

SECOND QUARTER 2019

Vestas Wind Systems A/S

Copenhagen, 15 August 2019



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KEY HIGHLIGHTS

Highest ever quarterly order intake and all-time high order backlog

5.7 GW of order intake in Q2 including first order for the new EnVentus platform

Total revenue of EUR 2,121m

Six percent decrease compared to Q2 2018

EBIT of EUR 128m

EBIT margin at 6.0 percent impacted by competitive markets, tariffs, and back-end loaded activity level

Strong service performance

Revenue growth of 15 percent, and EBIT margin of 28.4 percent

Increasing profit in MHI Vestas Offshore Wind

Net profit of EUR 22m; an underlying improvement of EUR 49m YoY

Outlook 2019

Guidance for 2019 narrowed for revenue and EBIT margin based on performance and improved visibility



AGENDA

Orders and markets

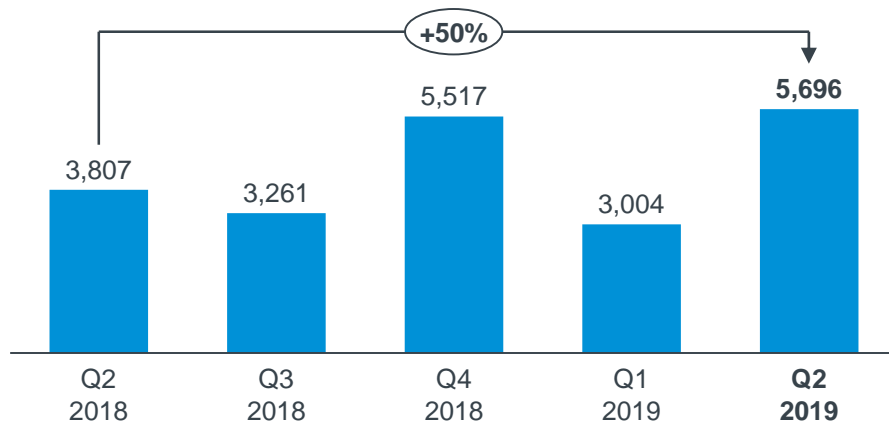
Financials

Outlook and Q&A

SECOND QUARTER ORDER INTAKE

Record high order intake at 5.7 GW, with an average selling price of EUR 0.75m per MW

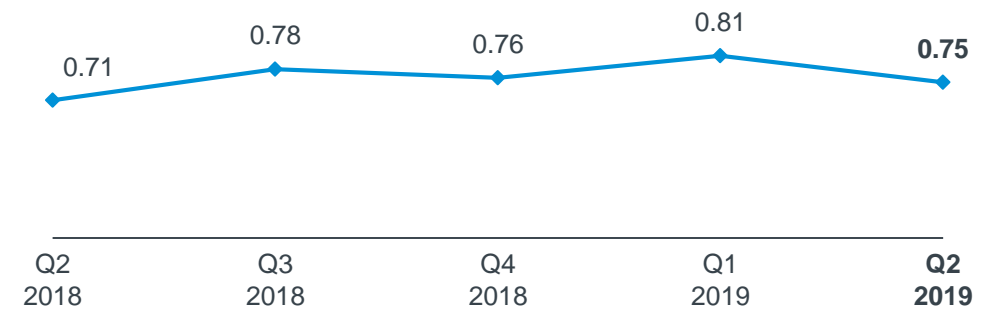
Order intake
MW



Key highlights

- Q2 2019 order intake was 1,889 MW higher than in Q2 2018; an increase of 50 percent
- USA, Brazil, and Finland were the main contributors to order intake in Q2 2019

Average selling price of order intake
mEUR per MW



Key highlights

- Price per MW remained stable in Q2 2019
- Geography, turbine type, scope, and uniqueness of the offering still a factor

ALL-TIME HIGH ORDER BACKLOG OF MORE THAN EUR 31BN

Combined backlog increased by EUR 8.5bn YoY, an increase of 37 percent



EUR +5.7bn*



EUR +2.8bn*

* Compared to Q2 2018.

REGIONAL HIGHLIGHTS: AMERICAS

Demand in USA and Latin America continues to increase

Market highlights

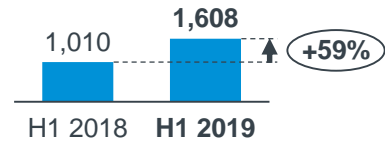
PTC and trade tariffs in the USA...

- Continued strong US demand driven by current PTC structure and economics of wind
- Steel and tariff mitigation continues

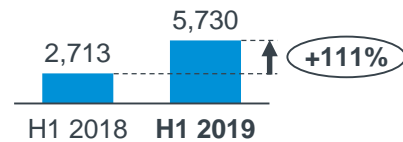
Latin America auctions...

- 1st auction in Brazil with new government completed in Q2 2019 following successful auctions in 2018
- 1 GW renewable auction in Argentina expected in second half 2019
- 1 GW auction in Columbia rescheduled and confirmed for second half 2019

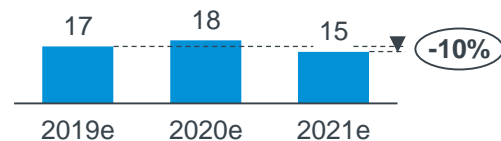
Deliveries MW



Order intake MW



Mid term volume outlook* GW



- Increase mainly driven by **US** deliveries
- Argentina**, **Canada**, and **Mexico** also contributing to the increase

- Strong position in **Brazil** drives increase in order intake
- USA** continues to increase from an already high level

- Decline driven by the **US market** with all-time high installations in 2020
- Potential upside in **Brazil in 2021** as order coverage already builds

* Source: Wood Mackenzie

REGIONAL HIGHLIGHTS: EUROPE, MIDDLE EAST, AND AFRICA

High activity levels as commitments towards renewables increase

Market highlights

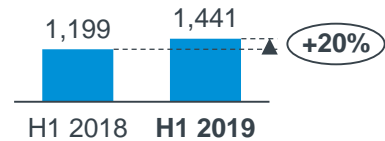
Continuously increasing the penetration of renewable energy in EU...

- 2.5 GW auction confirmed by parliament in Poland for second half 2019
- Climate change plan in place in Denmark with 70 percent greenhouse gas reduction by 2030
- Undersubscription of auctions in Germany continues; ambitions to speed up retirement of coal-fired power plants still in place

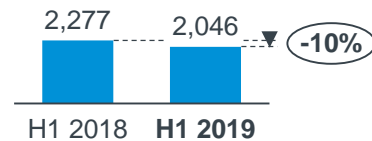
Positive signals in MEA...

- Increasing commitments to renewable energy across the region

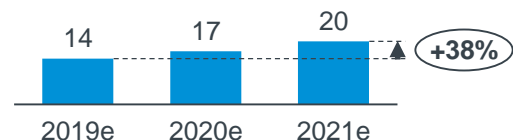
Deliveries MW



Order intake MW



Mid term volume outlook* GW



- Delivery growth in **Spain, Italy, and Ukraine** offsets expected decline in **Germany**
- Generally **low level of deliveries** in the region as profile is expected to be **back-end loaded**

- **Finland** and **France** as main contributors to order intake not offsetting decline in **Italy** and **Sweden**
- Two orders in **Poland** as market restarts

- Growth in **EMEA** more than offsets **Americas** decline
- **Germany** as the primary driver, albeit growth being supported **broadly**

* Source: Wood Mackenzie

REGIONAL HIGHLIGHTS: ASIA PACIFIC

Strong order intake

Market highlights

Increased commitment in China...

- Large scale auctions and tenders started; distributed wind segment growing in importance

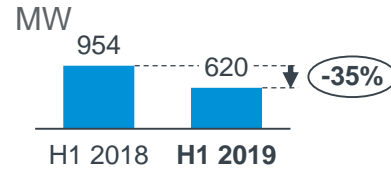
India auctions launched...

- Ambitions still in place with 140 GW wind target for 2030 but short-term execution still uncertain
- Increasing local content requirements fitting well with expanded supply chain footprint

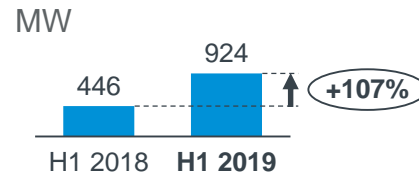
Broader Asia Pacific region on the move...

- New energy policy roadmap raises renewable energy target substantially in South Korea

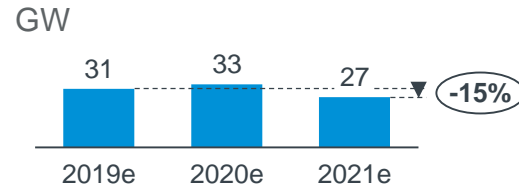
Deliveries



Order intake



Mid term volume outlook*



- Decrease primarily driven by Thailand, and China, and India

- Australia remains stable

- Continued strong growth in order intake in Australia

- China and India also contributing to the increase

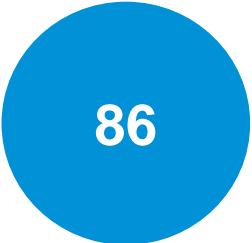
- China driving market decline; 21 percent growth outside China over the period

- Uncertainty still dampens installation growth in India

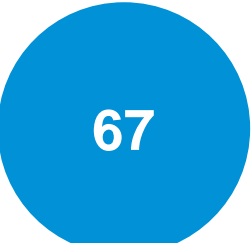
* Source: Wood Mackenzie

SERVICE BUSINESS

Well positioned as the world's largest service provider



86 GW of turbines with active service contracts



67 countries with active operations

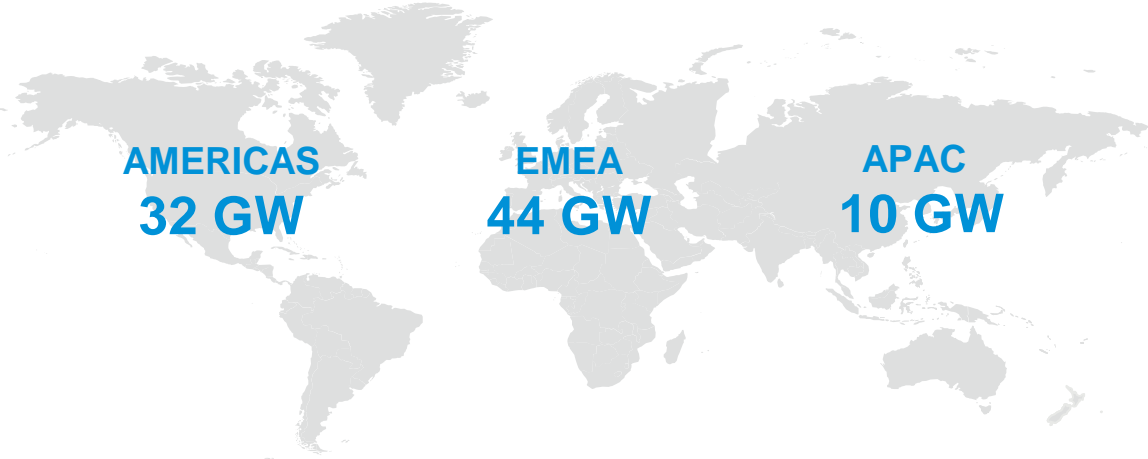


8 years of average backlog duration

Key highlights

- First EnVentus order in Finland results in 30-year AOM 5000 service agreement
- More than 300 MW of multibrand deals in the US
- 14-year full scope AOM 5000 service contract extension for 69 MW multibrand project in Europe

Service fleet



MHI VESTAS OFFSHORE WIND

Operational excellence secures fast and safe execution of projects

Track record...



> 1,100 turbines installed
across 30 projects

Pipeline...



Under installation/
unconditional orders



Conditional orders/
preferred supplier

* As at 30 June 2019

Key highlights

- Record installation time of the [Norther project](#), seeing 50 percent faster installation times than the first V164 project only three years ago
- Inauguration of 56 V164-8.3MWTM turbines ([Borkum Riffgrund 2](#)), the most powerful turbine installed in the German offshore wind market

Projects in progress in Q2



[Horns Rev III \(DK\)](#)
406 MW
V164-8.3 MWTM

[Norther \(BE\)](#)
370 MW
V164-8.4 MWTM

[WindFloat Atlantic \(PT\)](#)
25 MW
V164-8.4 MWTM

[Northwester 2 \(BE\)](#)
219 MW
V164-9.5 MWTM



AGENDA

Orders and markets

Financials

Outlook and Q&A

INCOME STATEMENT

Lower profitability caused by Power solutions

mEUR	Q2 2019	Q2 2018	% change
Revenue	2,121	2,260	(6)%
Production costs	(1,820)	(1,844)	(1)%
Gross profit	301	416	(28)%
SG&A costs*	(173)	(157)	10%
EBIT	128	259	(51)%
Income from investments in joint ventures and associates	9	(13)	169%
Net profit	90	184	(51)%
Gross margin	14.2%	18.4%	(4.2)%-pts
EBITDA margin	12.0%	16.3%	(4.3)%-pts
EBIT margin	6.0%	11.5%	(5.5)%-pts

*R&D, administration, and distribution

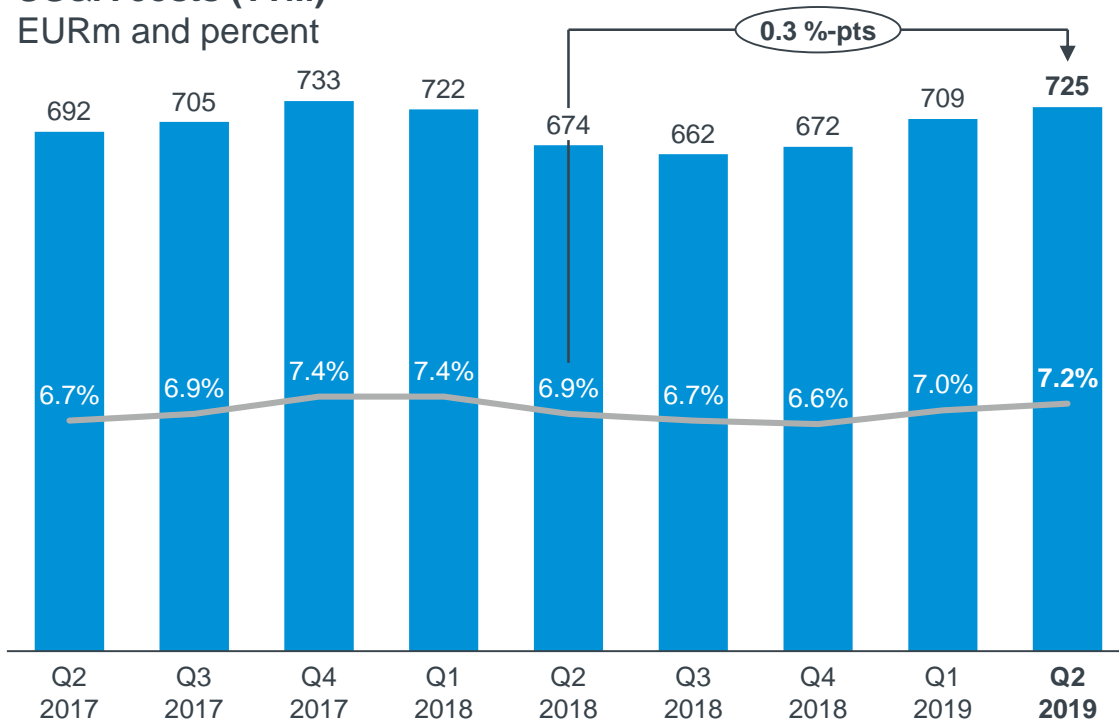
Key highlights

- Revenue decreased **6 percent**
- Power solutions expectedly impacted by **back-end loaded activity profile**, while **Service revenue increased YoY**
- **Gross margin down by 4.2 percentage points**, negatively impacted by orders received during the price decline in 2017. Furthermore, external factors such as **tariffs and raw material prices** increased cost as projected in the quarter
- **EBIT margin down by 5.5 percentage points**, mainly driven by lower gross profit and increased SG&A costs

SG&A COSTS

SG&A costs under control

SG&A costs (TTM)*
EURm and percent



■ SG&A costs — % of revenue

Key highlights

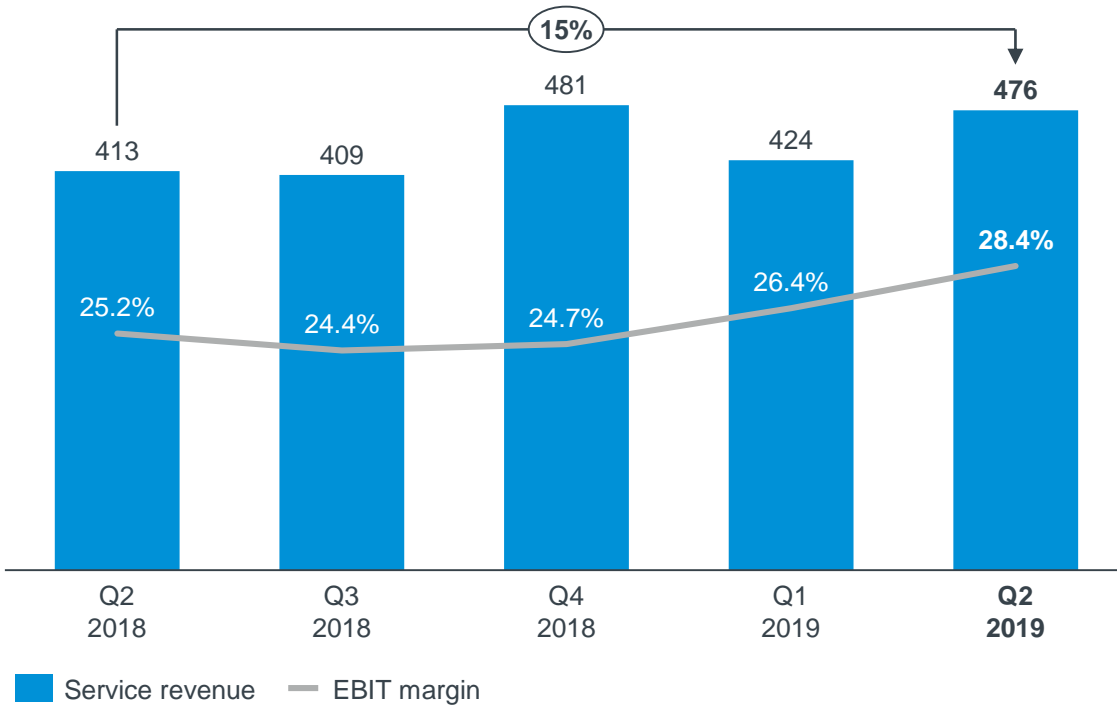
- SG&A costs increased YoY (12m rolling) to cater for higher activity levels in 2019
- Depreciation and amortisation increased EUR 23m YoY primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 7.2 percent – an increase of 0.3 percentage points compared to Q2 2018

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

SERVICE BUSINESS

Strong service performance

Service revenue and EBIT margin, onshore
EURm and percent



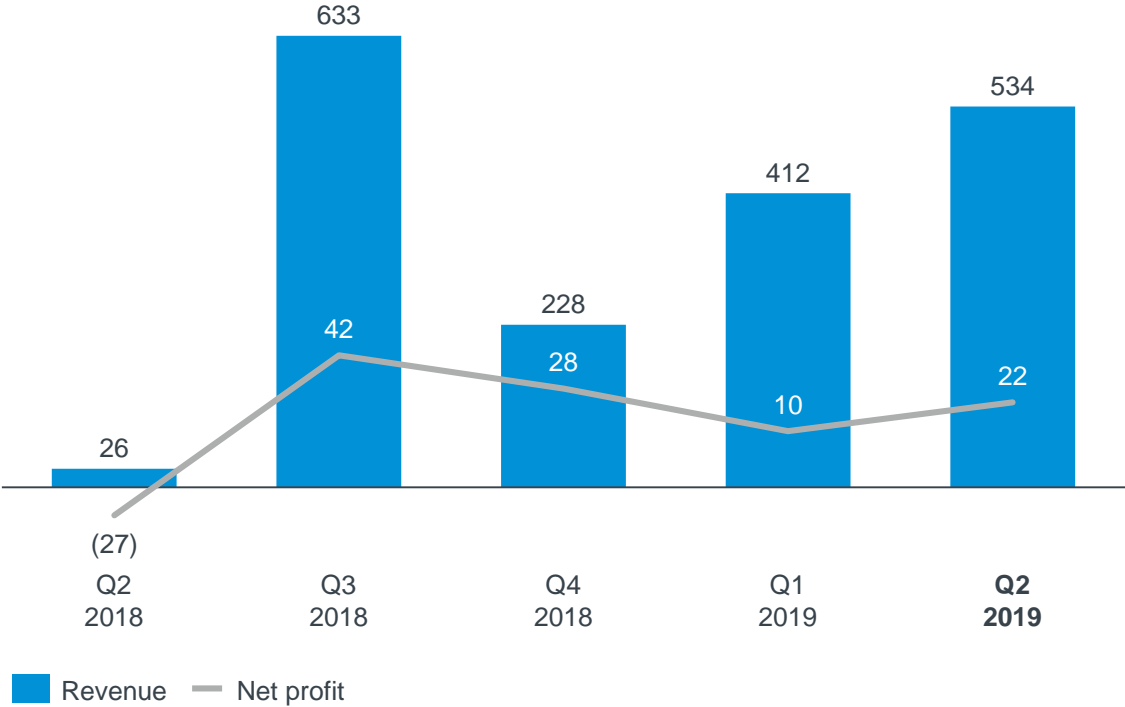
Key highlights

- Service revenue increased by 15 percent compared to Q2 2018, mainly driven by higher activity levels
- 2019 Q2 EBIT: EUR 135m
2019 Q2 EBIT margin: 28.4 percent

MHI VESTAS OFFSHORE WIND

Increasing revenue and net profit

Revenue and net profit*
EURm



Key highlights

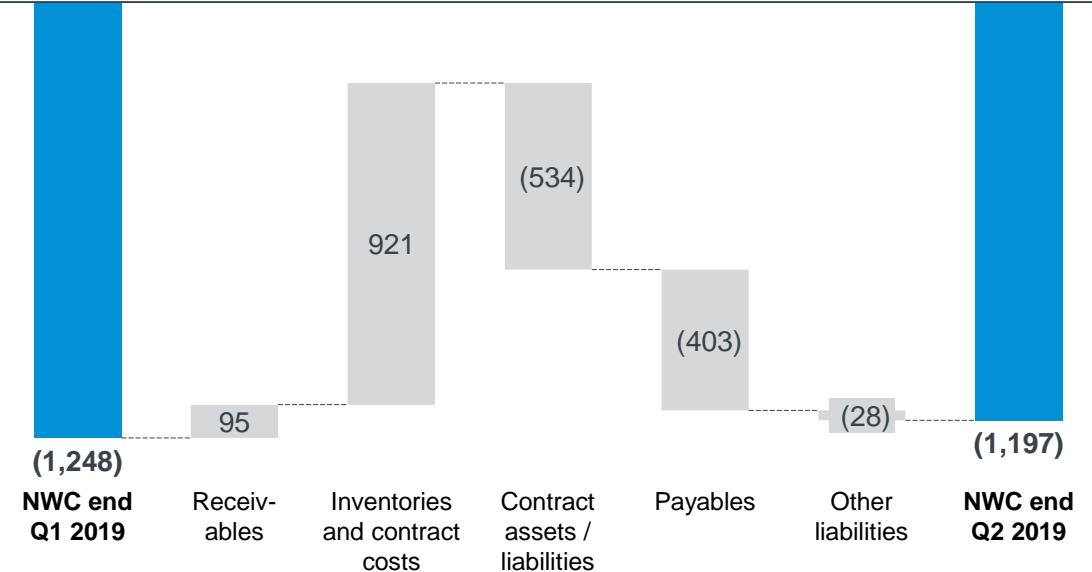
- Revenue in the JV increased EUR 508m compared to Q2 2018, mainly driven by deliveries for Horns Reef III and the Norther project
- Improved profitability is a result of higher activity level for the V164 turbine

* Vestas accounting for MHI Vestas: The joint venture is accounted for using the equity method

CHANGE IN NET WORKING CAPITAL

Build-up of net working capital to cater for high activity levels

NWC change over the last 3 months
mEUR



Key highlights

- Net working capital in the quarter negatively impacted by **increased inventory**, offset by **higher down- and milestone payments and payables**

CASH FLOW STATEMENT

Ramp-up for a busy second half impacts free cash flow in the first half of 2019

mEUR	Q2 2019	Q2 2018	Abs. change
Cash flow from operating activities before change in net working capital	178	377	(199)
Change in net working capital*	(78)	(429)	351
Cash flow from operating activities	100	(52)	152
Cash flow from investing activities**	(175)	(121)	(54)
Free cash flow before financial investments**	(75)	(173)	98
Free cash flow	120	(438)	508
Cash flow from financing activities	(175)	(352)	177
Net interest-bearing position	1,679	2,070	(391)

Key highlights

- Free cash flow before financial investments increased EUR 98m compared to Q2 2018, impacted by lower profit but offset by change in NWC and operating cash flow
- Net interest-bearing position of EUR 1.7bn

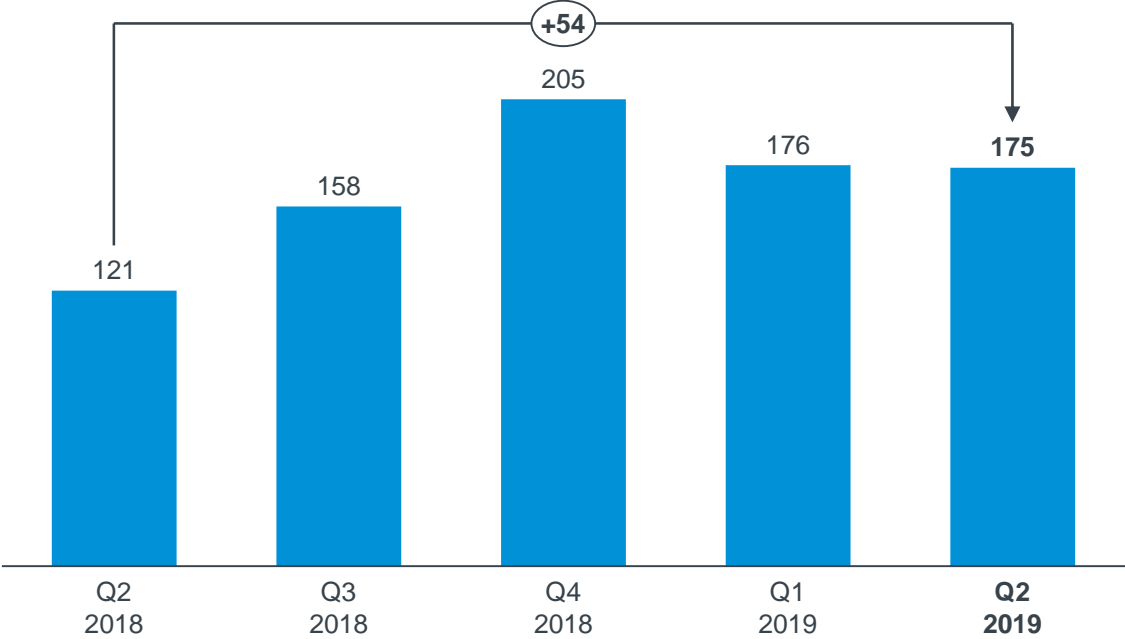
* Change in net working capital in Q2 2019 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (27)m

** Before investments in marketable securities, short-term financial investments, and acquisition of subsidiaries

TOTAL INVESTMENTS

Increased total investments to meet strong demand

Total investments*
EURm



Cash flow from investing activities

Key highlights

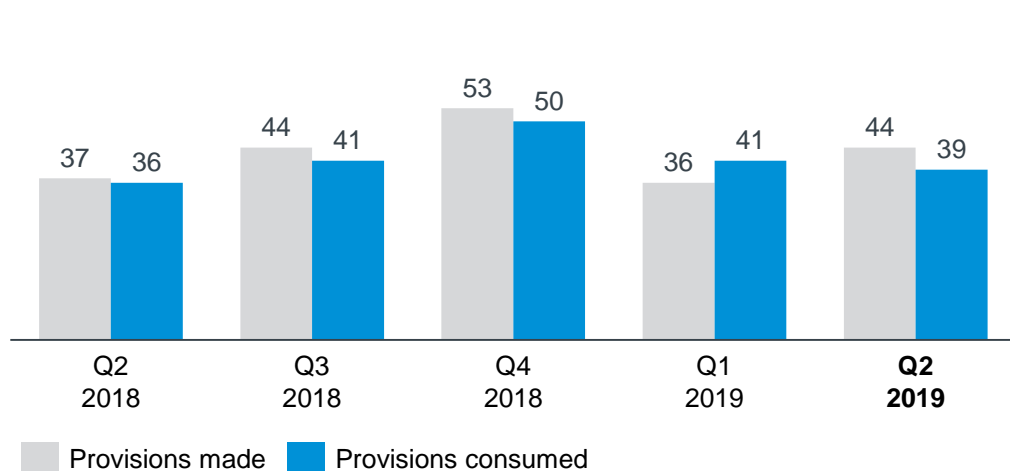
- Underlying investments increased approx. EUR 54m in order to meet strong demand and new product launches

* Before investments in marketable securities and short-term financial investments

WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty consumption and LPF continue at a low level

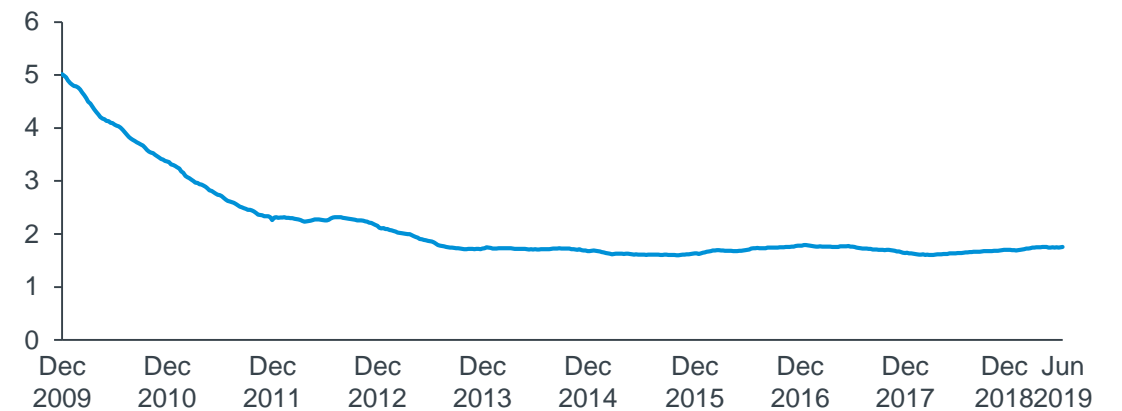
Warranty provisions made and consumed
mEUR



Key highlights

- Warranty provisions consumed remain stable
- Warranty provisions made corresponds to **2.1 percent of revenue in Q2 2019** to cater for introduction of **new products**

Lost Production Factor (LPF)
Percent



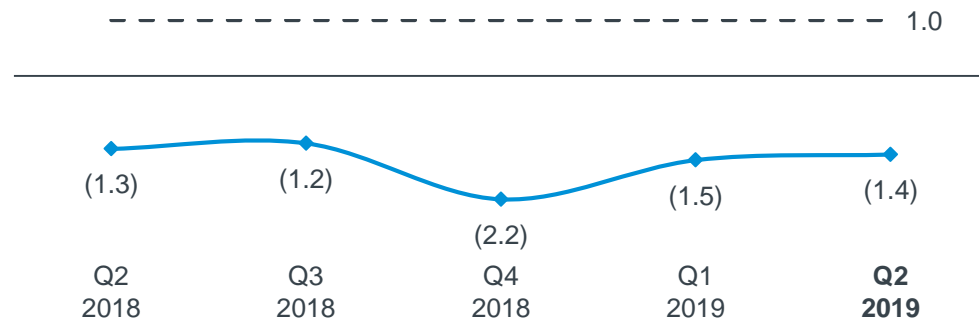
Key highlights

- LPF continues at a low level – **below 2.0**
- LPF measures potential energy production not captured by Vestas' wind turbines

CAPITAL STRUCTURE

Net debt to EBITDA well below threshold

Net debt to EBITDA before special items
mEUR

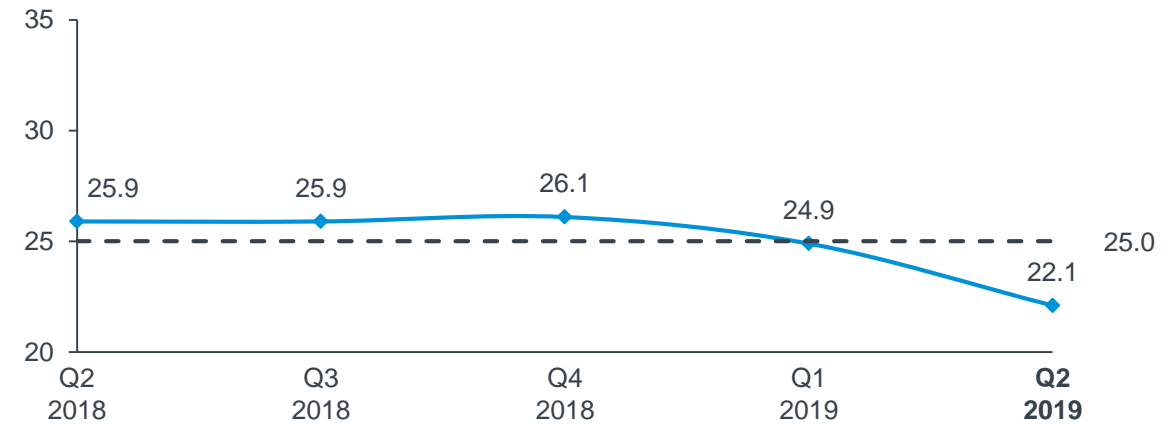


◆ Net debt to EBITDA, last 12 months
- - Net debt to EBITDA, financial target

Key highlights

- Net debt to EBITDA remains at low level of **(1.4) in Q2 2019**

Solvency ratio
Percent



◆ Solvency ratio

Key highlights

- Solvency ratio of **22.1 percent in Q2 2019** below end-of-year target
- Low level primarily driven by **increase in total assets**



AGENDA

Orders and markets

Financials

Outlook and Q&A

OUTLOOK 2019

	Outlook	Previous outlook
Revenue (bnEUR) - Service is expected to grow approx. 10 percent	11 - 12.25	10.75 - 12.25
EBIT margin before special items (%) - Service margin is expected to be minimum 24 percent	8 - 9	8 - 10
Total investments (mEUR) (*Excl. the acquisition of SOWITEC, any investments in marketable securities, and short-term financial investments.)	approx. 800	approx. 700

The 2019 outlook is based on current foreign exchange rates



Q&A

Financial calendar 2019:

- Disclosure of Q3 2019 (7 November)

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