

Remuneration report

“ This remuneration report sets out how we have implemented the Remuneration policy and General guidelines for incentive pay approved by the shareholders in 2016. The policy and guidelines aim to secure that the interests of the top management are aligned with the company’s short- and long-term targets which are set to create value for both Vestas and the shareholders.”

Bert Nordberg

Chairman of the Nomination & Compensation Committee

Remuneration aligned to strategy

The Board of Directors of Vestas Wind Systems A/S (the Board) believes in aligning the remuneration policy to the strategic goals and priorities for the company.

The remuneration policy enables Vestas to sustain a talented, agile, and cost-effective organisation continuing the leadership in sustainable energy. The compensation elements described in the Remuneration policy is supporting Vestas in reaching the two strategic mid-term objectives:

- Global leader in wind power plant solutions
- Global leader in wind service solutions

The Remuneration policy describes the different elements included in the remuneration for the Board and the Executive Management. The purpose of the combined remuneration is to ensure motivation and performance management towards the strategic focus areas on both an annual basis (through short-term incentive) and a long-term attention towards value creation for shareholders while ensuring retention and long-term commitment.

The Remuneration policy and the General guidelines for incentive pay are available at the corporate website.

Remuneration linked to the results

The main group of members of the Board was elected in 2011-2013 – and the Executive Management was appointed in 2012-2013. Since then, Vestas has been guided in a clear direction, through a turnaround, and has executed on the Profitable Growth strategy, which the figures for the period shows.

+ 67%

Revenue is one of the four elements in Vestas’ guidance for the year. From 2013 to 2018 revenue increased from EUR 6bn to EUR 10bn – equal to 67 percent.

+ EUR 857m

Another guidance element is operating profit (EBIT) before special items. Since 2013, EBIT has increased from EUR 102m to EUR 959m – an EBIT increase of EUR 857m.

- 59%

Through dedicated efforts of Vestas employees and supervised contractors, Vestas has reduced the rate of total recordable injuries by 59 percent from 2013-2018.

100%

In the last six years Vestas has kept the renewable electricity for own activities at 100 percent.

6 share buy-backs

Since 2013, Vestas has completed six share buy-back programmes – bought back 26,043,094 Vestas shares (DKK 12.2bn) – and cancelled 18,378,510 Vestas shares – and will propose the cancellation of additional 6,794,040 shares at the Annual General Meeting in 2019.

EUR 866m

From 2013-2018, Vestas has in total, paid out EUR 866m in dividend – and are proposing for the fifth time in a row a dividend pay-out at the coming annual general meeting.

With the right composition of the Board, the right members of the Executive Management, and a committed group of employees, Vestas will continue to perform for the benefit of the shareholders but also for the benefit of the environment.

It is therefore very important for the Board to continuously evaluate the composition of its members and of Executive Management to make sure that Vestas has the right composition in its management to lead Vestas into the next decade.

In order to attract and retain a talented management it is important that an attractive compensation is granted while safeguarding the company’s interests through long-term targets, which is in the interest of the shareholders.

Remuneration of the Board

The Board assess the fees paid to the Board annually, according to the recommendations of the Nomination and Compensation Committee. Efforts are made to ensure that the remuneration of the Board matches

the level in comparable companies, whilst also taking into consideration board members' required competencies, efforts, and the scope of the board work, including the number of meetings.

Board members elected by the employees receive the same remuneration as the Board members elected by the general meeting. On any takeover event, retiring Board members will not receive any compensation for their lost board remuneration and similar benefits.

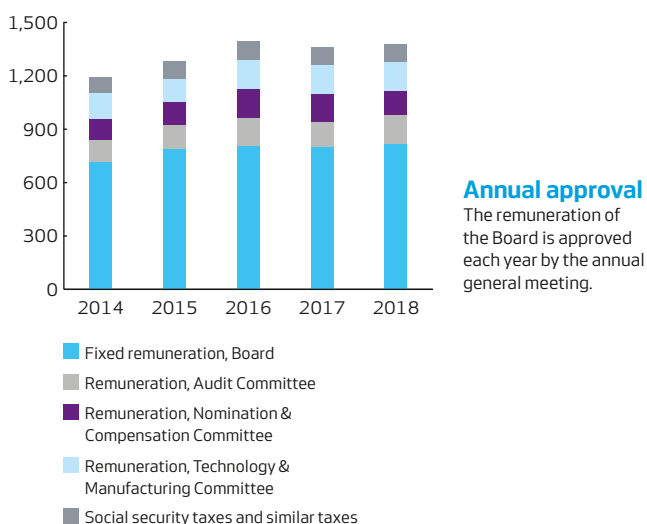
The remuneration of the board members for the past year and the level for the current year is approved by the shareholders at the annual general meeting as two separate items.

The remuneration of the Board consists of five elements: fixed remuneration, committee remuneration, remuneration of ad hoc tasks, social security taxes and similar taxes, and reimbursement of expenses. The Board is not included in incentive programmes or covered by any Vestas pension scheme or a defined benefit pension scheme.

Each element of the remuneration of the Board and detailed information about the remuneration in 2018 is described in the Remuneration report 2018 – Board of Directors, see page 041.

Remuneration of the Board of Directors

tEUR



Annual approval
The remuneration of the Board is approved each year by the annual general meeting.

Remuneration of the Executive Management

The Board 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 paid partly through variable performance-based elements to motivate performance aligned with short and long-term business targets, and to enable flexible remuneration costs. Furthermore, the variable remuneration is a motivation for management to promote sound business decisions to meet the company's targets and support the strategy.

All members of Executive Management are employed under executive service contracts, and the Board sets the terms within the frames of the contracts.

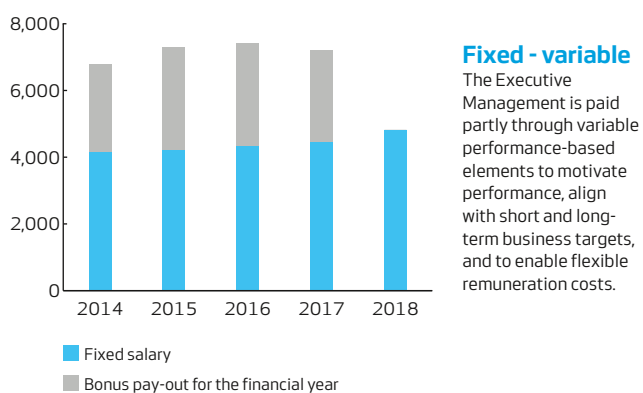
The Nomination & Compensation Committee submits proposals concerning the remuneration of the Executive Management and ensures that the remuneration is in line with the conditions in comparable companies. The proposals are submitted for approval at a board meeting.

In 2017, the Board decided to maintain the structure of the remuneration packages for Executive Management for the financial year 2018. According to the remuneration policy, remuneration consists of the following four elements: fixed salary, cash bonus, share-based incentives, and personal benefits.

Each element of the remuneration of the Executive Management and detailed information about the remuneration in 2018 is found in the Remuneration report – Executive Management 2018, see page 042.

Remuneration of the Executive Management

tEUR



Fixed - variable
The Executive Management is paid partly through variable performance-based elements to motivate performance, align with short and long-term business targets, and to enable flexible remuneration costs.

Besides the fixed salary and bonus pay-outs, the members of Executive Management have also been entitled to participation in the restricted performance share programmes for the years 2013-2018. They have been entitled to a target level of shares which has subsequently been performance adjusted, following the terms and conditions of the programmes.

All the performance shares follow the same principles for vesting and are granted to the Executive Management with 50 percent after three years and 50 percent after five years.

Remuneration report 2018

Board of Directors

This report describes the remuneration of the Board of Directors of Vestas Wind Systems A/S (the Board) in 2018.

The level of the remuneration in 2018 remain unchanged – as pre-approved by the shareholders at the Annual General Meeting in 2018 – and will be presented for final approval at the Annual General Meeting in 2019.

According to the Remuneration policy, the remuneration of the Board comprises the following five elements.

Fixed remuneration

Members of the Board receive a fixed cash payment (basic remuneration). The Chairman receives triple basic remuneration and the Deputy Chairman receives double basic remuneration for their extended board duties.

According to the shareholders decision at the Annual General Meeting in 2018, the members of the Board has each received DKK 400,000¹⁾ for the financial year 2018. The Chairman has received DKK 1,200,000 and the Deputy Chairman has received DKK 800,000 for their extended duties.

The Board of Directors is not included in incentive programmes or covered by any Vestas pension scheme or a defined benefit pension scheme.

Committee remuneration

In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees. The remuneration is determined as a base fee, and the

committee chairman receives an additional remuneration of 80 per cent of the committee remuneration.

For the financial year, in addition to the basic remuneration the members of the Board have received remuneration of DKK 250,000 per membership of a board committee and the chairmen of the committees has received DKK 450,000 for their extended committee duties.

Remuneration for ad hoc tasks

Individual Board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In each such case, the Board shall determine a fixed remuneration for the work carried out in relation to those tasks. The fixed remuneration will be presented for approval at the following Annual General Meeting.

Social security taxes and similar taxes

In addition to the remuneration, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

Reimbursement of expenses

Actual expenses defrayed in connection with board and committee meetings are reimbursed.

Remuneration for the financial year²⁾

DKK

	Board		Committees		Adhoc task remuneration	Social security taxes and similar taxes	Reimbursement of expenses	mDKK		
	Fixed remuneration	Meetings	Remuneration(s)	Meetings				Total 2018	Total 2017	Total 2016
Bert Nordberg	1,200,000	11/11	450,000	5/5	-	346,040	147,313	2,143,353	2.2	2.1
Lars Josefsson	800,000	11/11	700,000	4/4 + 5/5	-	314,582	18,336	1,832,918	1.8	1.8
Carsten Bjerg	400,000	11/11	500,000	4/4 + 5/5	-	-	9,427	909,427	0.9	0.9
Eija Pitkänen	400,000	11/11	250,000	4/4	-	-	-	650,000	0.7	0.7
Henrik Andersen	400,000	10/11	700,000	5/5 + 5/5	-	-	-	1,100,000	1.1	0.5
Henry Sténson	400,000	11/11	-	-	-	83,888	-	483,888	0.7	0.7
Jens Hesselberg Lund ³⁾	400,000	8/8	250,000	4/4	-	-	-	650,000	-	-
Kim Hvid Thomsen	400,000	11/11	250,000	4/4	-	-	-	650,000	0.7	0.7
Michael Abildgaard										
Lisbjerg	400,000	11/11	-	-	-	-	-	400,000	0.4	0.4
Peter Lindholst	400,000	11/11	-	-	-	-	-	400,000	0.4	0.4
Sussie Dvinge Agerbo	400,000	11/11	-	-	-	-	-	400,000	0.4	0.4
Torben Ballegaard	400,000	10/11	250,000	5/5	-	-	-	650,000	0.7	0.4

1) The company may also pay social security taxes and similar taxes which are being levied by non-Danish authorities in relation to the remuneration for membership of the Board or a board committee.

2) Only, members of the Board are included in the table. Ms Lykke Friis was a member of the Board until 6 July 2018.

3) Joined on 3 April 2018.

Remuneration report 2018

Executive Management

The Board of Directors (the Board) 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.

According to the Remuneration policy, the remuneration of the Executive Management of Vestas Wind Systems A/S comprises the following four elements.

Fixed salary

The fixed salary is based on market level and is continuously reviewed by the Nomination & Compensation Committee against comparable positions.

The Executive Management is not covered by Vestas' employer administered pension plan or a defined benefit pension scheme, nor do members of Executive Management receive remuneration for ad hoc tasks or receive any remuneration for directorships held in Vestas Wind Systems A/S' subsidiaries or its joint ventures.

In 2018, the Executive Management received a fixed remuneration of EUR 5m.

Cash bonus

Members of the Executive Management participate in a bonus programme rewarding annual performance of selected key performance indicators (KPIs).

The bonus is paid out annually after adoption of the annual report for the relevant financial year, ref. the General guidelines for incentive pay.

The 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 percent and 75 percent of the annual base salary, respectively.

The bonus programme is based on target achievement of a number of selected KPIs. Vestas executive management actively engage in an annual process in prioritising and defining the KPIs relevant for the coming performance year to be presented for the Nomination and Compensation Committee for final approval.

With the strategy and key priorities for the coming performance year as guiding indicators, the Nomination & Compensation Committee approves the selected KPIs for the Executive Management.

The Executive Management is measured on the overall Group's results with the financial KPIs; EBIT, revenue, and cash flow along with selected strategic shared KPIs as well as individual KPIs reflecting their area of

responsibility. KPIs and the corresponding annual targets are approved by the Nomination & Compensation Committee. No pay-out will be made if the target for EBIT is not met at the defined minimum acceptable performance level.

Based on the results achieved in 2018, no global bonus will be paid in 2019 to the Executive Management or other employees for the performance year 2018.

Share-based incentives

The purpose of Vestas share incentives is to strengthen the alignment between Vestas top management and the interests of the company's shareholders, to promote long-term performance, as well as to retain the executive talents.

The intention of the share incentives is to ensure value creation and fulfilment of the company's long-term goals, and the programme contains elements of both short- and long-term performance. The incentive programme is based on restricted performance shares conditional upon continued employment at the time of vesting three to five years after the announcement of the programme.

For any single financial year, the Executive Management may be granted restricted performance shares based on achievement of selected KPIs approved by the Nomination and Compensation Committee. The KPIs may be based on financial measurements as well as Vestas' market share as defined by the Board.

Share-based incentive programme 2018

In May 2018, the Board announced that it had decided to continue the share-based incentive programme for all participants, including the Executive Management, and launch a new programme for 2018 based on the same terms and conditions governing the restricted performance share programme for the year 2017, ref. the Remuneration policy and the General guidelines for incentive pay.

Number of shares

The number of shares to be granted is based on a defined target level for each position. No payments for any grants are made by the participants. If all KPIs are reached on target level, a total of 320,000 shares will be granted from the programme with a total present value calculated based on the current share price amounting to EUR 18m (value at close of Nasdaq Copenhagen on 16 April 2018).

Share-based incentive programmes for the Executive Management

Total outstanding share per year for vesting (performance adjusted until year 2018)

	2019	2020	2021	2022	2023
Share-based incentive programme 2014	80,616	-	-	-	-
Share-based incentive programme 2015	-	82,438	-	-	-
Share-based incentive programme 2016	45,237	-	45,237	-	-
Share-based incentive programme 2017	-	37,262	-	37,262	-
Share-based incentive programme 2018	-	-	35,116	-	35,116

The actual number of restricted performance shares available for distribution may range between 0 and 150 percent of the target level and is determined by Vestas' performance in the financial years 2018, 2019, and 2020. The maximum grant of shares under the programme in total is 480,000 shares based on full performance achievement.

The number of shares that may be granted the combined Executive Management will as previous programmes follow the General guidelines for incentive pay, allowing up to a total of 120,000 shares for target achievement.

The 2018 target number of shares corresponds to approx. 110 percent of the annual base salary for the Executive Management.

The performance adjustments for the financial year 2018 will be communicated to all participants in the respective share incentive programmes when results of all KPIs are available in April 2019.

Time of grant

The shares are to vest and be granted to the participants in 2021 and 2023.

Key performance indicators

The KPIs for all three performance years are based on financial targets including Earnings per share, Return on Capital Employed, Vestas' market share, as well as commercial targets for relevant participants. All KPIs and targets are defined by the Nomination and Compensation Committee.

The KPIs for the share incentive programme are evaluated regularly by the Nomination & Compensation Committee ensuring alignment to Vestas strategy and long-term value creation.

Conditions

The restricted performance shares are governed by the specific terms and conditions of the programme and subject to mandatory law. If a participant chooses to leave Vestas before the time of grant, the participant's rights to receive shares will generally lapse.

Adjustments to the programme

The number of shares available for grant and the calculation of the KPIs may be adjusted in the event of certain changes in Vestas' capital structure. In addition, calculation of the KPIs may be adjusted for certain non-operational events. Further, in the event of a change of control, merger, winding-up or demerger of Vestas, an accelerated grant may extraordinarily take place. In the event of certain transfers of activities or changes in ownership interests within Vestas, adjustment, replacement of the programme and/or settlement in cash of the programme entirely or partly may also take place.

Further information, see note 6.2 in the Consolidated financial statements, page 090.

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.

Remuneration of the Executive Management

	2018	2017	2016
Fixed salary (EUR)	4,650,779	4,508,518	4,379,945
Cash bonus for the year (EUR)	-	2,730,234	3,085,366
Exercised share options in the year (number)	-	-	58,336
Vested performance shares in the year (number)	166,812	77,923	108,891

