Full year 2016

Vestas Wind Systems A/S

Copenhagen, 8 February 2017
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, include (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.

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Key highlights
Solid strategy execution leading to record-breaking year on financial and operational parameters

Financial and operational results

- FY 2016 guidance met on all parameters; revenue of EUR 10.2bn, EBIT of 13.9 percent, FCF of EUR 1.6bn*, and total investments of EUR 0.6bn.
- Highest ever order intake (10.5 GW) across 33 countries on six continents.
- Combined turbine and service order backlog at highest level ever of EUR 19.2bn.
- Return on Invested Capital (ROIC) at 265.2 percent.
- Improved safety performance with total recordable injuries of 6.9 in 2016, compared to 8.7 in 2015 and target for 2016 of 8.0.
- Recommended dividend payment of DKK 9.71 per share, equal to a pay-out ratio of 30.0, for a total of DKK 2.2bn.
- Initiation of EUR 95m share buy-back programme based on expected net proceeds from sale of office buildings in Aarhus, DK.

Strategy progress

- Profitable growth strategy firmly on track; overall key objectives remain in place but updated to reflect strong execution and changed market conditions.

* Excluding investments in marketable securities.
1. Orders and markets

2. Financials

3. Profitable Growth for Vestas – status and update

4. Outlook, and questions & answers
Order intake at 4,532 MW – an increase of 70 percent compared to Q4 2015. Average selling price remains stable, Q4 2016 impacted by scope, mix, and FX.

Key takes:

- Q4 2016 order intake was 1,864 MW higher than in Q4 2015, corresponding to an increase of 70 percent.
- USA, Australia, Germany, and France were the main contributors to order intake in Q4 2016, accounting for approximately 70 percent.

Key takes:

- Price per MW remains at overall stable levels observed in recent quarters. Q4 2016 impacted by larger share of EPC, turbine mix, and FX.
- Price per MW depends on a variety of factors, i.e. wind turbine type, geography, scope, and uniqueness of offering.
Record-high full-year order intake at 10.5 GW

Strong performance across all regions contributing to highest-ever order intake level.

- **FY 2016** primarily driven by good activity levels in USA, Brazil, Canada, and Argentina.
- **Q4 2016** impacted by US PTC orders and general good activity across Latin America.
- **FY 2016** significantly impacted by 1 GW in Norway further supported by a good activity mainly in Germany, France, and Sweden.
- **Q4 2016** mainly driven by Germany, France, Sweden, and UK.
- **FY 2016** mainly driven by Australia and general good activity levels across the region – China almost on a par with 2015.
- **Q4 2016** primarily due to ~0.5 GW in Australia.

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY</td>
<td>4,113</td>
<td>4,318</td>
<td>+5%</td>
</tr>
<tr>
<td>Q4</td>
<td>1,087</td>
<td>1,996</td>
<td>+84%</td>
</tr>
<tr>
<td>EMEA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY</td>
<td>3,889</td>
<td>5,141</td>
<td>+32%</td>
</tr>
<tr>
<td>Q4</td>
<td>1,178</td>
<td>-1,841</td>
<td>-56%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY</td>
<td>941</td>
<td>1,035</td>
<td>+10%</td>
</tr>
<tr>
<td>Q4</td>
<td>403</td>
<td>695</td>
<td>+72%</td>
</tr>
</tbody>
</table>

Strong performance across all regions contributing to highest-ever order intake level.
All regions contributing to highest-ever level of deliveries

2016 MW deliveries up by 29 percent. Strong performance especially driven by USA, Germany, Chile, Mexico, and China.

- FY 2016 primarily driven by strong US market and overall improvement in Latin America.
- Q4 2016 impacted by PTC orders in the US as well as good developments in Mexico, Chile, Brazil, and Uruguay.

- FY 2016 improvement mainly due to the Nordics, Germany, and offshore* in Belgium and UK slightly offset by Poland.
- Q4 2016 general good activity levels primarily offset by Poland.

- FY 2016 solid development across the region with China as main driver.
- Q4 2016 primarily driven by South Korea and China.

* Based on the 3 MW platform.
Unique global reach once again manifested in 2016

Balanced order intake from 33 countries across six continents in 2016. Installation in Georgia expands global reach to 76 countries and first-ever orders signed in Mongolia and Honduras.

Order intake by country, FY 2016

- 33 countries
- 6 continents

10.5 GW

* New markets for Vestas with firm order intake for the first time in 2016.
Historic high combined order backlog of EUR 19.2bn

Combined backlog increased by EUR 2.1bn in the quarter. Backlog of wind turbines increased by EUR 1.3bn, while the service backlog increased by EUR 0.8bn.

Wind turbines:

EUR 8.5bn

EUR +1.3bn*

Service:

EUR 10.7bn

EUR +0.8bn*

* Compared to Q3 2016.
Record-high activity levels in the US in 2016
Deliveries of ~4 GW and order intake of ~3.5 GW enabling significant future potential

Strong deliveries in 2016

ToR ~4 GW


Order intake secures significant future potential

FOI ~3.5 GW

Components enabling future project pipeline
- 1,640 MW (including repowering)

Normal orders
- 1,825 MW

MAKE Consulting: US market outlook relative to PTC-qualifying activity*

GW

4.5 GW
Safe-harbor qualifying components

10 GW
Start-of-construction qualification

= ~40 GW in 2017-20e

- Some level of project attrition is expected.
- Upside potential depends on combining qualification methods and qualification activity in 2017-19.

A satisfactory year for the JV

Good order activity combined with solid project execution and controlled manufacturing ramp-up bodes well for the JV in the future.

**Good order activity**
- **Announcements in 2016 and year-to-date:**
  - Total order backlog as of 8 February 2017 of ~2.5 GW.
  - Total preferred supplier agreements for ~1.0 GW.

**Project execution and manufacturing ramp-up**
*Activity levels increasing*
- Manufacturing ramp-up progressing according to plan preparing for execution of order backlog in 2017 and beyond.
- During 2016, more than 500 employees were recruited in JV.
Agenda

1. Orders and markets

2. Financials

3. Profitable Growth for Vestas – status and update

4. Outlook, and questions & answers
### Income statement – full year

Record-high earnings and net profit driven by strong activity levels

<table>
<thead>
<tr>
<th>mEUR</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>10,237</td>
<td>8,423</td>
<td><strong>22%</strong></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(8,111)</td>
<td>(6,918)</td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,126</td>
<td>1,505</td>
<td><strong>41%</strong></td>
</tr>
<tr>
<td>Fixed costs*</td>
<td>(705)</td>
<td>(645)</td>
<td><strong>9%</strong></td>
</tr>
<tr>
<td>EBIT before special items</td>
<td>1,421</td>
<td>860</td>
<td><strong>65%</strong></td>
</tr>
<tr>
<td>Special items</td>
<td>-</td>
<td>46</td>
<td>-</td>
</tr>
<tr>
<td>EBIT after special items</td>
<td>1,421</td>
<td>906</td>
<td><strong>57%</strong></td>
</tr>
<tr>
<td>Income/(loss) from investments in associates and joint ventures</td>
<td>(101)</td>
<td>34</td>
<td>-</td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>965</td>
<td>685</td>
<td><strong>41%</strong></td>
</tr>
</tbody>
</table>

*R&D, distribution, and administration.

### Key takes:

- **Revenue increased by 22 percent** primarily due to higher volume.

- **Gross profit up by 41 percent** mainly driven by the higher revenue, favourable product mix, and improved average project margins.

- **EBIT before special items up by 65 percent** mainly driven by higher gross profit.

- **Income from JV at EUR (101)m** mainly due to ramp-up costs and amortisation of the V164 platform.

- **Record-high net profit at EUR 965m:** up by EUR 280m compared to 2015.
### Income statement – Q4

**EBIT margin before special items increased by 1.9 percentage point to 15.2 percent**

<table>
<thead>
<tr>
<th>mEUR</th>
<th>Q4 2016</th>
<th>Q4 2015</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,313</td>
<td>3,035</td>
<td>9%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,646)</td>
<td>(2,460)</td>
<td>8%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>667</td>
<td>575</td>
<td>16%</td>
</tr>
<tr>
<td>Fixed costs*</td>
<td>(163)</td>
<td>(171)</td>
<td>(5)%</td>
</tr>
<tr>
<td>EBIT before special items</td>
<td>504</td>
<td>404</td>
<td>25%</td>
</tr>
<tr>
<td>Special items</td>
<td>-</td>
<td>46</td>
<td>-</td>
</tr>
<tr>
<td>EBIT after special items</td>
<td>504</td>
<td>450</td>
<td>12%</td>
</tr>
<tr>
<td>Income/(loss) from investments</td>
<td>(45)</td>
<td>(10)</td>
<td>-</td>
</tr>
<tr>
<td>associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>343</td>
<td>298</td>
<td>15%</td>
</tr>
</tbody>
</table>

*R&D, distribution, and administration.

**Key takes:**

- **Revenue increased by 9 percent** due to higher volume further supplemented by higher activity levels in the service business.

- **Gross profit up by 16 percent** mainly driven by the higher revenue and improved average project margins.

- **EBIT before special items up by 25 percent** mainly driven by the higher gross profit.

- **Net profit up by EUR 45m.**
Leveraging on SG&A

SG&A costs continue to be under control

Key takes:

- SG&A costs* relative to activity levels continue downward in stable trend.

- Relative to activity levels, SG&A costs* amounted to 6.9 percent in Q4 2016 – a decrease of 0.8 percentage point compared to Q4 2015.

* R&D, administration and distribution on trailing 12 months basis.
Service
Satisfactory service business performance largely absorbing integration costs of service acquisitions

Key takes:

- Q4 2016 service revenue of EUR 372m - up 20 percent. Margin: 19.1 per cent.

- Service revenue increased by 15 percent in 2016 mainly due to acquisitions and organic growth.

- EBIT before special items: EUR 225m. Margin: 17.2 per cent.

- Integration of service acquisitions well on track.

- Service order backlog growth of EUR 800m compared to Q3 2016.
**Balance sheet**

Continued strong balance sheet impacted by high activity levels

<table>
<thead>
<tr>
<th>Assets (mEUR)</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>Abs. change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>2,886</td>
<td>2,508</td>
<td>378</td>
<td>15%</td>
</tr>
<tr>
<td>Current assets</td>
<td>6,950</td>
<td>5,976</td>
<td>974</td>
<td>16%</td>
</tr>
<tr>
<td>Total assets</td>
<td>9,931</td>
<td>8,587</td>
<td>1,344</td>
<td>16%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities (mEUR)</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>Abs. change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>3,190</td>
<td>2,899</td>
<td>291</td>
<td>10%</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,114</td>
<td>883</td>
<td>231</td>
<td>26%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>5,627</td>
<td>4,805</td>
<td>822</td>
<td>17%</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>9,931</td>
<td>8,587</td>
<td>1,344</td>
<td>16%</td>
</tr>
</tbody>
</table>

**Key takes:**

- **Improvement in net debt** due to improved earnings and net working capital.
- **Positive net working capital development** of EUR 558m.
- **Solvency ratio** at 32.1 percent.
Change in net working capital

Higher activity levels significantly impacting net working capital

Key takes:

- Positive development due to increased activity levels, primarily driven by higher prepayments.

Key takes:

- Quarterly improvement of EUR 1.2bn primarily driven by higher prepayments and lower inventories driven by higher activity levels.

* Construction contracts in progress.
Warranty provisions and Lost Production Factor

Warranty consumption and LPF continue at very satisfactory low levels

**Warranty provisions made and consumed**
mEUR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>148</td>
<td>119</td>
<td>117</td>
<td>122</td>
<td>108</td>
</tr>
<tr>
<td>160</td>
<td>95</td>
<td>228</td>
<td>117</td>
<td>148</td>
</tr>
<tr>
<td>160</td>
<td>122</td>
<td>117</td>
<td>108</td>
<td>95</td>
</tr>
</tbody>
</table>

**Lost Production Factor (LPF)**
Percent

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0</td>
<td>5.5</td>
<td>5.0</td>
<td>4.5</td>
<td>4.0</td>
<td>3.5</td>
<td>3.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

**Key takes:**

- Warranty consumption constitutes approx 0.9 percent of revenue over the last 12 months.
- Warranty provisions made correlates with revenue in the year, corresponding to approx 2.2 percent in 2016.
- LPF continues at a low level below 2.0.
- LPF measures potential energy production not captured by the wind turbines.
# Cash flow statement – full year

Significant improvement in cash flow from operating activities

<table>
<thead>
<tr>
<th>mEUR</th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>Abs. change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities before change in net working capital</td>
<td>1,793</td>
<td>1,075</td>
<td>718</td>
</tr>
<tr>
<td>Change in net working capital</td>
<td>388</td>
<td>397</td>
<td>9</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>2,181</td>
<td>1,472</td>
<td>709</td>
</tr>
<tr>
<td>Cash flow from investing activities*</td>
<td>(617)</td>
<td>(425)</td>
<td>192</td>
</tr>
<tr>
<td>Free cash flow*</td>
<td>1,564</td>
<td>1,047</td>
<td>517</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(611)</td>
<td>(360)</td>
<td>251</td>
</tr>
<tr>
<td>Change in cash at bank and in hand less current portion of bank debt</td>
<td>753</td>
<td>687</td>
<td>66</td>
</tr>
</tbody>
</table>

**Key takes:**

- Free cash flow improvement of EUR 517m driven primarily by higher earnings and change in net working capital partly offset by higher investing activities (incl. acquisition of Availon GmbH).

- Higher cash outflow from financing activities mainly due to share buy-back programme and dividend payment based on 2015 results.

**Note:** Change in net working capital in 2016 impacted by non-cash adjustments and exchange rate adjustments with a total amount of EUR 170m.

* Excluding investments in marketable securities.
### Cash flow statement – Q4

**Free cash flow of EUR 1.4bn in Q4 2016**

<table>
<thead>
<tr>
<th>mEUR</th>
<th>Q4 2016</th>
<th>Q4 2015</th>
<th>Abs. change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities before change in net working capital</td>
<td>509</td>
<td>310</td>
<td>199</td>
</tr>
<tr>
<td>Change in net working capital</td>
<td>1,092</td>
<td>454</td>
<td>638</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>1,601</td>
<td>764</td>
<td>837</td>
</tr>
<tr>
<td>Cash flow from investing activities*</td>
<td>(226)</td>
<td>(204)</td>
<td>22</td>
</tr>
<tr>
<td>Free cash flow*</td>
<td>1,375</td>
<td>560</td>
<td>816</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(272)</td>
<td>(133)</td>
<td>139</td>
</tr>
<tr>
<td>Change in cash at bank and in hand less current portion of bank debt</td>
<td>903</td>
<td>427</td>
<td>477</td>
</tr>
</tbody>
</table>

**Key takes:**

- Free cash flow more than doubled to EUR 1.4bn mainly due to positive change in net working capital and increase of underlying earnings.

- Cash flow from investing activities in line with Q4 2015.

- Cash flow from financing activities impacted by the share buy-back programme launched in August 2016.

**Note:** Change in net working capital in Q4 2016 impacted by non-cash adjustments and exchange rate adjustments with a total amount of EUR 62m.

* Excluding investments in marketable securities.
Total investments

Increased net investments in line with guidance. 2016 investments impacted by acquisitions.

Key takes:

- Investments increased by EUR 192m compared to 2015.

- 2016 investments mainly driven by tangible blades investments as well as capitalised R&D.

- In early 2016, Vestas acquired German ISP Availon GmbH for approx EUR 83m.

- Q3 2016, EUR 22m was spent on the transfer of the blades facility in Lauchhammer, Germany, from leased to owned.

Net investments
mEUR and percent of revenue

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Service Acquisitions</th>
<th>Other Acquisitions</th>
<th>Cashflow from Investing Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>286 mEUR</td>
<td>239 mEUR</td>
<td>55 mEUR</td>
</tr>
<tr>
<td>FY 2013</td>
<td>285 mEUR</td>
<td>239 mEUR</td>
<td>55 mEUR</td>
</tr>
<tr>
<td>FY 2014</td>
<td>285 mEUR</td>
<td>239 mEUR</td>
<td>55 mEUR</td>
</tr>
<tr>
<td>FY 2015</td>
<td>370 mEUR</td>
<td>22 mEUR</td>
<td>512 mEUR</td>
</tr>
<tr>
<td>FY 2016</td>
<td>425 mEUR</td>
<td>83 mEUR</td>
<td>617 mEUR</td>
</tr>
</tbody>
</table>

Capital structure

Capital structure targets firmly within boundaries

**Net debt to EBITDA**

\[ \times \text{EBITDA} \]

\[ \begin{align*}
-1.9 \\
1.6 \\
1.4 \\
1.2 \\
1.8 \\
\end{align*} \]

- Q4 2015
- Q1 2016
- Q2 2016
- Q3 2016
- Q4 2016

- Net debt to EBITDA before special items, last 12 months
- Net debt to EBITDA, financial target

**Solvency ratio**

\[ \text{Percent} \]

\[ \begin{align*}
33.8 & \quad \text{Q4 2015} \\
30.7 & \quad \text{Q1 2016} \\
30.5 & \quad \text{Q2 2016} \\
32.9 & \quad \text{Q3 2016} \\
32.1 & \quad \text{Q4 2016} \\
\end{align*} \]

- Solvency ratio
- Solvency ratio, financial target range

**Key takes:**

- Net debt to EBITDA decreased to \(1.8\) in Q4 2016.

- Development driven primarily by improved net cash position more than offsetting the improved EBITDA.

**Key takes:**

- Solvency ratio of 32.1 percent in Q4 2016.

- Q4 2016 development mainly driven by improved net cash position more than offsetting NWC and earnings effect.
### Capital allocation

Increased dividend proposed and share buy-back programmes. New share buy-back of EUR 95m initiated 8 February 2017.

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2015</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per share (DKK)</td>
<td>9.71</td>
<td>6.82</td>
<td>3.90</td>
</tr>
<tr>
<td>Dividend per share (EUR)</td>
<td>1.31</td>
<td>0.91</td>
<td>0.52</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>30.0</td>
<td>29.9</td>
<td>29.9</td>
</tr>
<tr>
<td>Dividend based on net result (mEUR)*</td>
<td>289</td>
<td>205</td>
<td>116</td>
</tr>
<tr>
<td>Share buy-back programme (mEUR)</td>
<td>401</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td>Total distribution for financial year (mEUR)</td>
<td>690</td>
<td>355</td>
<td>116</td>
</tr>
<tr>
<td>Share price 31 December (DKK)</td>
<td>459.0</td>
<td>483.8</td>
<td>226.5</td>
</tr>
<tr>
<td>Share price 31 December (EUR)</td>
<td>61.7</td>
<td>64.8</td>
<td>30.4</td>
</tr>
</tbody>
</table>

#### Key takes:

- For 2016, the Board recommends to the AGM to pay out a dividend of DKK 9.71 per share – corresponding to 30 percent of the net result for the year.

- Combined with the EUR 401m share buy-back conducted 18 August – 30 December 2016 total distribution to shareholders based on financial year 2016 will amount to EUR 690m compared to EUR 355m based on financial year 2015.

- In addition, the expected net proceeds from the sale of office buildings in Aarhus, Denmark of EUR 95m will be distributed through a share buy-back programme initiated 8 February 2017.

* Based on shares issued at year end and for 2016 proposed dividend.
Return on invested capital
ROIC development showcasing strong underlying business improvement. However, record-high level impacted by NWC elements.

Key takes:

- ROIC increased to 265.2 percent in Q4 2016 – an improvement of 148.0 percentage point compared to Q4 2015.

- Development primarily driven by NWC elements and higher earnings.
Agenda

1. Orders and markets
2. Financials
3. Profitable Growth for Vestas – status and update
4. Outlook, and questions & answers
Renewables continue to dominate global electricity generation

Future capacity additions expected to primarily come from renewables and wind in particular

- Wind estimated at ~18 percent of all new-build capacity last year.
- Wind penetration estimated at ~7 percent of total accumulated installed capacity in 2015.
- OECD countries to decommission coal, nuclear, gas, and oil driven by end of financial lifetime and CO$_2$ reduction targets.
- Non-OECD countries increasingly to pursue renewables to cater for electricity demand.

Renewables expected to account for half of additional global electricity generation, overtaking coal around 2030 to become the largest power source.

Wind continues to increase its competitiveness

Wind is among the most economical sources of electricity in many markets.

- LCOE decreased by more than 50 percent in the US and global average by 15 percent between 2011-2016.

- USD 3.1tn expected investments in wind in 2016-2040 – almost 50 percent more than the runner-up.

- Positive LCOE development for wind energy expected to continue.

---

Onshore wind turbine market forecast, stable at high volumes

Continued market share gain will be essential for mid-term growth

Onshore market forecast, 2016e-2020e

GW

<table>
<thead>
<tr>
<th>Year</th>
<th>BNEF</th>
<th>MAKE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016e</td>
<td>~54*</td>
<td>~54*</td>
</tr>
<tr>
<td>2017e</td>
<td>~53*</td>
<td>~53*</td>
</tr>
<tr>
<td>2018e</td>
<td>~57*</td>
<td>~57*</td>
</tr>
<tr>
<td>2019e</td>
<td>~56*</td>
<td>~56*</td>
</tr>
<tr>
<td>2020e</td>
<td>~58*</td>
<td>~58*</td>
</tr>
</tbody>
</table>

Excl. China, 2017-2020e CAGR equates to approx 4 percent.

Overall market for wind turbines driven by regional developments

**Americas – growth primarily driven by US market**
- Current PTC structure drives demand in 2017-2023.
- Broad-based support in LatAm especially in Mexico, Chile, and Argentina.
- Short-term challenging market conditions in Brazil, mid-term potential in place.

**Onshore market forecast, Americas**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016e</th>
<th>2017e</th>
<th>2018e</th>
<th>2019e</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>GW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average (MAKE and BNEF)</td>
<td>14</td>
<td>12</td>
<td>16</td>
<td>15</td>
<td>17</td>
</tr>
</tbody>
</table>

**EMEA – continues to be a key driver**
- EU 2020 and 2030 RE targets providing stability.
- General move to auctions.
  - Germany transitioning in 2017-18.
- Growth opportunities in MEA, however, from a lower base.
- Repowering in northern Europe, mainly in Germany and Denmark.

**Onshore market outlook, EMEA**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016e</th>
<th>2017e</th>
<th>2018e</th>
<th>2019e</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>GW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average (MAKE and BNEF)</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>13</td>
<td>14</td>
</tr>
</tbody>
</table>

**Asia Pacific – China on lower level picked up by market region**
- China addressing curtailment challenges, but remains committed to wind.
- India, ambitious wind energy targets in place. Transitioning to auctions start 2017.
- Good growth in Australia.
- Single market growth opportunities throughout the region.

**Onshore market outlook, Asia Pacific**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016e</th>
<th>2017e</th>
<th>2018e</th>
<th>2019e</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>GW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average (MAKE and BNEF)</td>
<td>27</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>27</td>
</tr>
</tbody>
</table>

**Source:** MAKE Consulting: Q4 Global Wind Power Market Update, November 2016; Bloomberg New Energy Finance: Q4 2016 Global Wind Market Outlook, December 2016; GWEC.
Large growth potential in Service

High growth in the service market stresses the importance of the aftermarket for future success.

Service market revenue opportunity, 2015 – 2025e
bnUSD

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2025e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>3.2 (24%)</td>
<td>4.1 (55%)</td>
</tr>
<tr>
<td>Americas</td>
<td>2.2 (22%)</td>
<td>4.9 (20%)</td>
</tr>
<tr>
<td>EMEA</td>
<td>4.1 (22%)</td>
<td>7.4 (38%)</td>
</tr>
</tbody>
</table>

CAGR: +9%


Classification: Public
Offshore market set for growth
Improved competitiveness of offshore wind setting trajectory for future growth

Key takes:

- 34-43 percent CAGR towards 2020e.

- Market volumes expected to be driven primarily by northern Europe, especially UK and Germany.

- Expected growth in Asia Pacific with China already an established market.

- US market with medium- to long-term potential

Vestas remains well positioned for future market trends

Profitable growth strategy on track. Annual strategy process fine-tuned to reflect the market and new opportunities.
Strategic direction and execution supported by key achievements

Vestas made significant progress on all key strategic objectives in 2016

Grow faster than the market:
- 10.5 GW FOI (+17 percent).
- 29 percent growth in deliveries.

More than 40 percent onshore service growth mid-term:
- Revenue up 15 percent in 2016.
- Order backlog up EUR 1.8bn.

Further strengthening multi-brand capabilities:
- Acquisition of Avalon GmbH.

Competitive/broad product portfolio with 2 MW, 3 MW, 8 MW platforms:
- AEP in 3 MW platform improved by up to 35 percent since launch**.
- Industrialisation and cost-out targets met.
- Delivered world’s most powerful turbine to the JV.

Margin improvement:
- EBIT up 65 percent.
- Gross profit up 41 percent.

Innovation:
- Multi-rotor concept demonstrator.
- Industry leading investments in R&D.

Vestas has a strong position within its three main business areas of wind turbines, services, and offshore offering a solid base for continued growth and stability.

**Global leader in the wind power plant solutions market**

- Grow faster than the market

**Global leader in the wind service solutions market**

- >50 percent growth by 2020

**Top player in the offshore market**

- Revenue to double over next 3 years
- Pre-tax profit break-even by 2019

Vestas key differentiators support strategic ambitions

Global reach, technology and service leadership, and scale remain the foundation for Vestas’ unique position in the market place.

**Global reach**
- Pioneer and most experienced wind energy company in the world.
- Unique global reach in terms of sales, manufacturing, installation, and service.
- In 2016, Vestas had order intake from 33 countries and deliveries in 34 countries.

**Technology and service leadership**
- Wind turbines covering all wind classes across the world.
- A broad range of service offerings securing optimal performance.
  - Best-in-class quality.
  - World-class siting and forecasting.
- Largest R&D investment in the industry.

**Scale**
- More people dedicated to wind than anyone else, largest volume.
- Largest global installed base of ~82 GW across 76 countries.
- Largest service organisation with more than 71 GW under service.
- Data insights from monitoring of more than 32,000 wind turbines.
Vestas wants to exhibit the strongest performance in the sector

**Ambitions remain**

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>• Grow faster than the market and be the market leader in revenue.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT margin:</td>
<td>• Best in class margins</td>
</tr>
<tr>
<td>ROIC:</td>
<td>• Double-digit each year over the cycle.</td>
</tr>
<tr>
<td>FCF:</td>
<td>• Positive each year.</td>
</tr>
<tr>
<td>Capital Structure targets:</td>
<td>• Net debt to EBITDA ratio below 1 at any point in the cycle.</td>
</tr>
<tr>
<td></td>
<td>• Solvency ratio in the range of 30-35 percent at the end of each financial year.</td>
</tr>
<tr>
<td>Distribution policy:</td>
<td>• Any decision to distribute cash to shareholders will be taken in appropriate consideration of capital structure targets and availability of excess cash, based on the company’s growth plans and liquidity requirements.</td>
</tr>
<tr>
<td></td>
<td>• General intention of the Board of Directors to recommend a dividend of 25-30 percent of the net result after tax.</td>
</tr>
<tr>
<td></td>
<td>• From time to time supplement with share buy-back programmes.</td>
</tr>
</tbody>
</table>
Agenda

1. Orders and markets

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Outlook 2017
Another year with expected solid financial performance

<table>
<thead>
<tr>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (bnEUR)</td>
</tr>
<tr>
<td>9.25-10.25</td>
</tr>
<tr>
<td>EBIT margin before special items (%)</td>
</tr>
<tr>
<td>12-14</td>
</tr>
<tr>
<td>Total investments (mEUR)</td>
</tr>
<tr>
<td>approx. 350</td>
</tr>
<tr>
<td>(excl. marketable securities and short term financial investments and incl. the expected net proceeds from the sale of office buildings)</td>
</tr>
<tr>
<td>Free cash flow (mEUR)</td>
</tr>
<tr>
<td>min. 700</td>
</tr>
<tr>
<td>(excl. marketable securities and short term financial investments and incl. the expected net proceeds from the sale of office buildings)</td>
</tr>
</tbody>
</table>

- **Service business** is expected to continue to grow with stable margins.

**Note:** Outlook for 2017 is subject to exchange rate movements.
Financial calendar 2017:
• Annual General Meeting (6 April 2017).
• Disclosure of Q1 2017 (5 May 2017).
• Disclosure of Q2 2017 (17 August 2017).
• Disclosure of Q3 2017 (9 November 2017).
Thank you for your attention