Lower capex

Leveraging on our investments in existing platforms

2 MW platform	New 3 MW platform	3 MW platform
>10,000 turbines	**>1,000 turbines**	**>2,500 turbines**
V80 – V90 – V100	V112 – V126	V90 – V100

More efficient manufacturing

Examples of implemented initiatives during 2012

- ✓ **Sold** tower factory in Varde (DK).
- ✓ **Closed** factory in Hohhot (CH).
- ✓ **Consolidated** the manufacturing organisation.
- ✓ **Reduced** manufacturing workforce at nacelle assembly in Brighton, Colorado (US), tower factory in Pueblo, Colorado (US) and blade factories in Brighton and Windsor, Colorado (US).
- ✓ **Ceased production** at controls factory in Ólvega (ES).
- ✓ **Reduced** production capacity at blade factory in Daimiel (ES).
- ✓ **Merged** controls factory in Lem (DK) with controls factory in Hammel (DK), and the production of selected panels will be moved from Denmark to Tianjin (CH).
- ✓ **Supply to third party** from tower factory in Pueblo (US) and from several of Vestas' casting factories.

More efficient manufacturing

More to come in 2013

Decision on manufacturing footprint

The long-term vision remains:

- Asset-light operating business model
- More outsourcing

Opportunities have been identified.
Some manufacturing plants could be divested in 2013.

Latest example**:** Tower factory in Varde (DK) divested in 2012.

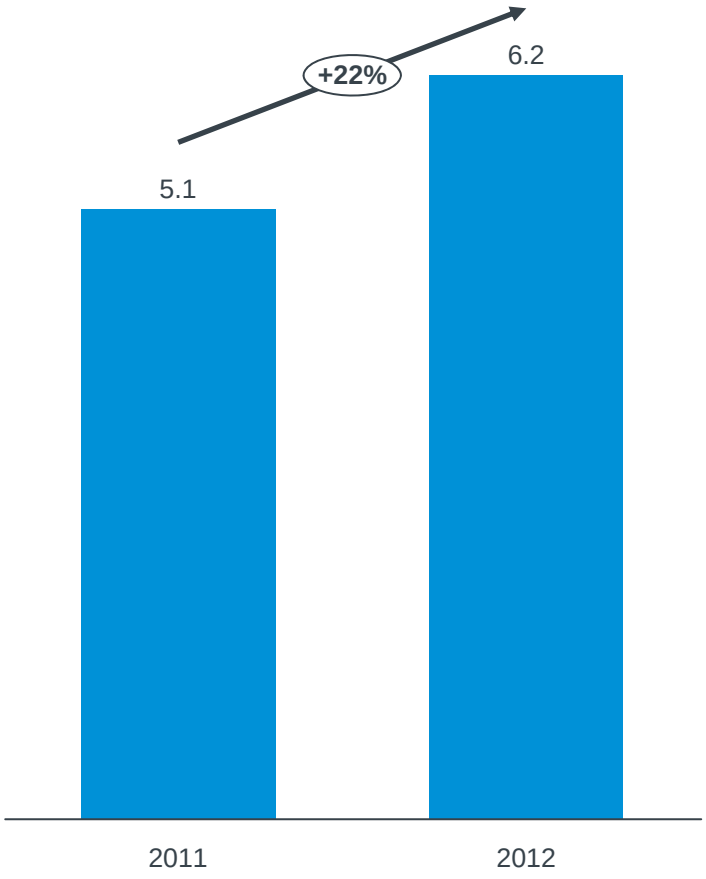
Supply to third parties to increase capacity utilisation

Short-term, Vestas will supply to third parties to increase capacity utilisation.

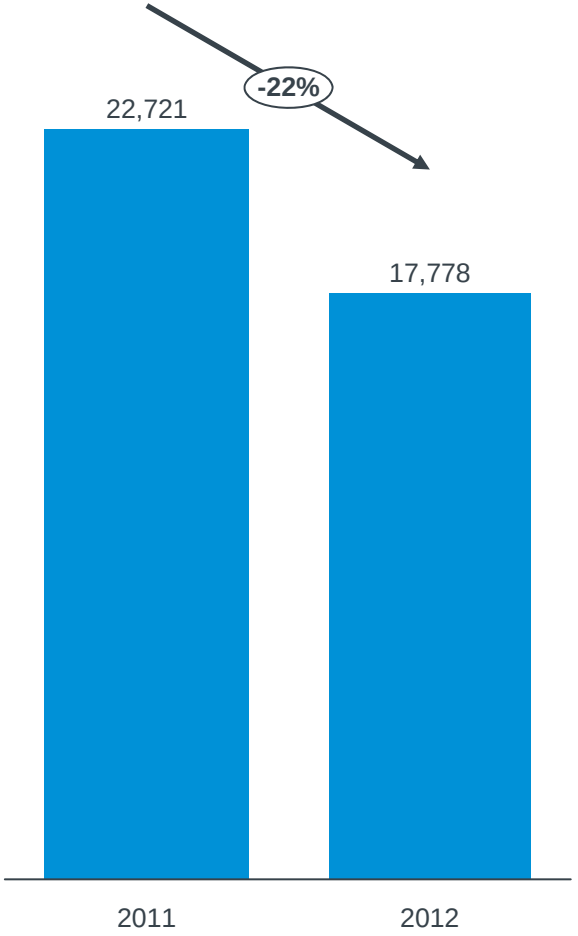
Latest examples: Supply to third party from tower factory in Pueblo (US) and from several of Vestas' casting factories.

First results
Efficiency improvements

Shipments
GW



Total employees end of period
Number of employees

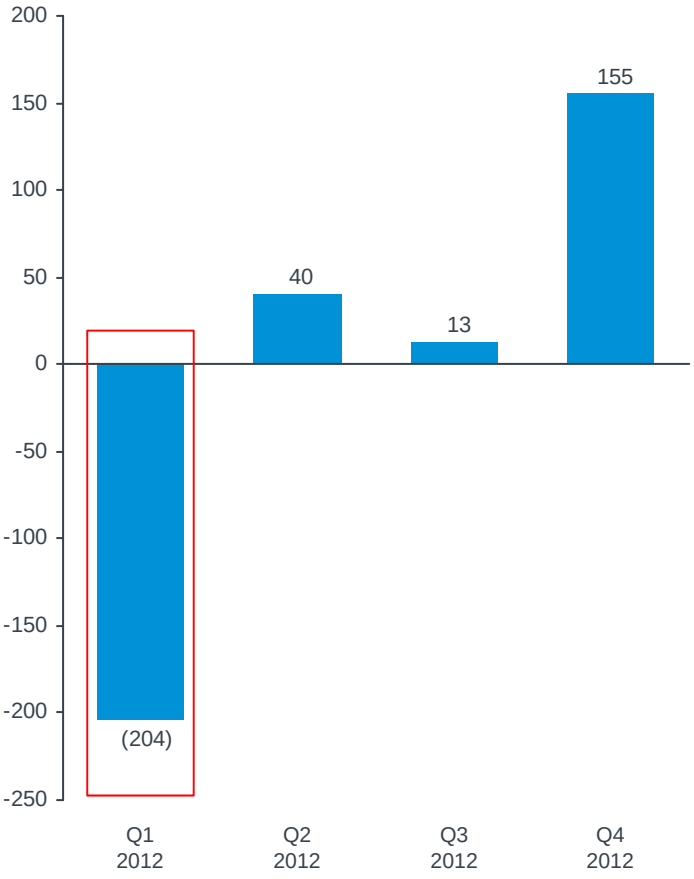


First results

After a weak Q1, cost savings and a positive FCF began to materialise in Q4

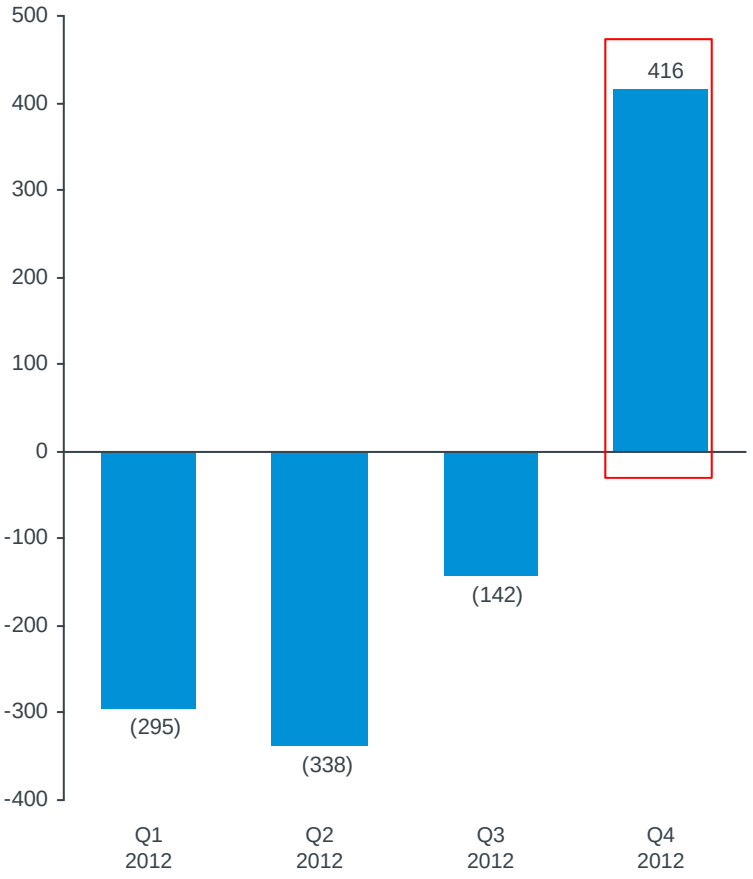
EBIT (before special items)

mEUR



Free cash flow

mEUR



Free cash flow development

Weaker order intake and reduction of payables

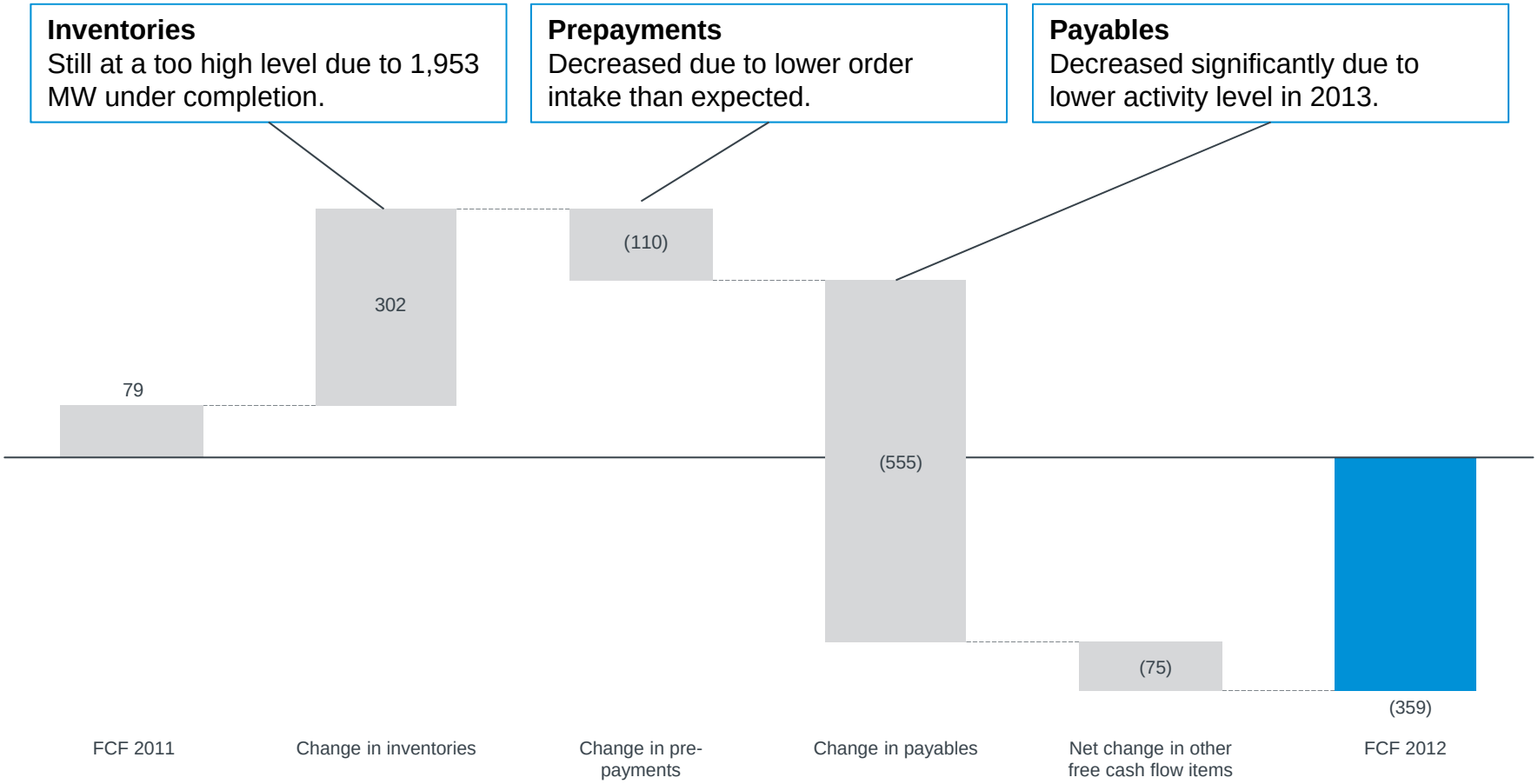
Free cash flow 2011 vs. 2012

mEUR

Inventories
Still at a too high level due to 1,953 MW under completion.

Prepayments
Decreased due to lower order intake than expected.

Payables
Decreased significantly due to lower activity level in 2013.



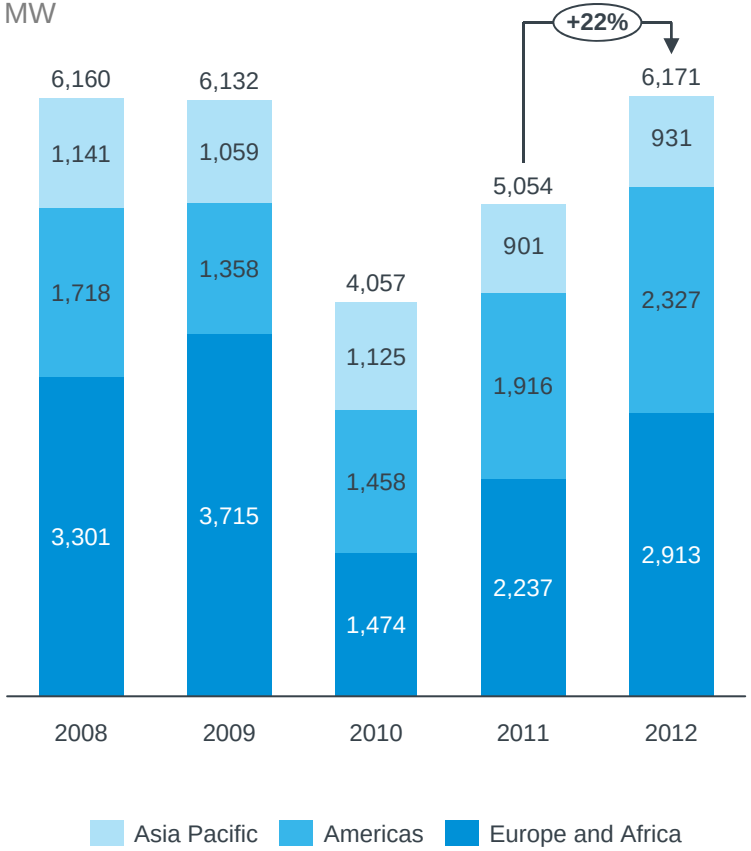
2 Financials

Activity level at factories

Shipments increased by 22 per cent

Shipments by region

MW



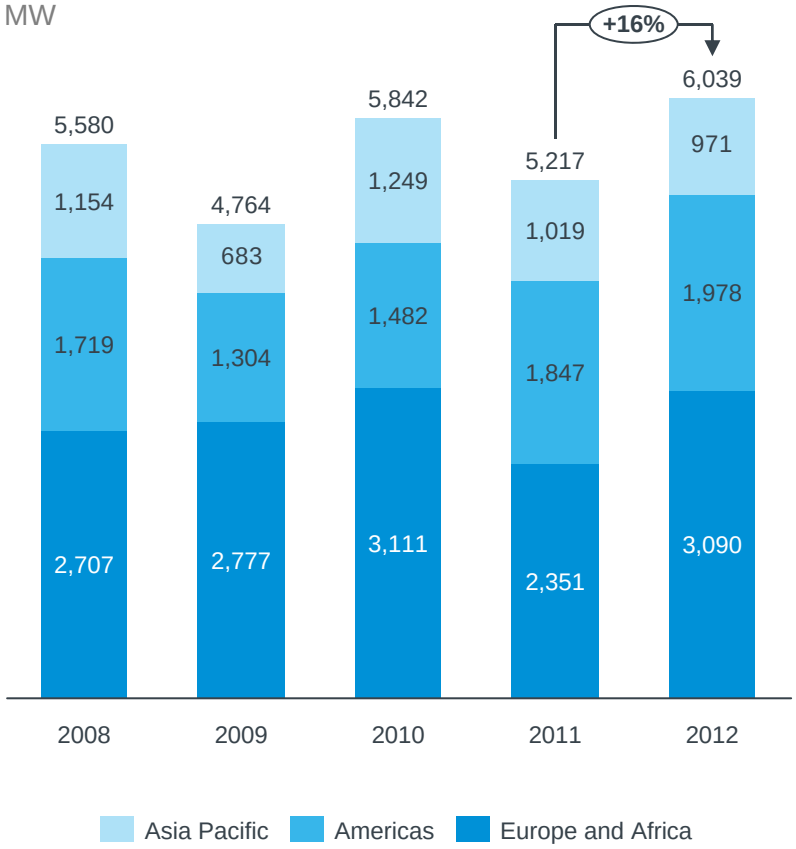
- Shipments amounted to 6.2 GW.
- The growth is primarily driven by higher shipments in the EU.

Deliveries

Deliveries are the primary revenue driver and increased by 16 per cent

Deliveries (TOR) by region

MW



- Record-high deliveries in 2012.
- The biggest contributor was the USA with deliveries of 1,313 MW in 2012.
- The growth is primarily driven by higher deliveries in Italy, Canada, Australia, Sweden, UK and Poland.

Income statement
Q4

mEUR	Q4 2012	Q4 2011	Absolute change	%-change
Revenue	2,512	2,038	474	23%
Cost of sales	(2,179)	(1,771)	(408)	23%
Gross profit	333	267	66	25%
Fixed costs*	(178)	(221)	43	(19)%
EBIT before special items	155	46	109	237%
Special items	(485)	(22)	(463)	-
EBIT after special items	(330)	24	(354)	-
Profit for the period	(618)	(76)	(542)	713%

*R&D, administration and distribution including amortisation and depreciation

Gross margin	13.3%	13.1%	0.2%-pts	-
EBITDA margin (before special items)	10.6%	7.6%	3.0%-pts	-
EBIT margin before special items	6.2%	2.3%	3.9%-pts	-

- Q4 2012 EBIT before special items was more than three times higher than Q4 2011 driven by higher volume and lower fixed costs.
- Special items primarily driven by write-downs.
- EBIT margin improved by 3.9 percentage points.

Income statement
Full year

mEUR	FY 2012	FY 2011	Absolute change	%-change
Revenue	7,216	5,836	1.380	24%
Cost of sales	(6,420)	(5,111)	(1,309)	26%
Gross profit	796	725	71	10%
Fixed costs*	(792)	(763)	(29)	4%
EBIT before special items	4	(38)	42	-
Special items	(701)	(22)	(679)	-
EBIT after special items	(697)	(60)	(637)	-
Profit for the period	(963)	(166)	(797)	480%

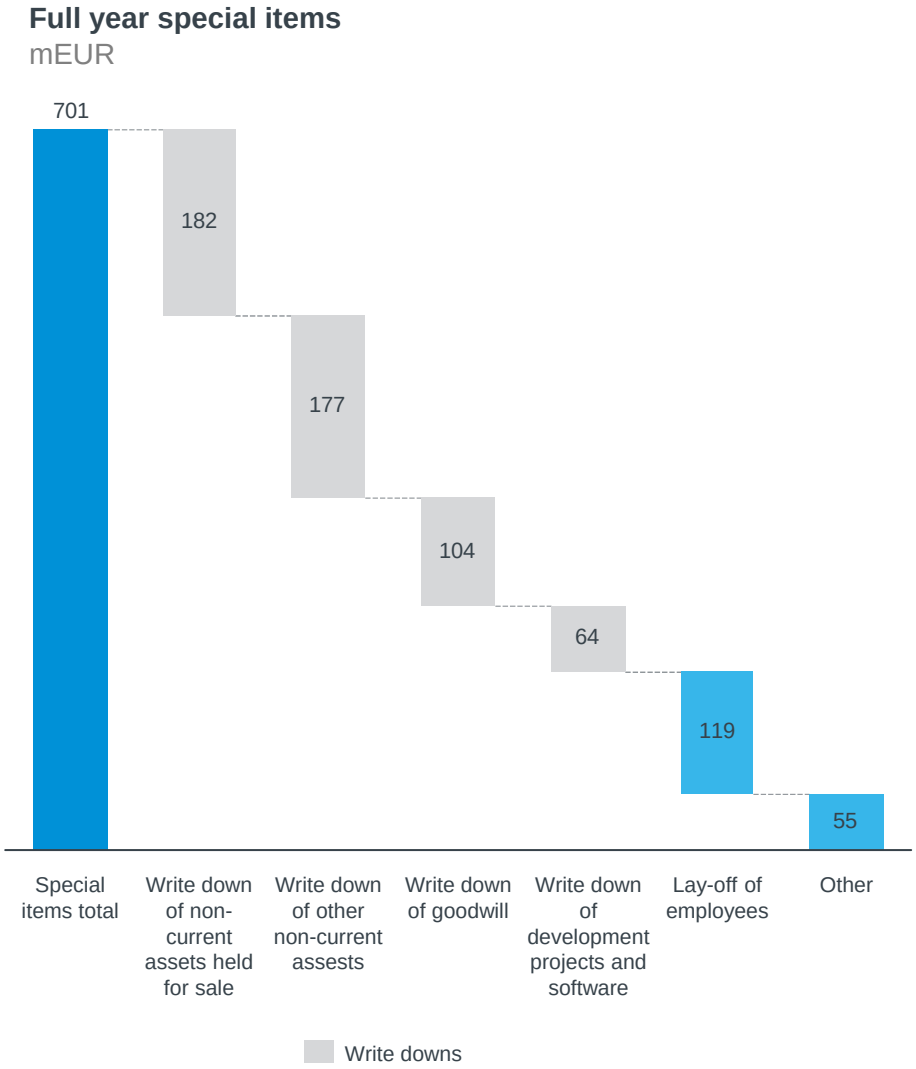
*R&D, administration and distribution, including amortisation and depreciation

Gross margin	11.0%	12.4%	(1.4)%-pts	-
EBITDA margin before special items	6.6%	5.2%	1.4%-pts	-
EBIT margin before special items	0.1%	(0.7)%	0.8%-pts	-

- Higher revenue, but lower gross profit due to higher depreciation and too high product and production costs, primarily on the V112-3.0 MW turbine and the GridStreamer™ technology.
- Special items of EUR 701m. See next slide.
- EBITDA margin increase, but gross margin decline - partly due to higher depreciation.

Special items

A total review of all non-current assets has been performed

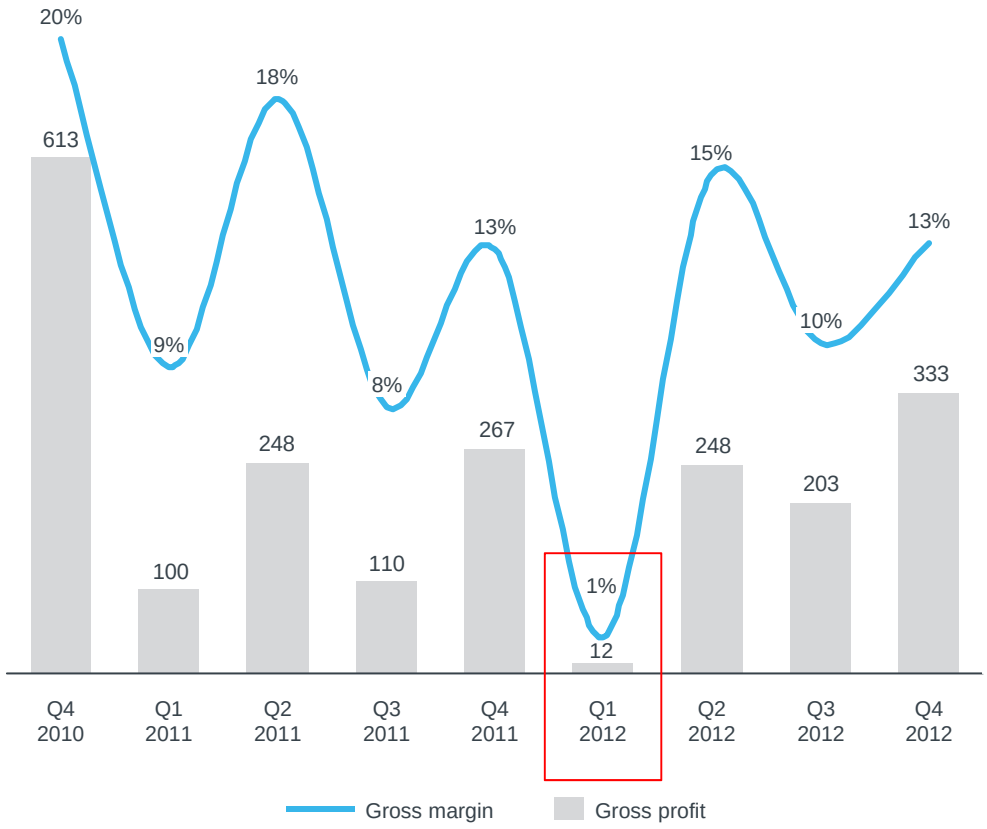


- Write-down of non-current assets of EUR 527m was recognised as special items in 2012.
- Write-downs will lower depreciation and amortisation by approx EUR 50m in 2013.
- EUR 119m in lay-off costs.

Gross margin

After a weak Q1, product cost out began to materialise in Q4

Gross profit and margin
mEUR and percentage



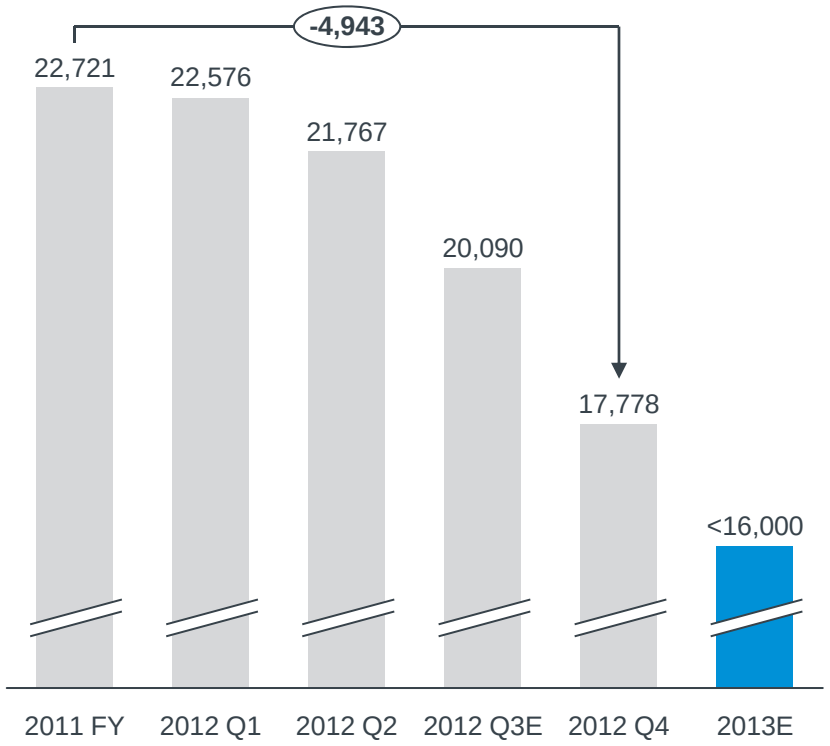
Q4 gross margin at 13.3 per cent

- Quarter-on-quarter developments in project margins may result in substantial fluctuations in earnings.
- 2012 gross margin is negatively impacted by higher depreciation and too high product and production costs, primarily on the V112-3.0 MW turbines and the GridStreamer™ technology.

Reduction of employee costs

Employee reductions in 2012 and 2013 of approx 7,000

Employees, end of period
Number of employees



Employee reductions in 2012 and 2013 of approx 7,000 will contribute to reducing costs by more than EUR 400m with full effect as from the end of 2013.

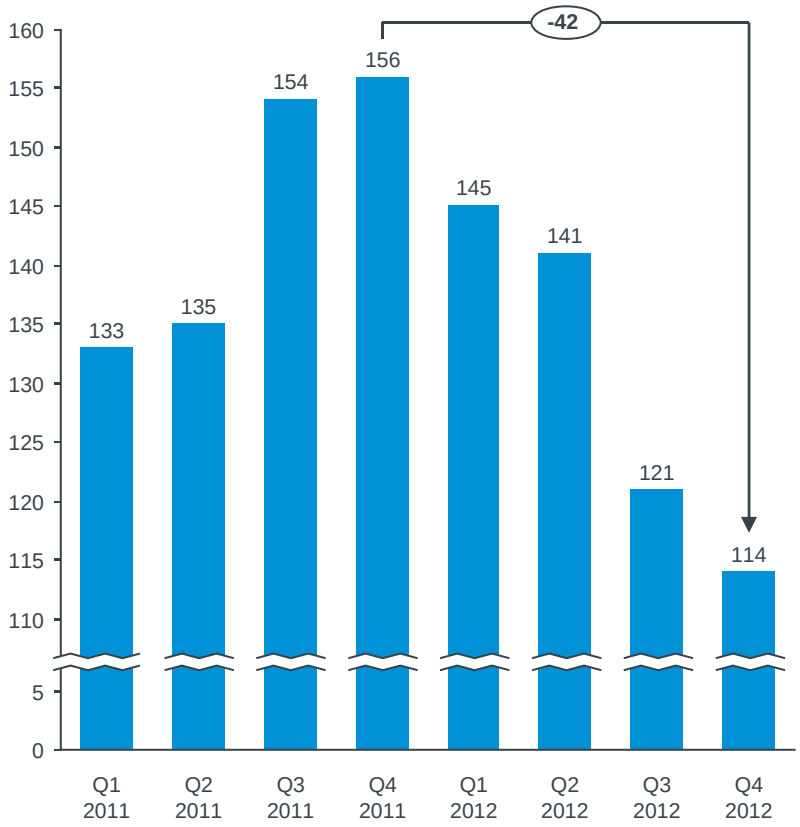
Employee reductions of at least 1,800 in 2013 through divestments, continuation of hiring freeze and lay-offs.

Fixed costs*

Fixed costs excluding depreciation and amortisation continue to trend down

Fixed costs* excl. of D&A

mEUR



*R&D, administration and distribution

Fixed costs excl. of depreciation and amortisation

Headcount reductions during 2012 is the major contributor to fixed costs savings.

Part of the more than EUR 250m of cost savings with full effect as from the end of 2012 impacts cost of sales.

EBIT development

2012 EBIT margin impacted by higher depreciation and amortisation and product costs

EBIT 2011 vs. 2012

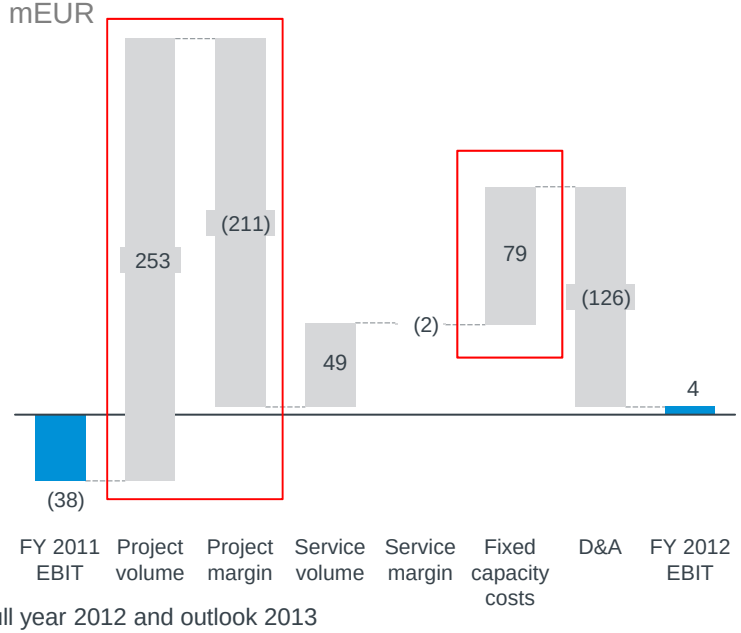
- Higher volume and improved service earnings, but lower wind turbine margins on projects delivered and higher D&A.
- Fixed capacity costs savings of EUR 79m over the year.

EBIT Q4 '11 vs. Q4 '12

- Higher volume and lower fixed capacity costs partly offset by lower margins on both wind turbines and services.
- Fixed capacity cost savings of EUR 77m against Q4 2011.
- Service margin negatively impacted by higher costs on some German service contracts.

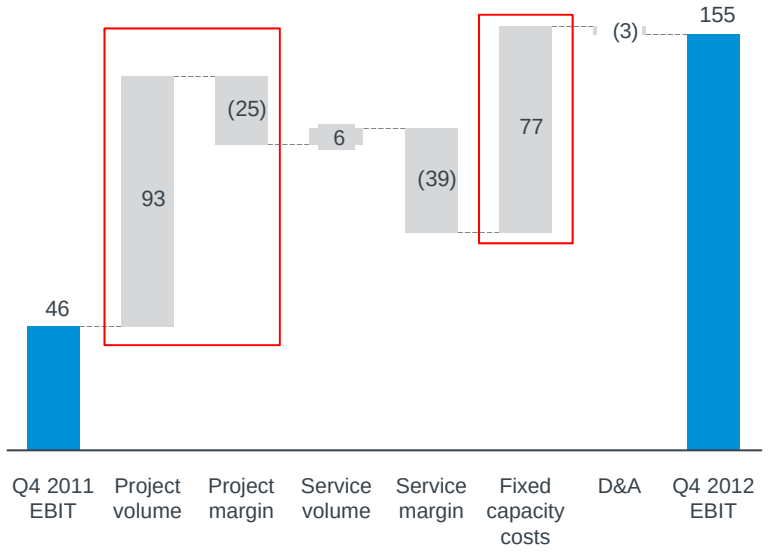
EBIT 2011 vs. 2012

mEUR



EBIT Q4 2011 vs. Q4 2012

mEUR

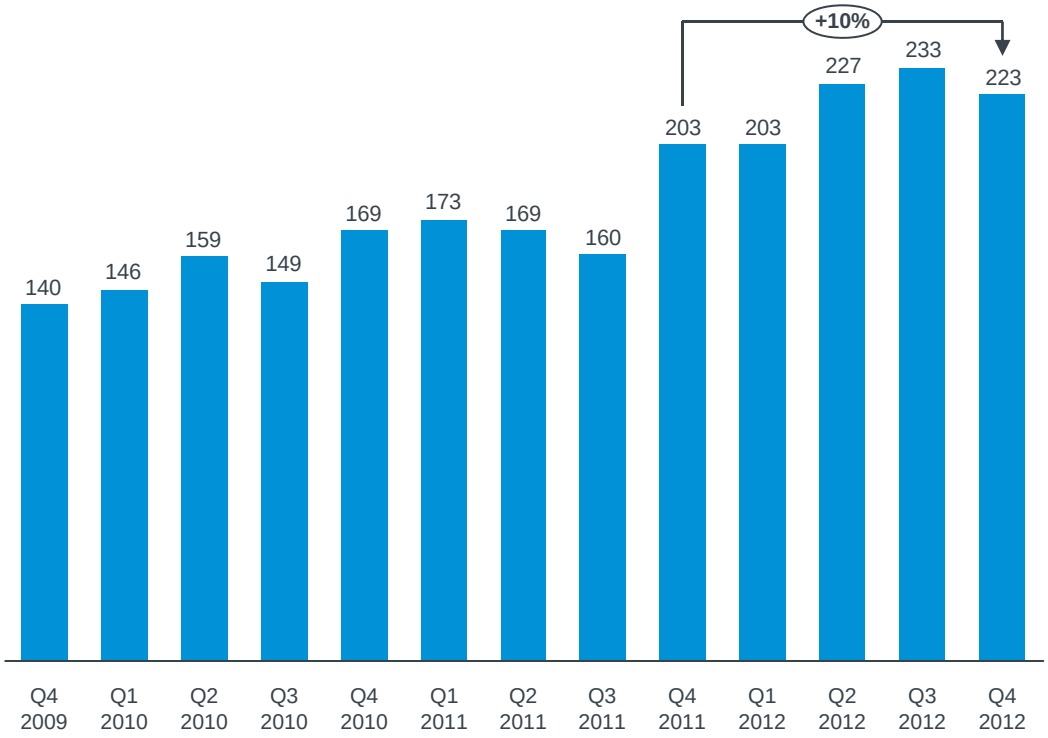


Service

Service is the fastest growing and most profitable part of Vestas

Service revenue

mEUR



- Service revenue increased by 10 per cent compared to Q4 2011.
- Full-year service growth of 26 per cent.
- 2012 EBIT before allocation of Group costs: EUR 147m. Margin: 17 per cent.
- 2012 EBIT after allocation of Group costs: EUR 81m. Margin: 9 per cent.
- Almost 5,000 employees in the service business. 2012 growth of service technicians is ~450 employees.

Balance sheet
Full year

Assets (mEUR)	FY 2012	FY 2011	Absolute Change	%-change
Intangible assets	1,016	1,243	(227)	(18)%
Property, plant and equipment	1,286	1,898	(612)	(32)%
Other non-current assets	179	381	(202)	(53)%
Non-current assets	2,481	3,522	(1,041)	(30)%
Current assets	4,360	4,167	193	5%
Non-current assets held for sale	131	0	131	-
Total assets	6,972	7,689	(717)	(9)%

Liabilities (mEUR)	FY 2012	FY 2011	Absolute change	%-change
Equity	1,622	2,576	(954)	(37%)
Non-current liabilities	1,652	1,073	579	54%
Current liabilities	3,698	4,040	(342)	(8)%
Total equity and liabilities	6,972	7,689	(717)	(9)%

Net debt	900	545	355	65%
Net working capital	233	-71	304	(428)%
Solvency ratio (%)	23.3	33.5		(10.2)%-pts

- EUR 527m write-downs of goodwill, development projects and property, plant and equipment.
- Equity decrease of EUR 954m due to low net result.
- Net debt increase of EUR 355m during 2012 primarily due to the increase in net working capital.

Change in net working capital

Net working capital increased by EUR 304m in 2012

NWC increase over the last 12 months

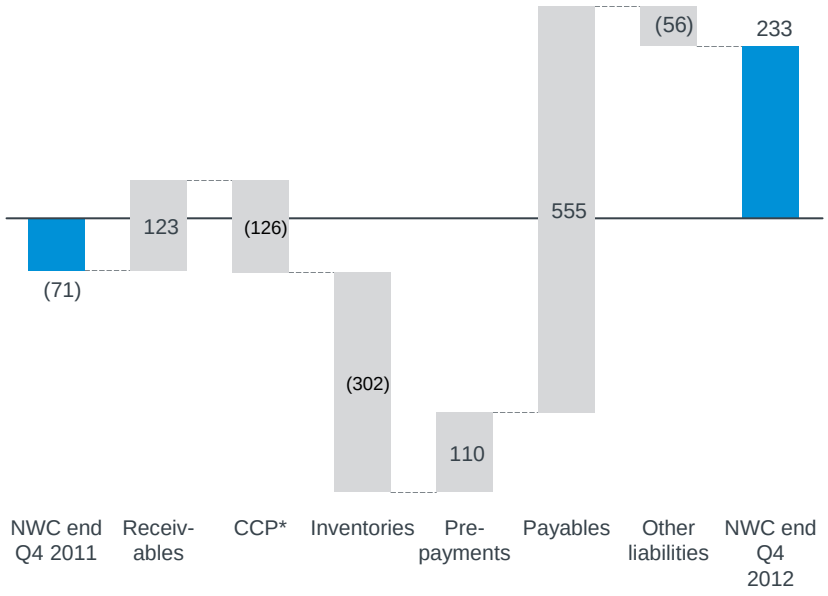
- Decrease in payables not fully balanced by decrease in inventories.
- Prepayments impacted by lower order intake.

NWC increase during Q4

- Decrease in inventories and prepayments driven by completion of projects.

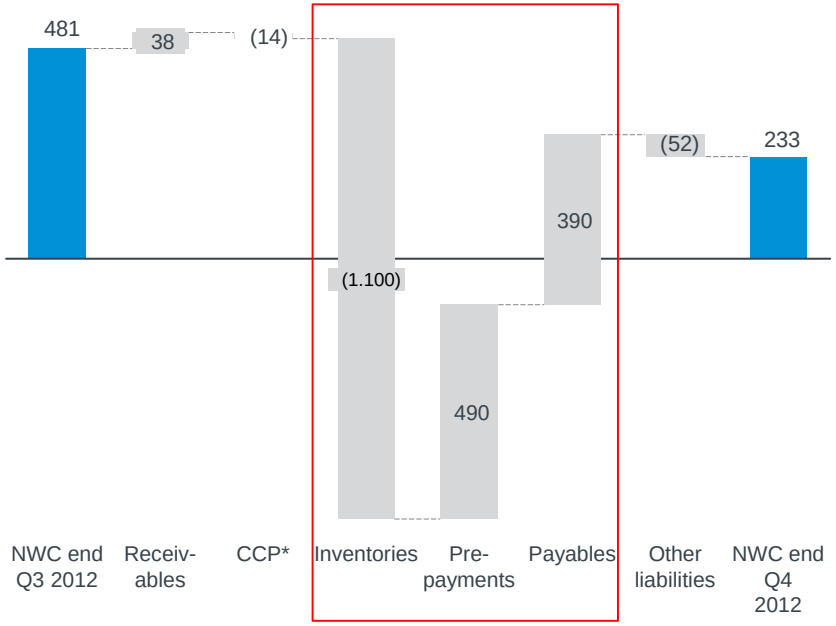
NWC change over the last 12 months

mEUR



NWC change over the last three months

mEUR



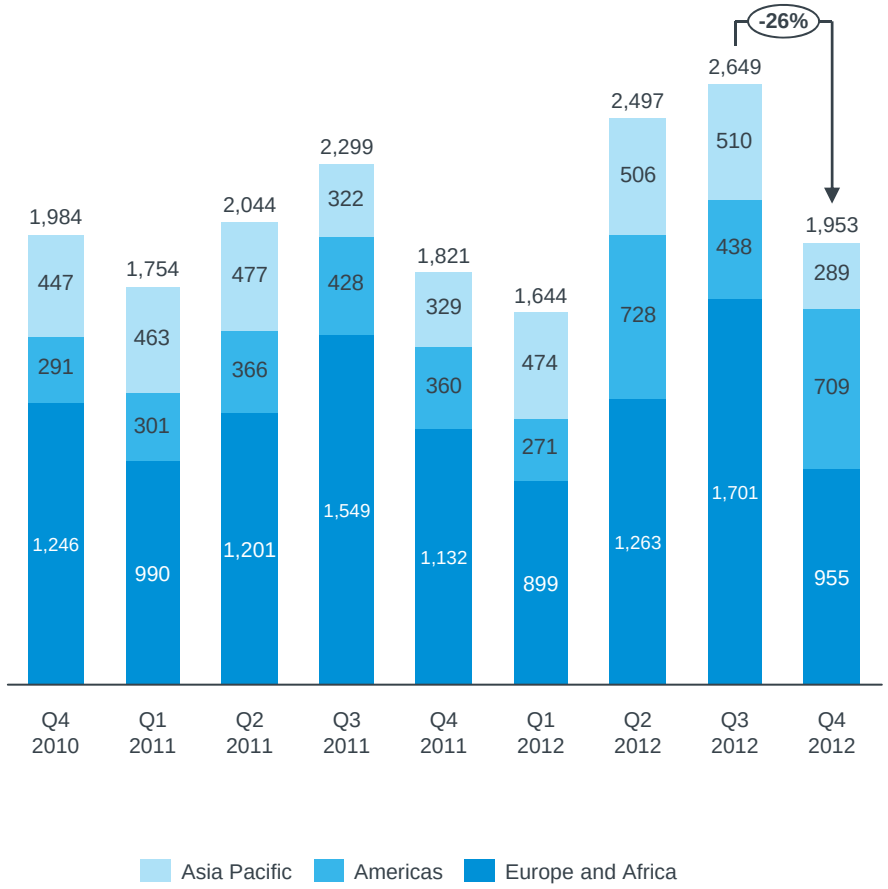
*Construction contracts in progress.

MW under completion

A significant reduction in Q4 - Further improvement potential

Under completion by region

MW



- MW under completion decreased by 26 per cent over the quarter.
- MW under completion must be further reduced in order to free up net working capital.

Warranty provisions and Lost Production Factor

Warranty consumption trends down as LPF improves

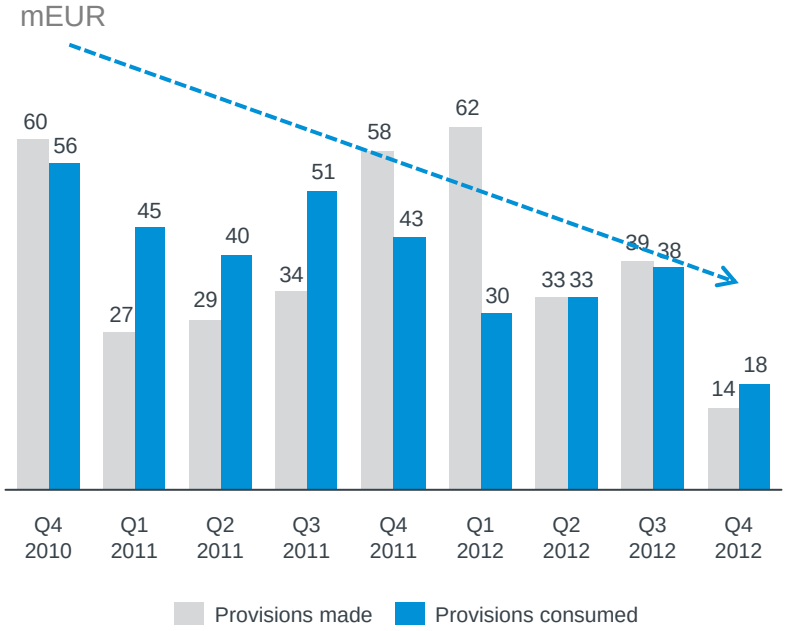
Warranty provisions and consumption

- Warranty provisions made in 2012 amounted to EUR 148m equivalent to 2011 provisions.
- Warranty consumption in 2012 amounted EUR 119m – EUR 60m lower than in 2011 and EUR 29m lower than the provisions made.

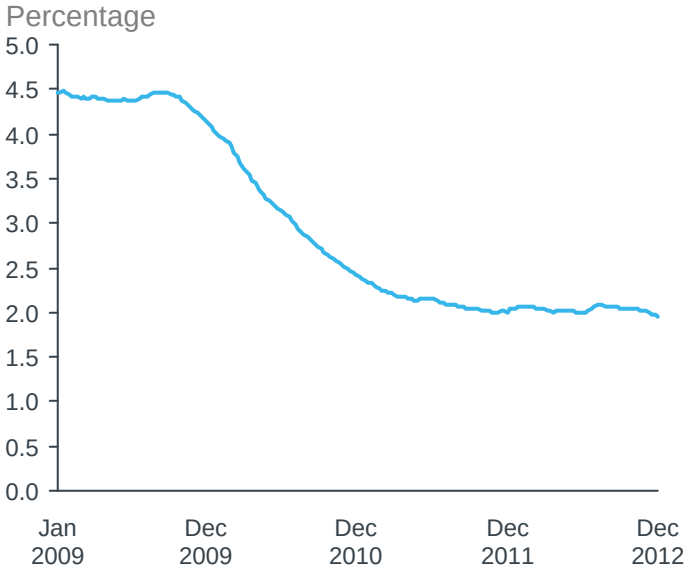
Lost production factor (LPF)

- End 2012: LPF below 2 per cent.
- LPF measures potential energy production not captured by the wind turbines.
- LPF on V112-3.0 MW wind turbines is in line with the rest of the fleet.

Warranty provisions made and consumed

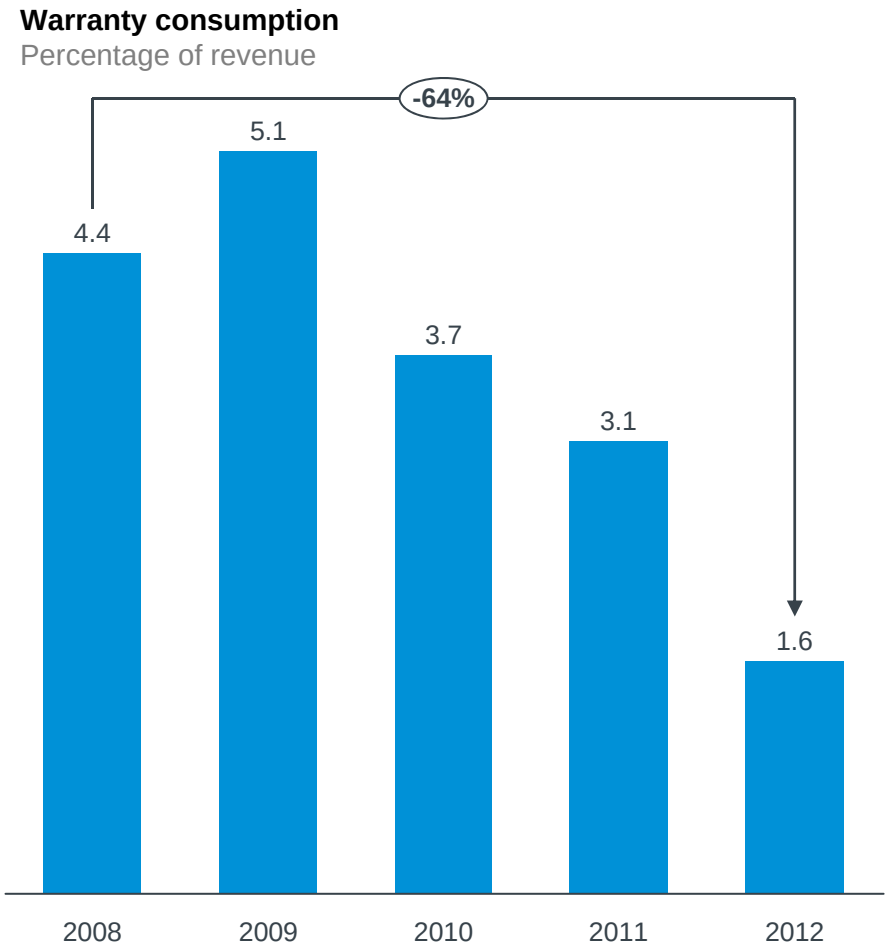


Lost production factor



Improved performance of wind turbine fleet

Warranty consumption as percentage of revenue has decreased



- Warranty consumption as percentage of revenue has decreased by 64 per cent from 4.4 per cent in 2008 to 1.6 per cent in 2012.
- This corresponds to around EUR 200m of savings. For the customer this means business case certainty.

Cash flow statement
Q4

mEUR	Q4 2012	Q4 2011	Absolute change	%-change
Cash flow from operating activities before change in working capital	247	99	148	149%
Change in working capital	248	475	(227)	(48)%
Cash flow from operating activities	495	574	(79)	(14)%
Cash flow from investing activities	(79)	(277)	198	(71)%
Free cash flow	416	297	119	40%
Cash flow from financing activities	(11)	(201)	190	(95)%
Change in cash at bank and in hand less current portion of bank debt	405	96	309	322%

- Increased cash flow from operations and lower investments were key contributors to a strong Q4 2012 free cash flow.

Cash flow statement
Full year

mEUR	FY 2012	FY 2011	Absolute change	%-change
Cash flow from operating activities before change in working capital	231	93	138	148%
Change in working capital	(304)	747	(1,051)	(141)%
Cash flow from operating activities	(73)	840	(913)	(109)%
Cash flow from investing activities	(286)	(761)	475	(62)%
Free cash flow	(359)	79	(438)	(554)%
Cash flow from financing activities	832	(13)	845	(6,500)%
Change in cash at bank and in hand less current portion of bank debt	473	66	407	(617)%

- The difference of approx EUR 1bn in change in NWC was not fully offset by better cash flow from operations and a lower investment level.

Revised bank agreement

Vestas has secured sufficient funding

Vestas' **lenders**	**Syndicated credit facility, term loans and corporate bond**
HSBC, COMMERZBANK, RBS, SOCIETE GENERALE, DNB, UniCredit, SEB, Nordea, Rabobank	• Revolving credit facility[1] – EUR 650m • Syndicated term loan[2] – EUR 250m
NIB, European Investment Bank	• EIB term loan[2] – EUR 200m • NIB term loan[2] – EUR 55m
Bourse de Luxembourg	• Corporate bonds listed at Bourse de Luxembourg[3] – EUR 600m

[1] The revolving credit facility will expire in January 2015 with an option to extend it for another two years.

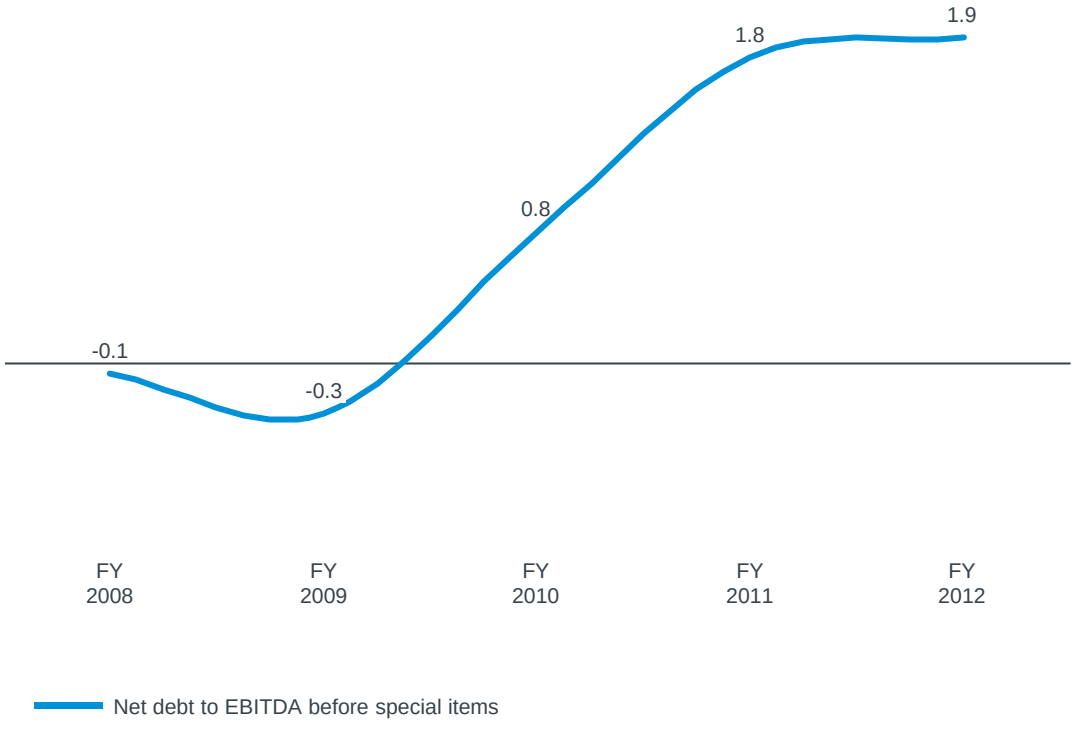
[2] The terms loans will be amortised by January 2015.

[3] The corporate bond will mature in March 2015.

Net debt to EBITDA

Net debt to EBITDA is below two

Net debt and debt coverage
mEUR and ×EBITDA



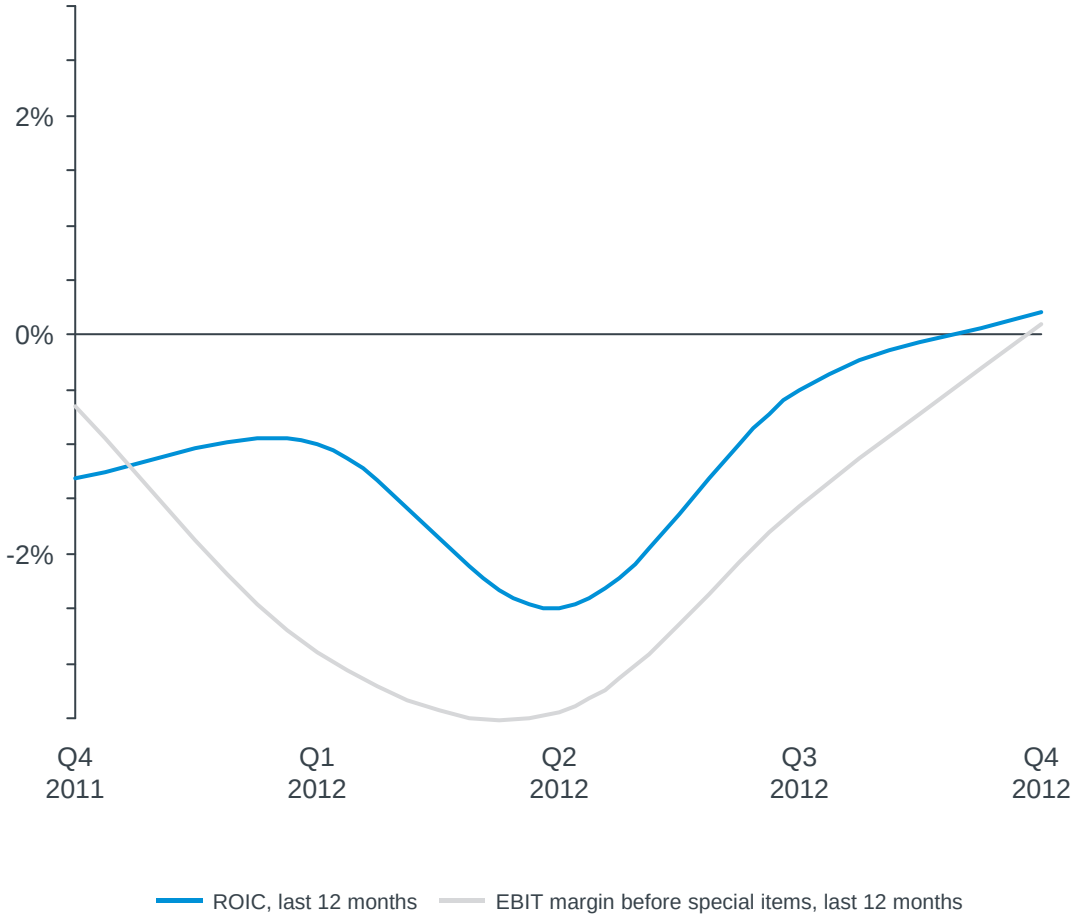
- Net debt to EBITDA rose to 1.9 in 2012 from 1.8 in 2011.
- Net debt to EBITDA is expected to decrease by end 2013.

Return on invested capital

Improved ROIC, but still at an unacceptable level

Return on invested capital* (ROIC)

Percentage



- ROIC will improve by cost reductions, potential divestments and outsourcing opportunities, lower capex, improved net working capital and growth in service business.

* Invested capital includes net working capital, PPE and intangibles.

3 Order intake

Wind turbine order intake

Slow order intake driven by weaker market development

Lower wind turbine order intake

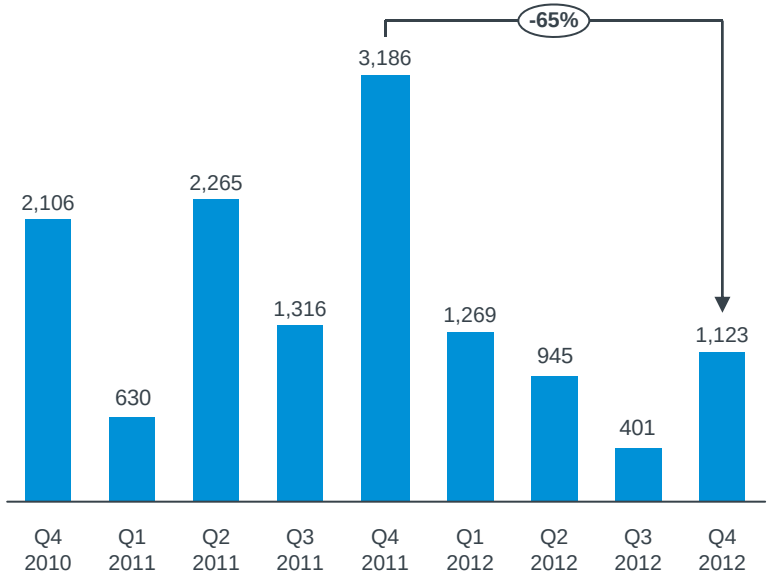
- Global wind turbine market slowdown.
- 2012 order intake was 49 per cent lower than in 2011 – primarily driven by lower order intake in the two largest markets, China and the USA.
- Strict focus on well-balanced projects with respect to profitability, payment terms and risks.

Price per MW

- Price per MW depends on a variety of factors i.e. wind turbine type, geography, scope, uniqueness of offering.
- New products are higher priced per MW, but carry higher costs than more mature products.

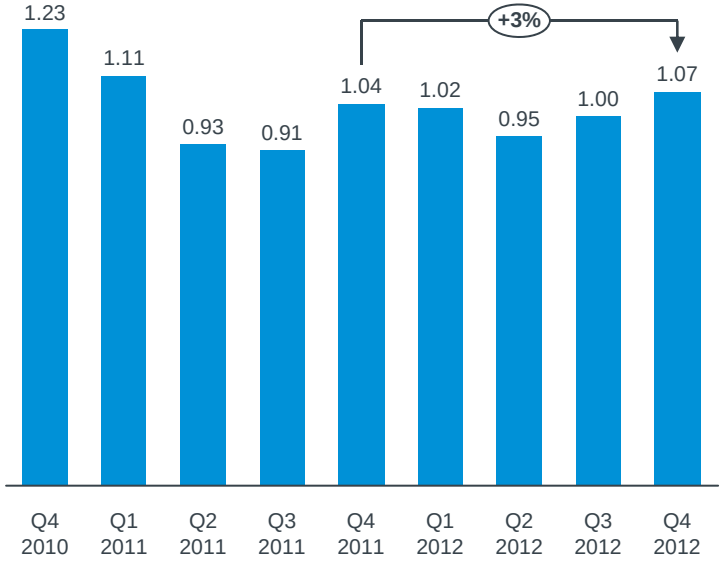
Order intake

MW



Average selling price of order intake

mEUR per MW



Order backlog

Wind turbine backlog down, but service backlog continues to increase

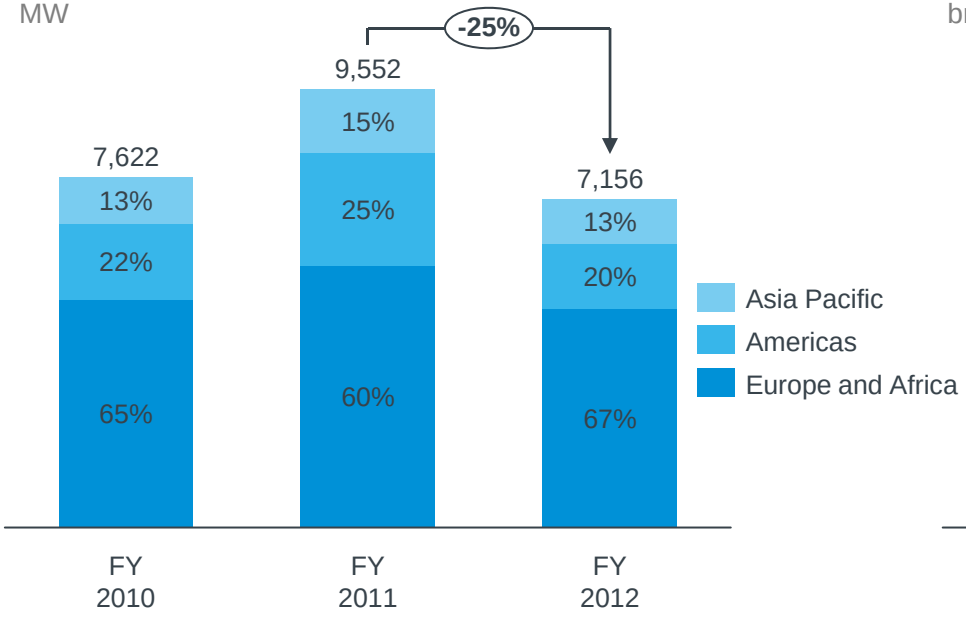
Wind turbine backlog

- Value of wind turbine order backlog equals EUR 7.1bn.
- Price per MW in order backlog is EUR 0.99m.

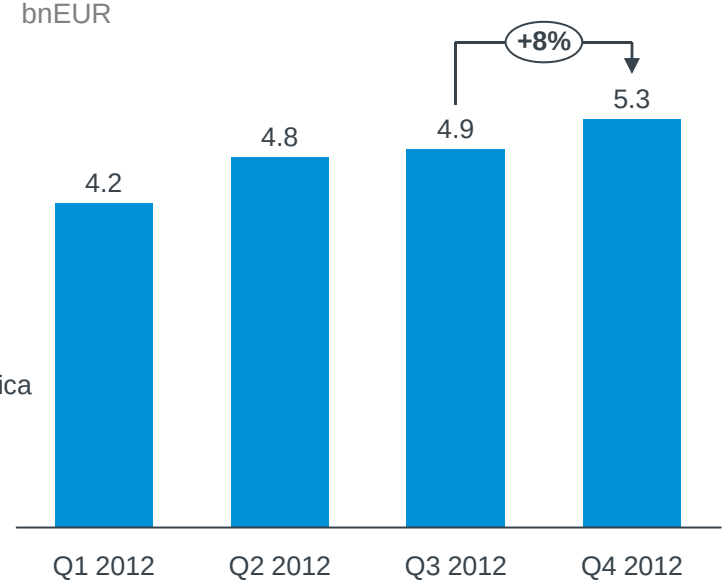
Service backlog

- The service order backlog increased by 8 per cent during Q4.
- Total service backlog amounts to EUR 5.3bn.
- Average length of contracts is approx seven years.
- Service renewal rate in 2012 was 77 per cent.

Order backlog by region

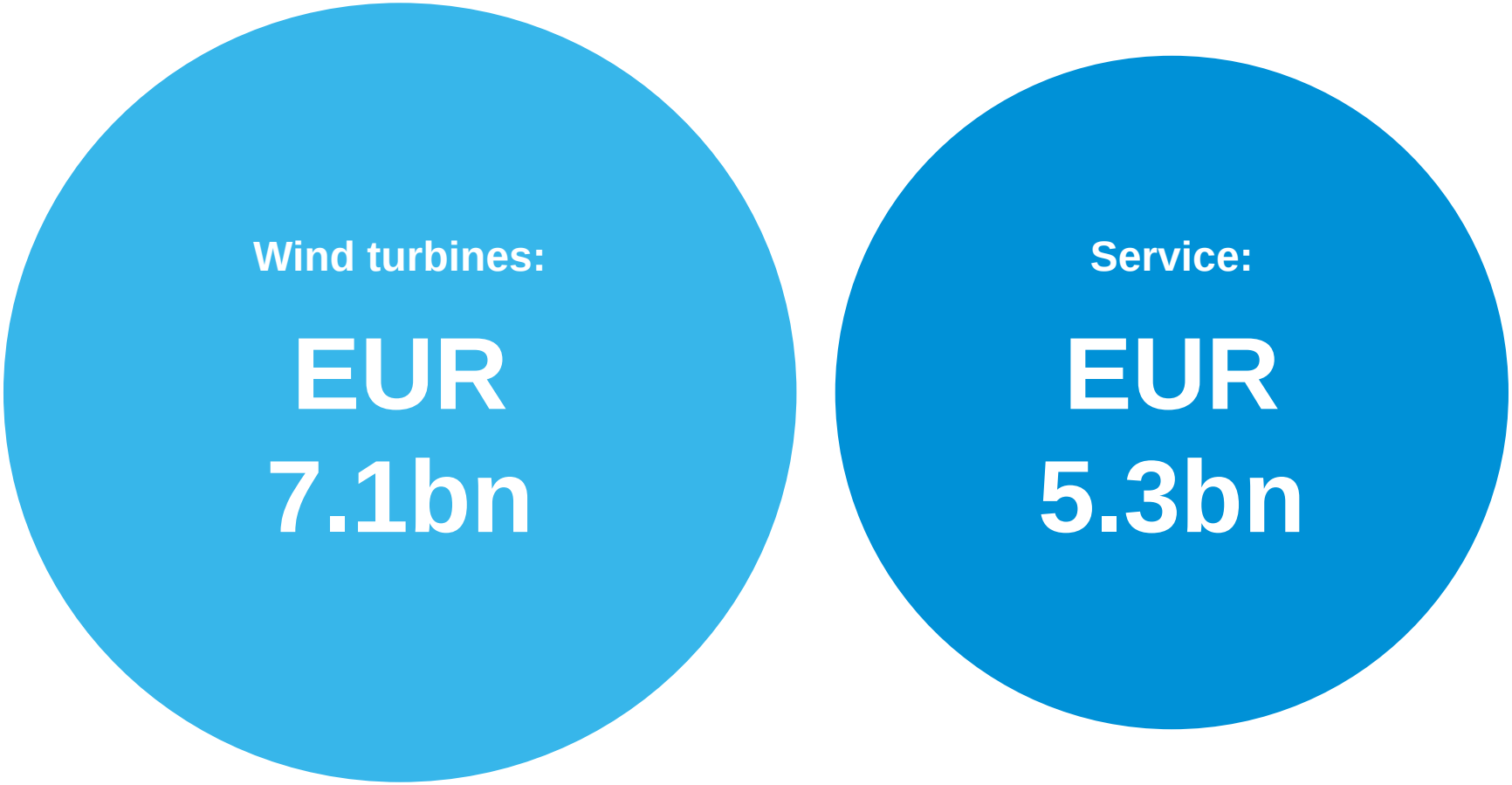


Service backlog



Backlog: Wind turbines and service

2012: Combined backlog of EUR 12.4bn

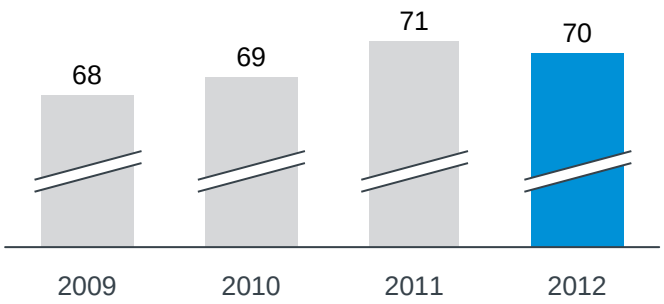


4 Outlook

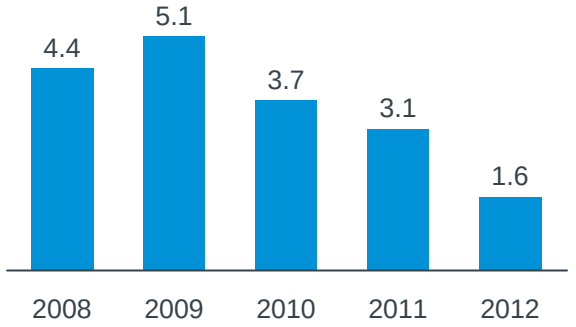
Key enablers for 2013

Solid order backlog, good customer relationships, world-class safety and low warranty consumption

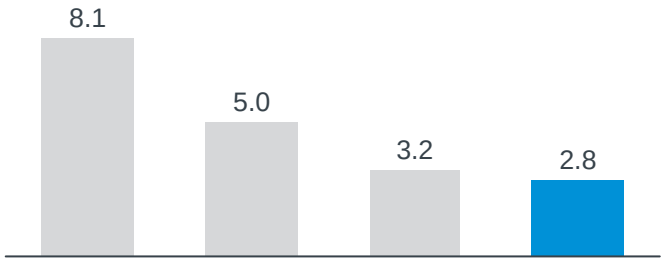
Good customer relationship
Customer Satisfaction Score



Warranty consumption
Percentage of revenue



World-class safety
Injuries per one million working hours



Solid order backlog
2012: Combined backlog of EUR 12.4bn

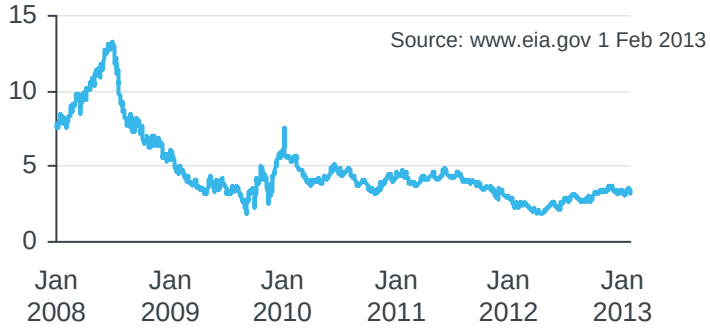
Wind energy competitiveness

Short-term barriers, but long-term drivers remain intact

The market conditions are tough…

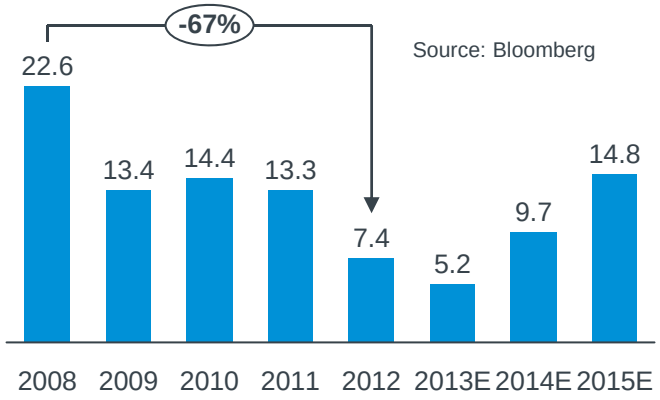
Natural gas prices

Henry Hub Spot Price, $/MMBTU

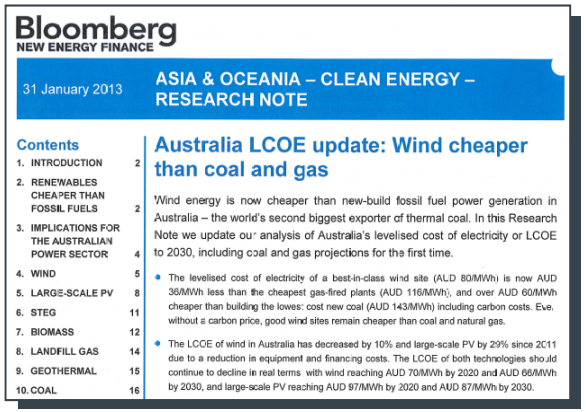


European carbon prices

EUA Model Price (EUR/tCO2e)



… but wind is getting more competitive



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Contents

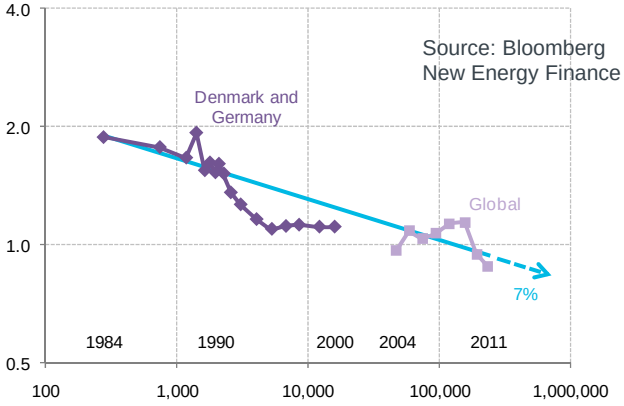
Australia LCOE update: Wind cheaper than coal and gas

Wind energy is now cheaper than new-build fossil fuel power generation in Australia – the world's second biggest exporter of thermal coal. In this Research Note we update our analysis of Australia's levelised cost of electricity or LCOE to 2030, including coal and gas projections for the first time.

- The levelised cost of electricity of a best-in-class wind site (AUD 80/MWh) is now AUD 36/MWh less than the cheapest gas-fired plants (AUD 116/MWh), and over AUD 60/MWh cheaper than building the lowest cost new coal (AUD 143/MWh) including carbon costs. Even without a carbon price, good wind sites remain cheaper than coal and natural gas.
- The LCOE of wind in Australia has decreased by 10% and large-scale PV by 29% since 2011 due to a reduction in equipment and financing costs. The LCOE of both technologies should continue to decline in real terms with wind reaching AUD 70/MWh by 2020 and AUD 66/MWh by 2030, and large-scale PV reaching AUD 97/MWh by 2020 and AUD 87/MWh by 2030.

Onshore wind cost of energy

EUR/MWH



Outlook 2013

Positive free cash flow and EBIT margin before special items: minimum 1 per cent

	Outlook
Shipments (GW)	4-5
Revenue (bnEUR)	Min. 5.5
- of which service revenue (bnEUR)	~1
EBIT margin before special items (%)	Min. 1
EBIT margin, service before allocation of Group costs (%)	~17
Free cash flow (mEUR)	Min. 0

- The development of the V164-8.0 MW turbine continues according to Vestas' plans with installation of the first prototype still expected to take place in the second quarter of 2014. Vestas will also continue to upgrade the new 3 MW platform and the 2 MW platform.
- There are no plans to invest in new production facilities, and thus investments in property, plant and equipment are expected to be around EUR 150m.
- Vestas expects to further reduce the number of employees during 2013 and the year-end number of employees is expected to be no more than 16,000.
- As usual Vestas expects to see huge fluctuations in activity levels between the quarters.

Bonus targets for Vestas employees

Global bonus targets: Free cash flow and EBIT

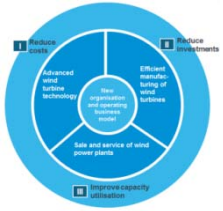
	Low bonus targets	High bonus targets	Weight
EBIT before special items (%)*	**3.7**	**5.0**	**45%**
Free cash flow (mEUR)	**220**	**500**	**55%**

- No global bonus pay-out in 2010, 2011 and 2012.

- No global bonus will be paid out for 2013 if the low targets are not met.

Prepared for a tough 2013

Unfolding the new operating business model's potential



Three core focus areas	Achievements in 2012	Objectives for 2013
I Reduce costs through operational excellence.	• Employee reductions of almost 5,000. • Reduction of fixed cost of more than EUR 250m with full effect as from the end of 2012.	• Maximum 16,000 employees. • Significantly increasing cost out impact from 2012.
II Low investment level through asset-light solutions and simplified product roadmap.	• 62 per cent lower investment than in 2011. • Leveraging on our investments in existing platforms.	• No new factories. • Continue to build on existing platforms.
III Improve capacity utilisation through divestments and supply to third parties.	• Sold, closed and merged factories. • Started to supply to third parties.	• Divestment of some factories. • Increased outsourcing.

5 Questions & answers