First quarter 2018

Vestas Wind Systems A/S

Copenhagen, 4 May 2018

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Key highlights

First quarter performance

All-time high order backlog
Wind turbine and service order backlog of EUR 21.6bn; up 8 percent YoY

Revenue of EUR 1,694m
5 percent organic decline compared to record high revenue in Q1 2017

EBIT of EUR 126m
EBIT margin at 7.4 percent

Solid service performance
Organic revenue growth of 5 percent, and EBIT margin of 26.8 percent

Agenda

Q1 Vestas
Interim financial report, first quarter 2018

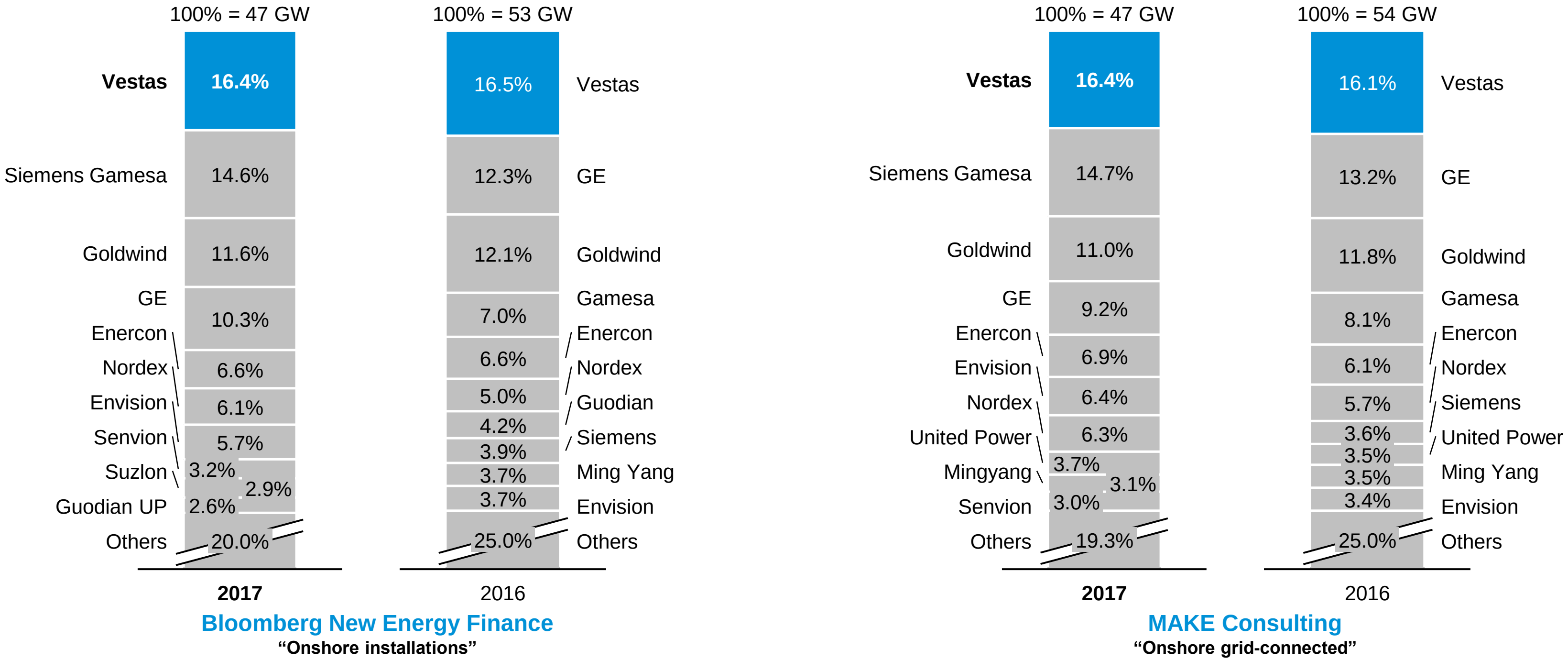
1. **Orders and markets**
2. Financials
3. Outlook and questions & answers

Keeping our onshore market leadership

Vestas remains market leader with more than 16 percent market share in 2017

Market share development

Percent



Source: Bloomberg New Energy Finance and MAKE Consulting

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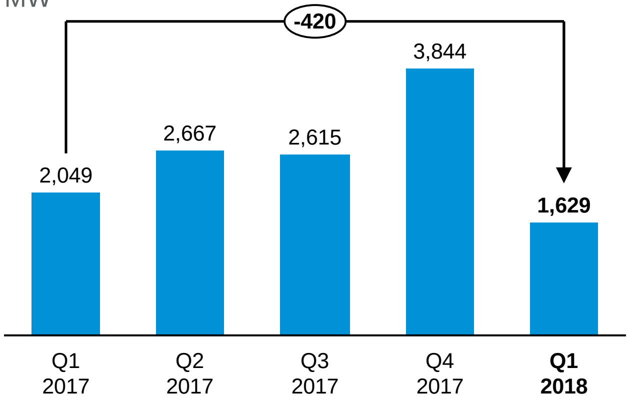
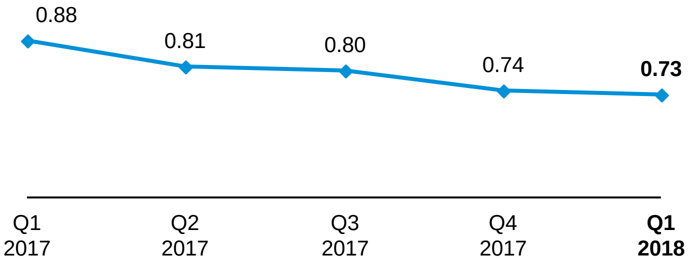
Q1 order intake

Order intake at 1,629 MW, with an average selling price of EUR 0.73m per MW

Order intake
MW



Average selling price of order intake
mEUR per MW



Key highlights

- Q1 2018 order intake was 420 MW lower than in Q1 2017, representing a decrease of 20 percent
- USA, Italy, and France were the main contributors to order intake in Q1 2018, accounting for approx. 65 percent

Key highlights

- Stable ASP development compared to previous quarter, but market remains highly competitive
- Geography, scope, turbine type, and uniqueness of the offering still a factor

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Americas

Continued high demand in US and Latin America

Market highlights

PTC and trade tariffs in the USA…

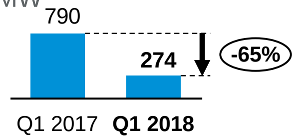
- Continued strong US demand driven by current PTC structure
- U.S. signs order for 25% tariff on steel imports – final outcome still uncertain
- Localisation of 4 MW platform in U.S. due to increased demand

Latin America auctions…

- Auctions restart in Brazil; 114 MW awarded earlier this year, and A-6 auction expected in Q3
- Established manufacturing capacity in Argentina to support growth

Deliveries

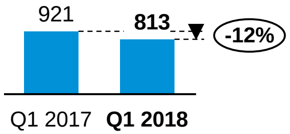
MW



- Decline in US deliveries as a result of PTC component deliveries in Q1 2017
- Low level of activity in Latin American countries in the quarter

Order intake

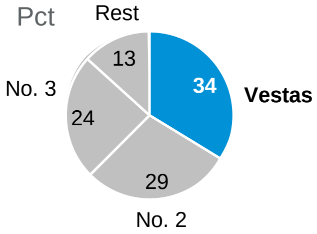
MW



- Continued high level of order intake in the US
- Strong order intake in Argentina in Q1 2017 explains decline

2017 Market share

Pct



- Remained No. 1 in the US market
- Increasing market share in Latin America

Source: Bloomberg New Energy Finance

Europe, Middle East, and Africa

Remaining as the market leader in a transitioning region

Market highlights

Continuously increasing the penetration of renewable energy in EU…

- EU Parliament proposes 35% RE target compared to earlier 27%

Russia expanding wind energy market…

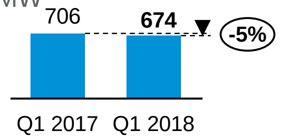
- 900 MW onshore wind auction in 2018 announced

Positive signals in MEA…

- 400 MW auction completed in Saudi Arabia
- South Africa signs PPAs for 1.4 GW, and new auction expected in 2018

Deliveries

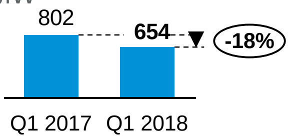
MW



- Slight decline in deliveries driven by UK, but partly offset by Denmark
- Continued high level of deliveries in Germany

Order intake

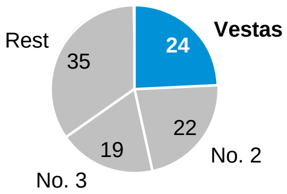
MW



- Lower order intake impacted by Germany, where recent auction volume has not yet materialised as orders
- Good order intake in Italy as a result of auction in 2016, and first order ever in Kazakhstan

2017 Market share

Pct



- Well established diverse footprint with strong position in core markets such as Germany, France, and the Nordics

Source: Bloomberg New Energy Finance

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Asia Pacific

Geographically diversified deliveries and order intake demonstrates strong position in promising markets

Market highlights

Increased commitment in China…

- Wind target just increased to 259 GW installed by 2020, up from 210 GW
- Partnership with TPI for local V150-4.2MW blade production

India auctions launched…

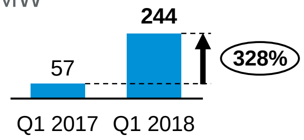
- Two wind auctions executed in Q1

Broader Asia Pacific region on the move…

- Australia executed 550 MW auction in Q1

Deliveries

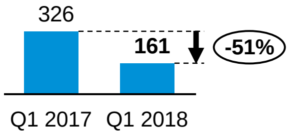
MW



- Diversified deliveries secures high level of activities
- Strong development in India and Australia

Order intake

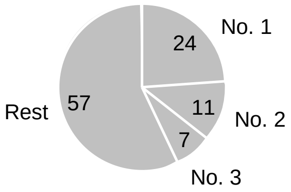
MW



- Strong order intake in China in Q1 2017 resulting in negative development
- Continued success in Thailand partly offsets decline

2017 Market share

Pct



- Single digit market share in Asia Pacific
- Highly dominated by Chinese manufacturers
- Largest non-Chinese manufacturer in China, and a good position in the broader Asia Pacific

Source: Bloomberg New Energy Finance

All-time high order backlog of more than EUR 21bn

Combined backlog increased by EUR 700m in the quarter despite negative FX impact of EUR 250m

Wind turbines:

EUR 9.3bn

EUR +0.5bn*

Service:

EUR 12.3bn

EUR +0.2bn*

* Compared to Q4 2017

First conditional order* of the V164-9.5MW turbine

Taiwan added as a new market opportunity

Track record…

~3.3 GW

> 1.000 turbines installed across 27 projects

Pipeline…

~1.6 GW

Under installation/ firm orders

~2.5 GW

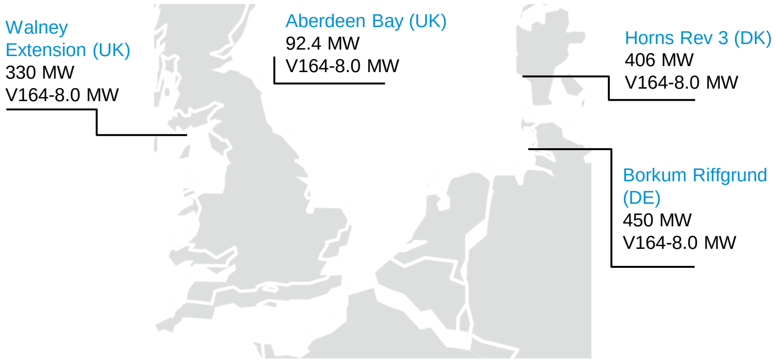
Conditional orders/ preferred supplier

Key highlights

- Final commissioning of the Rampion project
- Well positioned for the Taiwanese market with local Memorandums of Understanding in place

Near-term project execution

Projects currently in progress



* Announced on 25 April

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Income statement

Lower activity levels in Q1 2018 resulting in weaker results

mEUR	Q1 2018	Q1 2017*	% change
Revenue	1,694	1,885	(10)%
Production costs	(1,413)	(1,508)	6%
Gross profit	281	377	(25)%
SG&A costs**	(155)	(166)	7%
EBIT	126	211	(40)%
Income from investments in joint ventures and associates	18	(11)	264%
Net profit	102	160	(36)%
Gross margins	16.6%	20.0%	(3.4)%-pts
EBITDA margin	13.3%	16.0%	(2.7)%-pts
EBIT margin	7.4%	11.2%	(3.8)%-pts

Key highlights

- Revenue decreased 10 percent, primarily driven by FX and lower deliveries in Power solutions
- Gross profit down by 3.4 percentage points, mainly driven by the decreased volumes and lower average project margins in Power solutions
- EBIT down by 40 percent mainly driven by the lower gross profit
- Result from JV at EUR 18m due to final delivery of the Rampion project

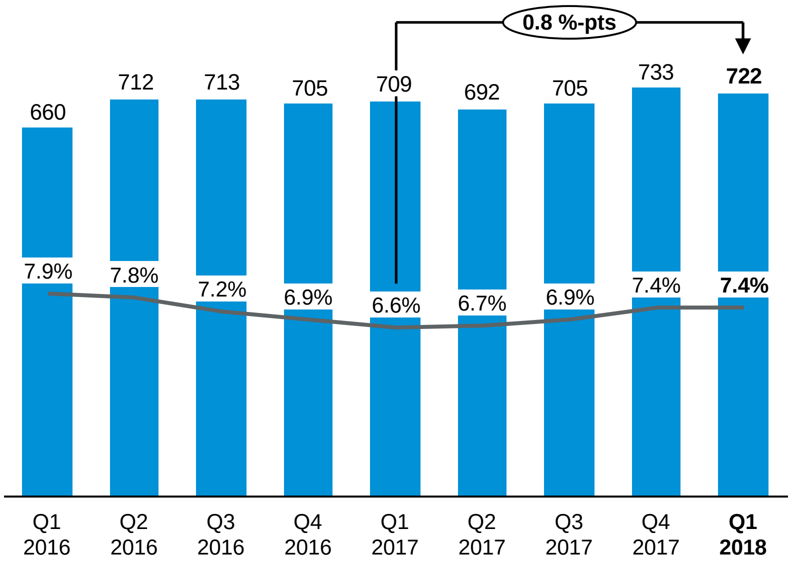
* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q1 2018
** R&D, administration, and distribution

Leveraging on SG&A

Continued control of SG&A costs

SG&A costs (TTM)*

mEUR and percent of revenue



Key highlights

- SG&A costs slightly up YoY
- Relative to activity levels, SG&A costs amounted to 7.4 percent – an increase of 0.8 percentage points compared to Q1 2017, primarily driven by higher depreciation and lower revenue

* R&D, administration, and distribution on trailing 12 months basis

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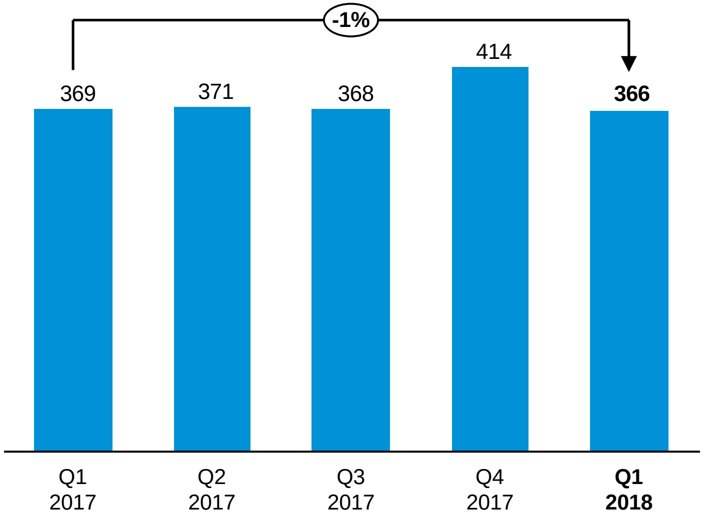
Service

Strong service performance

Service revenue
mEUR



Key highlights

- Service revenue decreased slightly compared to Q1 2017; negative FX impact of EUR 22m resulting in 5 percent organic growth
- EBIT of EUR 98m (26.8 percent margin) as a result of reliable performance of turbines and efficient cost management
- Service order backlog growth of EUR 1.3bn compared to Q1 2017

Balance sheet

Balance sheet remains strong and provides flexibility

Assets (mEUR)	Q1 2018	Q1 2017*	Abs. change	% change
Non-current assets	3,083	2,879	204	7%
Current assets	8,034	7,388	646	9%
Total assets	11,117	10,267	850	8%
Liabilities (mEUR)				
Equity	3,071	3,308	(237)	(7)%
Non-currents liabilities	1,221	1,129	92	8%
Current liabilities	6,825	5,830	995	17%
Total equity and liabilities	11,117	10,267	850	8%
Key figures (mEUR)				
Interest bearing position (net)	2,607	3,192	(585)	(18)%
Net working capital	(1,526)	(1,710)	184	11%
Solvency ratio (%)	27.6%	32.2%	-	(4.6)%-pts
ROIC (%)	709%	353%	-	356%-pts

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q1 2018

Key highlights

- Net cash position of EUR 2.607m, negatively impacted by acquisition, net working capital development, and share buy-back programme
- Net working capital increased by EUR 184m
- Solvency ratio at 27.6 percent

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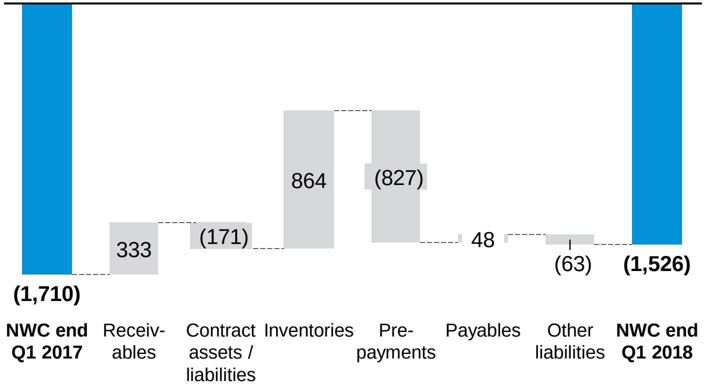
Change in net working capital

Continued ramp-up for expected deliveries in coming quarters

NWC change over the last 12 months*

mEUR

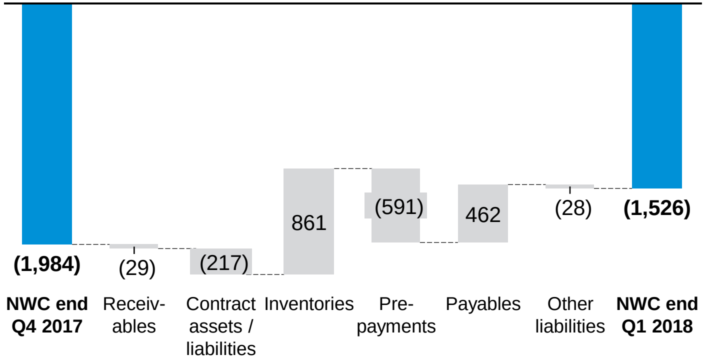


Key highlights

- Negative development mainly driven by higher inventories and receivables, mainly offset by prepayments

NWC change over the last 3 months*

mEUR



Key highlights

- Net working capital in the quarter negatively impacted by increased inventory and reduced payables, partly offset by higher prepayments

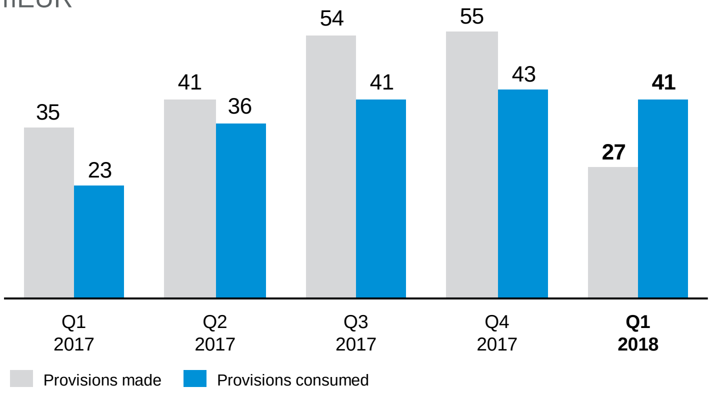
* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q1 2018

Warranty provisions and Lost Production Factor

Warranty consumption and LPF continue at a low levels

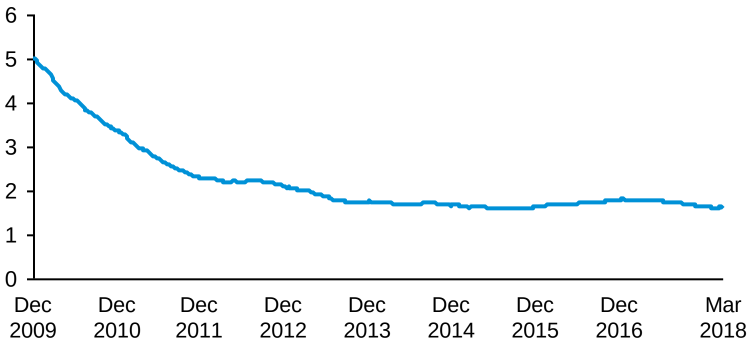
Warranty provisions made and consumed

mEUR



Lost Production Factor (LPF)

Percent



Key highlights

- Warranty consumption constitutes approx. 1.6 percent of revenue over the last 12 months
- Warranty provisions made correlates with revenue in the quarter, corresponding to approx. 1.6 percent in Q1 2018

Key highlights

- LPF continues at a low level - below 2.0
- LPF measures potential energy production not captured by the wind turbines

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Cash flow statement

Negative free cash flow in the first quarter

mEUR	Q1 2018	Q1 2017*	Abs. change
Cash flow from operating activities before change in net working capital	17	258	(241)
Change in net working capital**	(485)	(262)	(223)
Cash flow from operating activities	(468)	(4)	(464)
Cash flow from investing activities***	(119)	12	(131)
Free cash flow before acquisitions***	(587)	8	(595)
Acquisitions of subsidiaries	(65)	-	(65)
Free cash flow	(652)	8	(660)
Cash flow from financing activities	(95)	(55)	(40)
Net decrease in cash and cash equivalents	(747)	(47)	(700)

Key highlights

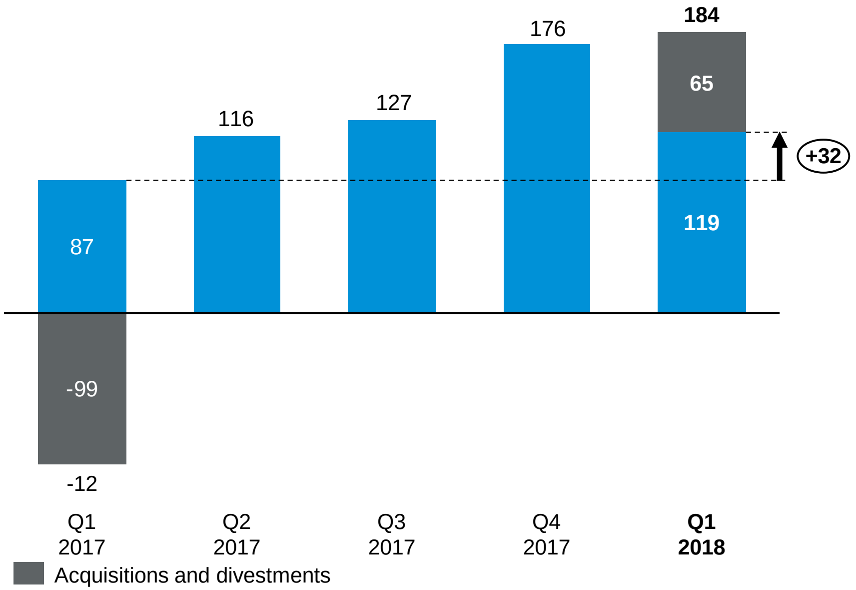
- Free cash flow decreased EUR 660m compared to Q1 2017, primarily driven by lower profit, negative change in NWC, and negative non-cash adjustments
- Cash flow from investing activities impacted by EUR 65m due to acquisition of Utopus Insights, Inc
- Cash flow from financing activities driven by the share buy-back programme launched at FY 2017 results

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q1 2018
** Change in net working capital in Q1 2018 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (27)m
*** Before investments in marketable securities and short-term financial investments and acquisition of Utopus Insights, Inc

Total investments

Underlying investments in line with Q1 2017; total investments impacted by acquisition

Total investments*
mEUR



Key highlights

- Underlying investments increased by EUR 32m compared to Q1 2017, primarily driven by capitalised R&D as well as tangible blade investments
- Total investments in Q1 2018 of EUR 184m, impacted by acquisition of Utopus Insights, Inc.

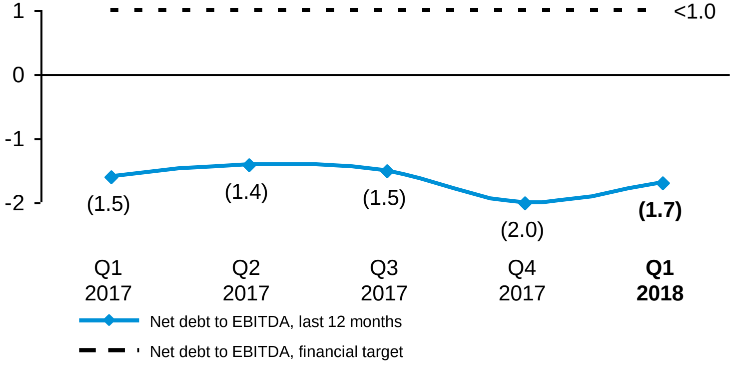
* Before investments in marketable securities and short-term financial investments, but incl. acquisition of Utopus Insights, Inc.

Capital structure

Net debt to EBITDA well below threshold; solvency ratio declined due to share buy-back

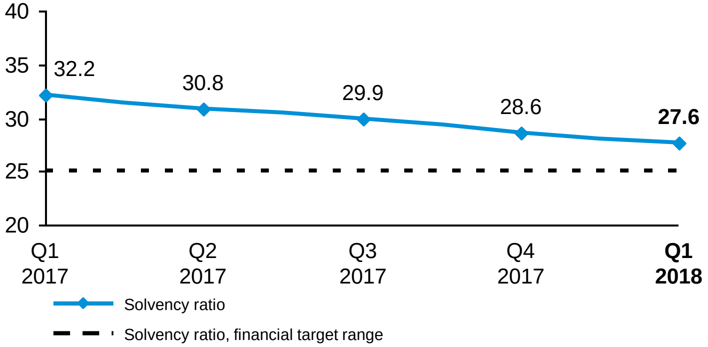
Net debt to EBITDA*

xEBITDA



Solvency ratio*

Percent



Key highlights

- Net debt to EBITDA remains at low level of (1.7) in Q1 2018
- Development driven by a decreased EBITDA

Key highlights

- Solvency ratio of 27.6 percent in Q1 2018

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q1 2018

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3. **Outlook and questions & answers**

Outlook 2018

	Outlook
Revenue (bnEUR)	10-11
EBIT margin (%)	9-11
Total investments (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments)	approx. 500
Free cash flow (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments)	min. 400

The 2018 outlook is based on current foreign exchange rates

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Q&A

Financial calendar 2018:

- Disclosure of Q2 2018 (15 August)
- Disclosure of Q3 2018 (7 November)

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Thank you for your attention