

# FINANCIAL UPDATE

**Marika Fredriksson**  
**Executive Vice President & CFO**

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# LONG-TERM FINANCIAL AMBITIONS

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Long-term ambitions reflect organic growth and profitability improvements



# DIVERSIFICATION OF BUSINESS MODEL CONTINUES

Strong platform for future financial performance

## Power solutions

- Wind power competing on market-based mechanisms
- RE targets in place in all parts of the world
- Order backlog of EUR 10.5bn



## Service

- Growth in annual installed wind power capacity
- Increasing contract duration provides better visibility at opportunity to cost out
- Order backlog of EUR 13.2bn with average duration of 7 years



## Offshore

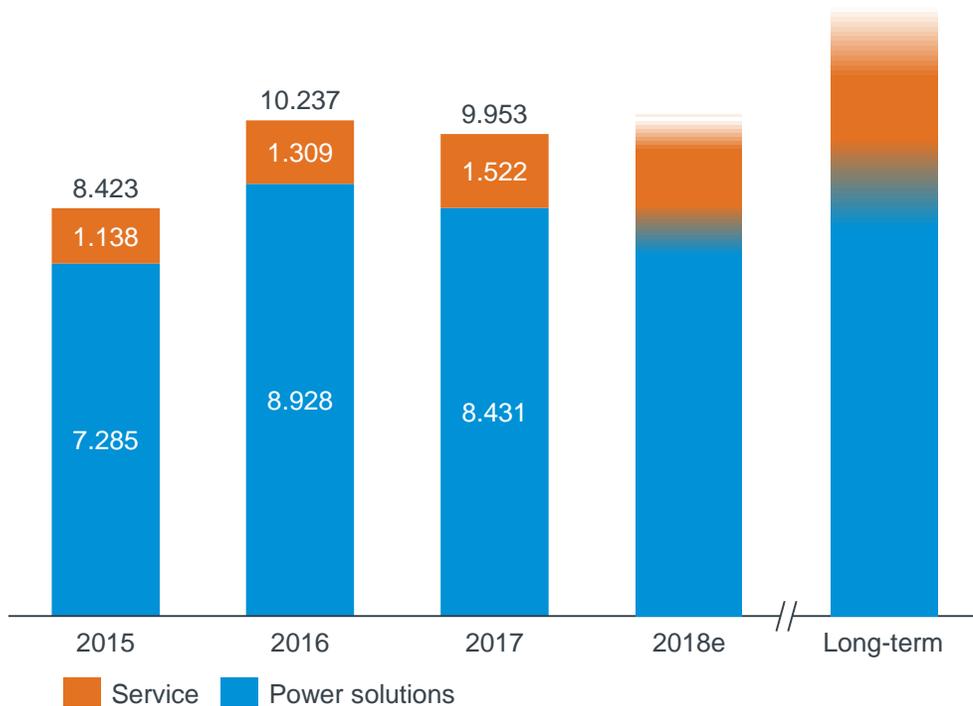
- JV on track to net profit breakeven in 2019
- Good position in a growing market with limited players
- 5 GW of pipeline projects secured



# REVENUE GROWTH SUPPORTED BY STRONG MARKETS

Vestas is in a unique position to outgrow the market

Revenue  
EURm



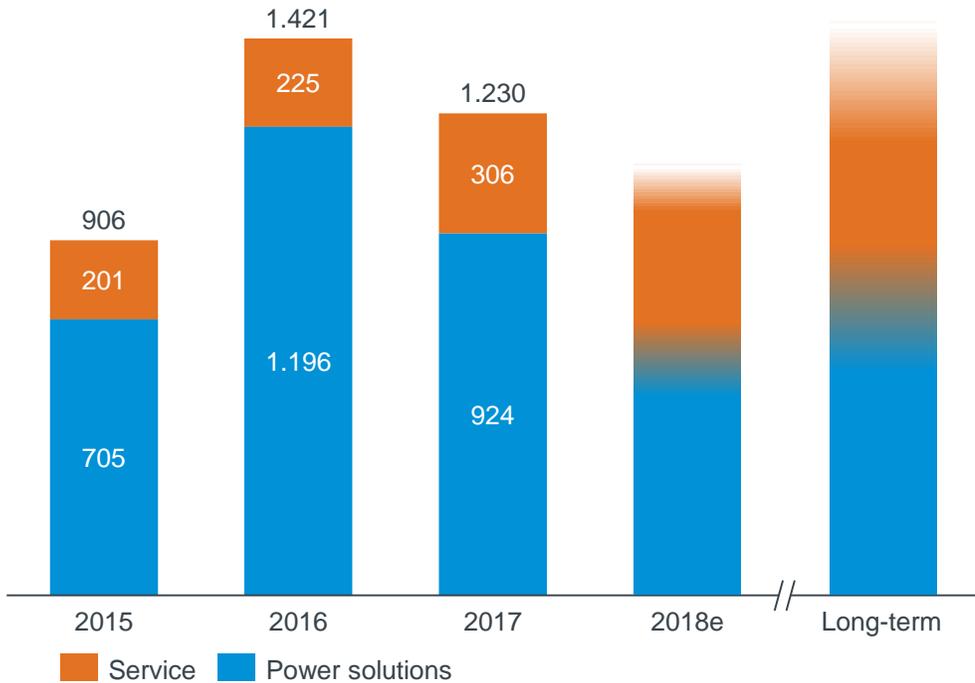
## Future drivers

- ▲ 6-8 percent annual growth in onshore volumes towards 2021
- ▲ Drop in the US post 2020 expected to be offset by EMEA, and especially Asia Pacific
- ▲ Service increasingly supporting revenue growth
- ▼ Continuous reduction of LCOE for wind energy impacts Average Selling Price

# DELIVERING MINIMUM 10 PERCENT EBIT MARGIN

Service accounts for an increasingly large part of profitability

**EBIT before special items**  
EURm

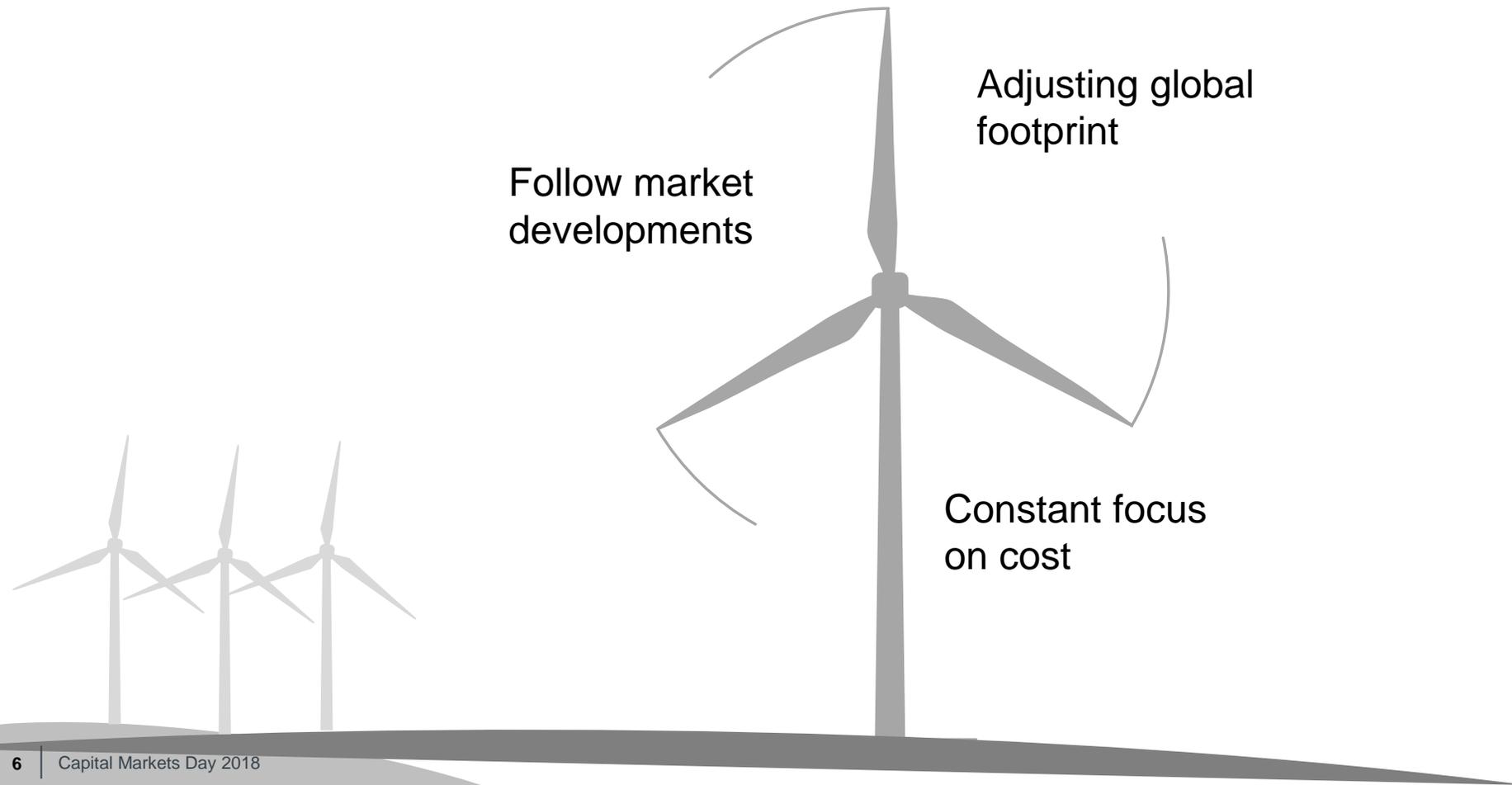


## Future drivers

- ▲ Increased activity
- ▲ New products and technology
- ▲ Committed to cost-out and efficiency improvements
- ▲ Service to grow its share of profit
- ▼ Highly competitive markets
- ▼ Cost inflation from tariffs

# ● COSTS: KEEPING A GLOBAL BALANCE

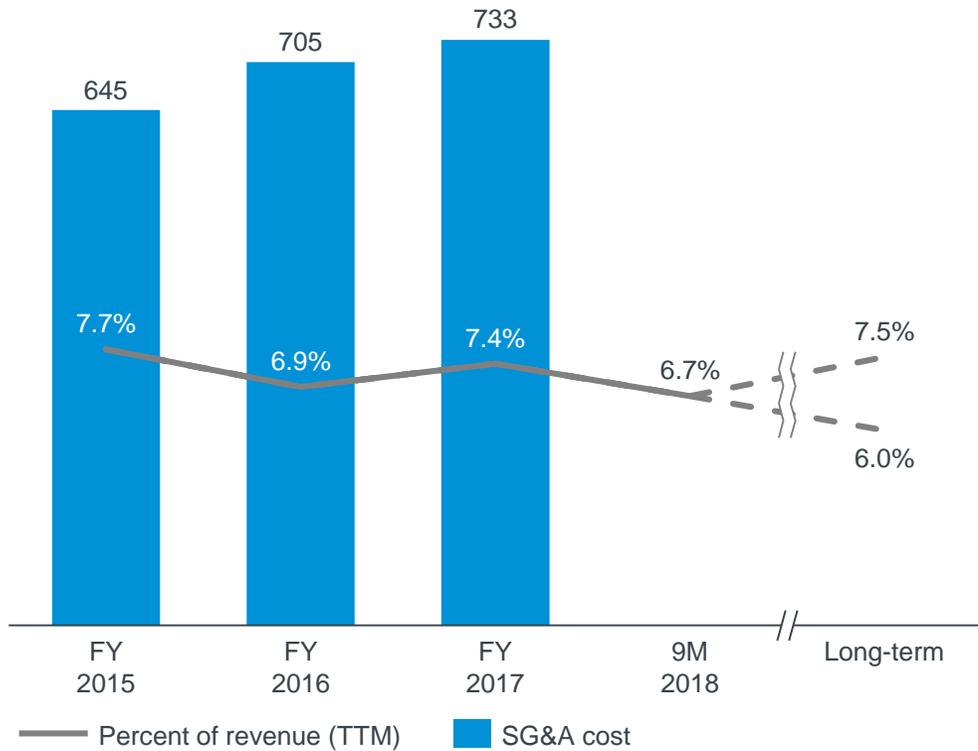
A global company constantly adjusting to reflect global market conditions



# COST DISCIPLINE REMAINS A KEY PRIORITY

## Controlling the fixed cost base

SG&A  
EURm



### Priorities

- Lean and flexible organisation
- Highest R&D spending in the industry securing best-in-class products

### Drivers

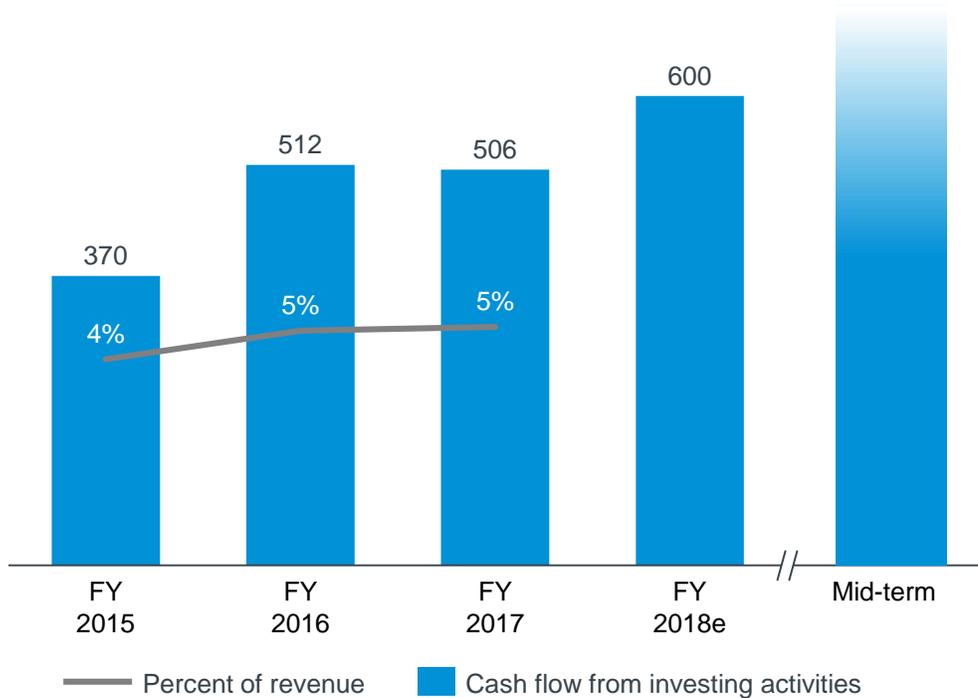
- ▲ Leverage
- ▲ Increased activity in low cost countries
- ▼ Higher amortisations and depreciations

# ● INVESTING IN ORDER TO CAPTURE THE GROWTH MOMENTUM

Investments expected to increase in the coming years

## Investments

EURm, excl. M&A and divestments



## Priorities

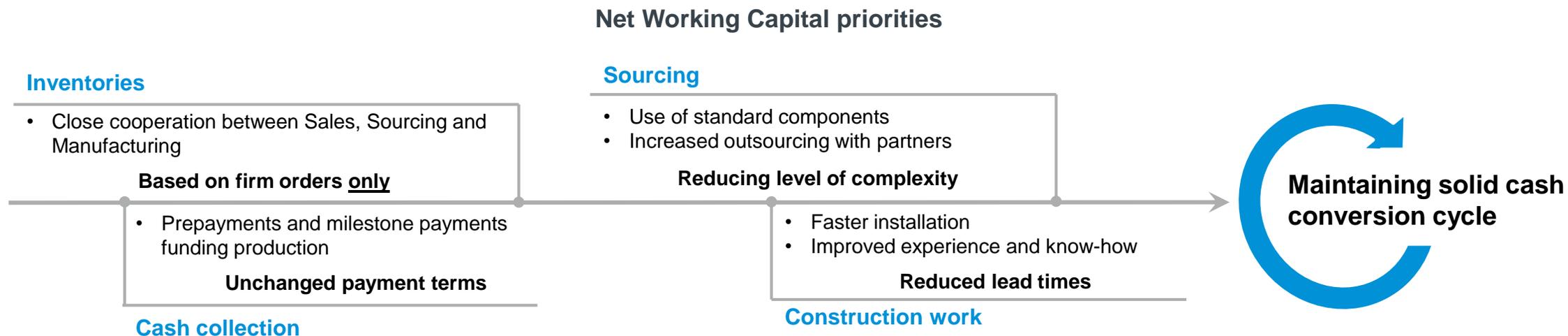
- Support organic growth initiatives
- Highest R&D spending in the industry securing best-in-class products

## Future drivers

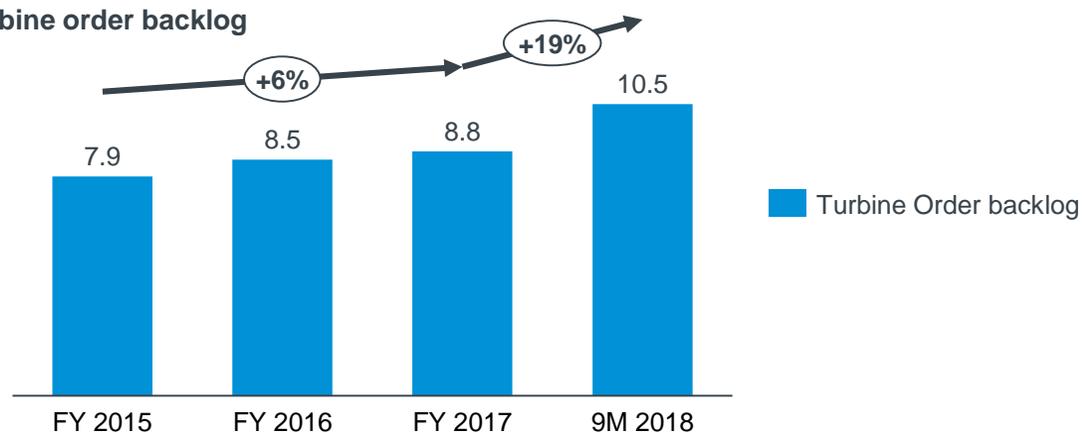
- ▲ Higher activity level requires more investments
- ▲ Increased R&D capitalisation as product cycles becomes shorter
- ▲ Leveraging industry leading data fleet to drive digitalisation
- ▼ Introduction of modular products

# MANAGING WORKING CAPITAL IN A GROWTH ENVIRONMENT

Complex and large projects call for careful management, timing, and control of cash flows



Wind turbine order backlog  
EURbn



## SHORT-TERM CHALLENGES

Longer lead times in a capacity constrained environment

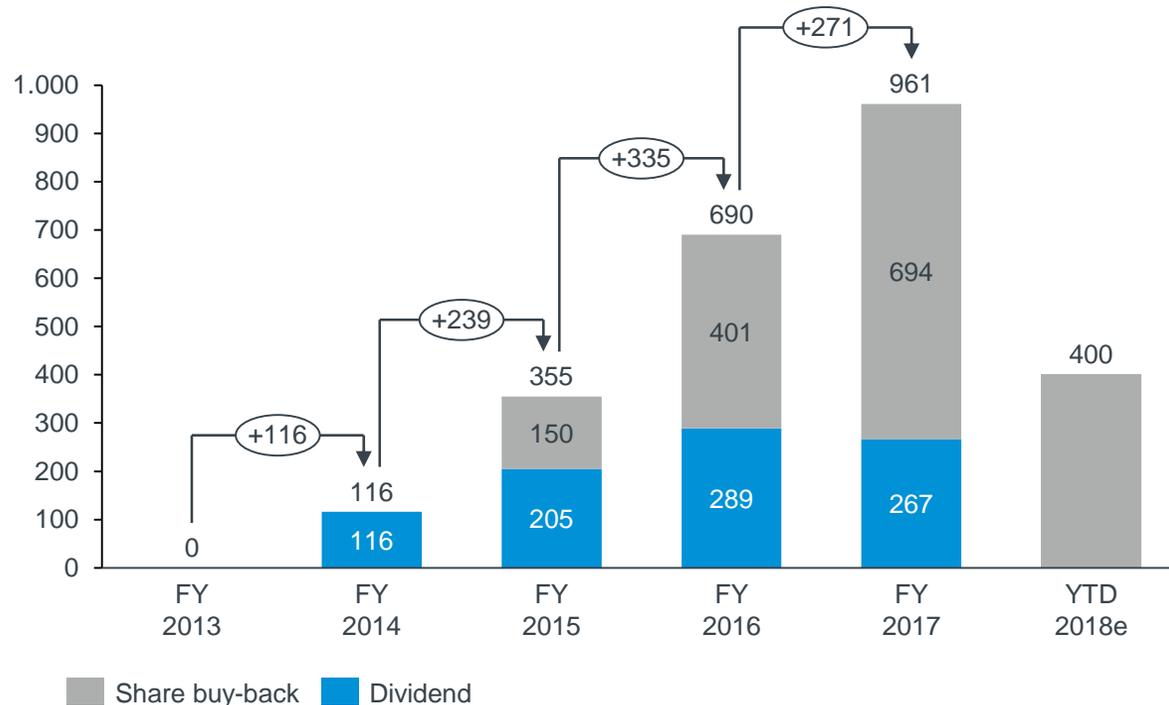
Increased transportation time due to strategic sourcing

Increased complexity due to tariffs

# CAPITAL ALLOCATION

Priorities for capital allocation remain unchanged

## Allocation to shareholders EURm

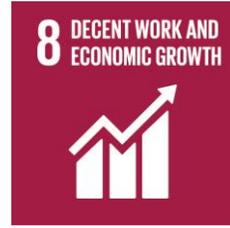


## Capital allocation to shareholders

- EUR 2.5bn returned since 2014 – equaling around 20 percent of current market cap
- Priorities for capital allocation remain unchanged
  1. Organic growth
  2. Bolt-on acquisitions
  3. Dividend (25-30 percent of net profit)
  4. Share buy-back

# ALL OPERATIONS TAKE A RESPONSIBLE APPROACH

## Sustainability at Vestas



# SUMMARY

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**1** Business model provides **stability** and **reduced risk profile**

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**2** Balance sheet remains **strong** and provides **flexibility**

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**3** **Value creation** shared with our shareholders

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Q&A

THANK YOU FOR YOUR ATTENTION

# DISCLAIMER AND CAUTIONARY STATEMENT

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