

Company announcement from Vestas Wind Systems A/S

Aarhus, 9 February 2016
Company announcement No. 3/2016
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Annual report 2015 - Yet another year with strong financial and operational results

Summary: For full-year 2015, revenue amounted to EUR 8.4bn, EBIT margin before special items was 10.2 percent, total net investments was EUR 425m, and the free cash flow amounted to EUR 1,047m. This is largely in line with the latest expectations to revenue of EUR 8.0bn-8.5bn, EBIT margin before special items of 9-10 percent, total investments of approx EUR 400m, and free cash flow around EUR 750m-950m. The activity level and earnings of the period were driven by the stable execution of strong order books for wind turbines and service, both of which continued to grow during the year as a result of solid execution and a favourable market environment.

The wind turbine order intake increased from 6,544 MW in 2014 to 8,943 MW in 2015 and the value of the service order backlog increased by EUR 1.9bn to EUR 8.9bn.

For 2016, Vestas expects revenue to amount to minimum EUR 9bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 11 percent with the service EBIT margin remaining stable.

Total net investments are expected to amount to approx EUR 500m (incl. the acquisition of Availon Holding GmbH), and the free cash flow is expected to be minimum EUR 600m (incl. the acquisition of Availon Holding GmbH) in 2016.

As a result of the strong performance during the year, the Board of Directors recommends to the Annual General Meeting that a dividend of DKK 6.82 per share, compared to DKK 3.90 last year, and equivalent to 29.9 percent of the net profit for the year, be distributed to the shareholders.

"In 2015, we executed well on our profitable growth strategy, delivering strong financial and operational results across the board and across the globe. Vestas met or exceeded its full-year 2015 guidance on revenue, EBIT margin, and free cash flow; and delivered double-digit margins and its highest ever net profit. We also secured our highest ever order intake, doing so across 34 countries on five continents, which bodes well for continued high activity levels in 2016. The 20,507 Vestas employees deserve special thanks for the tremendous efforts everyone has made to create these very positive results for the company and our shareholders," says Anders Runevad, Group President & CEO.

Information meeting (audiocast)

On Tuesday, 9 February 2016 at 10 a.m. CET (9 a.m. GMT), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com/investor.

The meeting will be held in English and questions may be asked through a conference call. The telephone numbers for the conference call are:

Europe: +44 203 008 9814
USA: +1 646 722 4898
Denmark: +45 3544 5576

Further details at vestas.com/en/investor.

Presentation material for the information meeting will be available approx one hour before the meeting at vestas.com/en/investor.

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Financial figures, Q4 2015 vs. Q4 2014

mEUR

	Q4 2015	Q4 2014	Change
Revenue	3,035	2,473	22.7%
- of which service revenue	311	260	19.6%
Gross profit	575	416	38.2%
Gross margin (%)	18.9	16.8	2.1 pp
Profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	501	344	45.6%
EBITDA margin (%) before special items	16.5	13.9	2.6 pp
Operating profit (EBIT) before special items	404	252	60.3%
EBIT margin (%) before special items	13.3	10.2	3.1 pp
Profit before tax	298	194	53.6%
Total net investments	204	98	106
Net working capital	(1,383)	(957)	(426)
Free cash flow	560	781	(28.3)%

Vestas generated revenue of EUR 3,035m – an increase of 23 percent

- As expected, the fourth quarter was characterised by very high levels of activity, and with revenues of EUR 3,035m, the quarter proved to be one of the largest ever in terms of revenue in the history of Vestas. The high activity level was a result of higher delivery volumes driven by the strong order intake observed in recent years and it was further supplemented by high activity levels in the service business.

Gross profit amounted to EUR 575m – an increase of EUR 159m

- The increase in gross profit was mainly driven by improved average project margins and the increased volumes. The service business contributed positively as well, whereas a write-down of inventory related to development and construction activities in prior years provided a headwind of EUR 50m in the quarter.

EBIT margin before special items amounted to 13.3 percent – an increase of 3.1 percentage points

- The increased EBIT margin in the quarter was driven by the increased gross profit combined with the leverage effect from R&D, distribution, and administration costs increasing less than the overall activity level.

Total net investments amounted to EUR 204m – an increase of EUR 106m

- Net investments in the quarter were EUR 204m. The increase was amongst other things driven by the approx EUR 55m acquisition of the American independent service provider UpWind Solutions, Inc.

Vestas reported a free cash flow of EUR 560m – a decrease of 28 percent

- The decrease in the free cash flow was mainly driven by lower cash flow from operating activities as well as higher investment activities.

Financial figures, 2015 vs. 2014

mEUR

	2015	2014	Change
Revenue	8,423	6,910	21.9%
- of which service revenue	1,138	964	18.0%
Gross profit	1,505	1,178	27.8%
Gross margin (%)	17.9	17.0	0.9 pp
Profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	1,212	929	30.5%
EBITDA margin (%) before special items	14.4	13.4	1.0 pp
Operating profit (EBIT) before special items	860	559	53.8%
EBIT margin (%) before special items	10.2	8.1	2.1 pp
Profit before tax	925	523	402
Total net investments	425	285	140
Net working capital	(1,383)	(957)	(426)
Free cash flow	1,047	841	24.5%

Vestas generated revenue of EUR 8.4bn – an increase of 22 percent

- Revenue for the full year was realised within the higher end of the guidance interval of EUR 8.0bn-8.5bn, mainly driven by higher volume and stable execution throughout the year but in particular in the fourth quarter. Revenue was also supported by positive currency developments with an effect of approx EUR 500m, primarily driven by the EUR/USD development.

Gross profit amounted to EUR 1,505m – an increase of 28 percent

- The gross profit increase was mainly driven by the increased volumes, better average project margins, and growth in the service business.

EBIT margin before special items amounted to 10.2 percent – an increase of 2.1 percentage points

- The increased EBIT margin before special items was driven by the improved gross profit and leverage effects from R&D, distribution, and administration costs increasing less than the overall activity level.

Total net investments amounted to EUR 425m – an increase of EUR 140m

- Total net investments were largely in line with guidance of EUR 400m and EUR 140m higher than in 2014. The increase was mainly driven by investments in property, plant and equipment and by the EUR 55m acquisition of the American independent service provider UpWind Solutions, Inc.

Vestas reported a free cash flow of EUR 1,047m – an increase of EUR 206m

- Free cash flow increased by EUR 206m to EUR 1,047m, which slightly exceeded the upgraded guidance. As a result of the positive free cash flow, Vestas' net cash position increased by EUR 859m during 2015 and Vestas ended 2015 with a net cash position of EUR 2,270m.

Non-financial figures, 2015 vs. 2014

	2015	2014	Change
Operational figures			
Order intake (bnEUR)	8.2	5.8	41%
Order intake (MW)	8,943	6,544	37%
Order backlog – wind turbines (MW)	8,732	7,513	16%
Order backlog – wind turbines (bnEUR)	7.9	6.7	18%
Order backlog – service (bnEUR)	8.9	7.0	27%
Produced and shipped – wind turbines (MW)	7,948	6,125	30%
Produced and shipped – wind turbines (number)	3,330	2,527	32%
Deliveries (MW)	7,486	6,252	20%
Social and environmental figures			
Number of employees at the end of the period	20,507	17,598	17%
Global bonus (mEUR)	101	82	23%
Incidence of total recordable injuries per one million working hours	8.7	11.8	(26)%
Renewable energy (%)	55	56	(1) pp

The incidence of total recordable injuries per one million working hours was 8.7 – a reduction of 26 percent

- This was well below the target of a maximum of 10.1 in 2015. In 2016, the target is no more than 8.0 incidents of total recordable injuries per one million working hours.

The number of employees was 20,507 – an increase of 17 percent

- The increase in the number of employees was a result of the increased activity levels in the Group. The increase was predominantly linked to hiring of hourly-paid employees.

EUR 101m was set aside for bonus to the employees in 2015 – an increase of EUR 19m

- As the targets for bonus payout were achieved in 2015, a global bonus will be paid to all employees in 2016.

Outlook 2016

	Outlook 2016
Revenue (bnEUR)	min.9
EBIT margin (%) before special items	min. 11
Total investments (mEUR) ^{*)}	approx 500
Free cash flow (mEUR) ^{*)}	min. 600

*) incl. the acquisition of Availon Holding GmbH

Outlook 2016

Revenue is expected to be minimum EUR 9bn including service revenue, which is expected to grow. Vestas expects to achieve an EBIT margin before special items of minimum 11 percent with the service EBIT margin remaining stable.

Total investments are expected to amount to approx EUR 500m (incl. the acquisition of Availon Holding GmbH), and the free cash flow is expected to be minimum EUR 600m (incl. the acquisition of Availon Holding GmbH) in 2016.

It should be emphasised that Vestas' accounting policies only allow the recognition of supply-only and supply-and-installation projects as income when the risk has finally passed to the customer, irrespective of whether Vestas has already produced, shipped, and installed the wind turbines. Disruptions in production and challenges in relation to wind turbine installation, for example bad weather, lack of grid connections, and similar matters may thus cause delays that could affect Vestas' financial results for 2016. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2016.

Annual General Meeting 2016

The Annual General Meeting of Vestas Wind Systems A/S will be held on 30 March 2016 at 1 p.m. (CET) at the Concert Hall (Musikhuset) in Aarhus, Denmark.

The convening for the Annual General Meeting will be disclosed on 26 February 2016.

Highlights for the Group



mEUR	2015	2014	2013	2012	2011
HIGHLIGHTS					
INCOME STATEMENT					
Revenue	8,423	6,910	6,084	7,216	5,836
Gross profit	1,505	1,178	896	796	725
Profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	1,212	929	610	473	305
Operating profit/(loss) (EBIT) before special items	860	559	211	4	(38)
Profit before financial income and costs, depreciation and amortisation (EBITDA) after special items	1,258	977	530	299	305
Operating profit/(loss) (EBIT) after special items	906	607	102	(697)	(60)
Net financial items	(15)	(53)	(138)	(14)	(93)
Profit/(loss) before tax	925	523	(36)	(713)	(153)
Profit/(loss) for the year	685	392	(82)	(963)	(166)
BALANCE SHEET					
Balance sheet total	8,587	6,997	5,640	6,972	7,689
Equity	2,899	2,379	1,524	1,622	2,576
Provisions	458	390	388	353	329
Average interest-bearing position (net)	1,721	494	(862)	(1,189)	(990)
Net working capital	(1,383)	(957)	(596)	233	(71)
Investments in property, plant and equipment	220	163	73	167	406
CASH FLOW STATEMENT					
Cash flow from operating activities	1,472	1,126	1,248	(73)	840
Cash flow from investing activities	(425)	(285)	(239)	(286)	(761)
Free cash flow	1,047	841	1,009	(359)	79
Cash flow from financing activities	(360)	389	(1,150)	832	(13)
Change in cash at bank and in hand less current portion of bank debt	687	1,230	(141)	473	66
RATIOS¹⁾					
FINANCIAL RATIOS					
Gross margin (%)	17.9	17.0	14.7	11.0	12.4
EBITDA margin (%) before special items	14.4	13.4	10.0	6.6	5.2
EBIT margin (%) before special items	10.2	8.1	3.5	0.1	(0.7)
EBITDA margin (%) after special items	14.9	14.1	8.7	4.1	5.2
EBIT margin (%) after special items	10.8	8.8	1.7	(9.7)	(1.0)
Return on invested capital (ROIC) (%) before special items ²⁾	117.2	35.3	7.7	0.2	(1.3)
Solvency ratio (%)	33.8	34.0	27.0	23.3	33.5
Net interest-bearing debt/EBITDA before special items	(1.9)	(1.5)	(0.1)	1.9	1.8
Return on equity (%)	26.2	20.1	(5.2)	(45.9)	(6.2)
Gearing (%)	17.1	25.5	39.9	108.0	35.7
SHARE RATIOS					
Earnings per share (EUR)	3.1	1.8	(0.4)	(4.8)	(0.8)
Book value per share (EUR)	12.9	10.6	7.5	8.0	12.6
Price / book value (EUR)	5.0	2.9	2.9	0.5	0.7
P / E ratio	21.2	17.2	neg.	neg.	neg.
Cash flow from operating activities per share (EUR)	6.6	5.0	6.1	(0.4)	4.1
Dividend per share (EUR)	0.91 ³⁾	0.52	0.0	0.0	0.0
Payout ratio (%)	29.9 ³⁾	29.9	0.0	0.0	0.0
Share price 31 December (EUR)	64.8	30.4	21.5	4.3	8.3
Average number of shares	224,074,513	221,674,711	203,704,103	203,704,103	203,704,103
Number of shares at the end of the year	224,074,513	224,074,513	203,704,103	203,704,103	203,704,103

1) The ratios have been calculated in accordance with the guidelines from "Den Danske Finansanalytikerforening" (The Danish Society of Financial Analysts) (Recommendations and Financial ratios 2015), ref. note 7.4 to the consolidated financial statements.

2) Adjustment for tax based on expected future effective tax rate of 26 percent.

3) Based on proposed dividend.

	2015	2014	2013	2012	2011
OPERATIONAL KEY FIGURES					
Order intake (bnEUR)	8.2	5.8	5.8	3.8	7.3
Order intake (MW)	8,943	6,544	5,964	3,738	7,397
Order backlog – wind turbines (bnEUR)	7.9	6.7	6.8	7.1	9.6
Order backlog – service (bnEUR)	8.9	7.0	6.7	5.3	3.9
Produced and shipped wind turbines (MW)	7,948	6,125	4,513	6,171	5,054
Produced and shipped wind turbines (number)	3,330	2,527	2,025	2,765	2,571
Deliveries (MW)	7,486	6,252	4,862	6,039	5,217
SOCIAL AND ENVIRONMENTAL KEY FIGURES¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Total recordable injuries (number) ²⁾	335	384	307	417	480
– of which lost time injuries (number)	56	53	66	110	132
– of which fatal injuries (number)	1	0	1	0	1
CONSUMPTION OF RESOURCES					
Consumption of energy (GWh)	516	501	586	630	586
– of which renewable energy (GWh)	283	278	325	327	223
– of which renewable electricity (GWh)	257	255	309	310	208
Consumption of fresh water (1,000 m ³)	427	366	512	581	562
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	67	51	71	87	89
– of which collected for recycling (1,000 tonnes)	33	27	42	44	48
EMISSIONS					
Emission of direct CO ₂ (1,000 tonnes)	49	50	56	59	58
Emission of indirect CO ₂ (1,000 tonnes)	25	29	44	59	90
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	3	1	1	3
EMPLOYEES²⁾					
Average number of employees	18,986	16,325	16,598	20,284	21,503
Number of employees at the end of the period	20,507	17,598	15,192	17,238	22,084
– of which outside Europe, Middle East, and Africa	9,121	7,441	5,790	6,596	8,518
SOCIAL AND ENVIRONMENTAL INDICATORS¹⁾					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of total recordable injuries per one million working hours	8.7	11.8	9.8	10.7	11.8
Incidence of lost time injuries per one million working hours	1.5	1.6	2.1	2.8	3.2
Absence due to illness among hourly-paid employees (%)	1.9	2.3	2.5	2.4	2.3
Absence due to illness among salaried employees (%)	1.1	1.3	1.2	1.1	1.3
PRODUCTS					
CO ₂ savings over the life time on the MW produced and shipped (million tonnes of CO ₂)	224	173	125	163	133
UTILISATION OF RESOURCES					
Renewable energy (%)	55	56	56	52	38
Renewable electricity for own activities (%)	100	100	100	89	68
EMPLOYEES					
Women in Board of Directors ³⁾ and Executive Management (%)	23	23	15	8	0
Women at management level (%) ⁴⁾	18	18	17	17	18
Non-Danes at management level (%) ⁴⁾	57	54	53	56	53

1) Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129.

2) In 2015, the accounting principles regarding counting of injuries and employees have been changed. Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129. Comparison figures have been updated.

3) Only Board members elected by the general meeting are included.

4) Employees at management level comprise employees at level IPE54+ according to Mercer's International Position Evaluation System.

Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer-created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2015 (available at www.vestas.com/en/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.