

FULL YEAR 2019

Copenhagen, 5 February 2020

Vestas Wind Systems A/S

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.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2019 (available at www.vestas.com/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

KEY HIGHLIGHTS

Highest ever order intake

Firm order intake of 17.9 GW; up 26 percent compared to 2018

All-time high order backlog

Combined order backlog of EUR 34bn

FY 2019 guidance met on all parameters

Revenue of EUR 12.1bn, EBIT margin before special items of 8.3 percent, and net investments of EUR 729m*

Service business continues to grow

Organic growth of 12 percent in Service compared to 2018; EBIT margin of 26 percent

Ambitious sustainability targets introduced

Vestas to incorporate sustainability in everything we do

Dividend recommended for the 6th year in a row

Recommended dividend payment of DKK 7.93 per share, equal to a payout ratio of 30 percent

* Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments.



AGENDA

Orders and markets

Financials

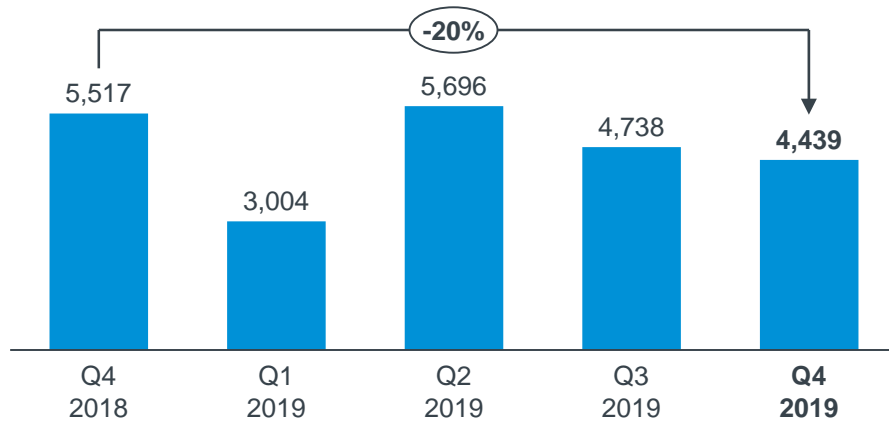
Strategy and market outlook

Outlook & Q&A

FOURTH QUARTER ORDER INTAKE

Order intake at 4.4 GW, with an average selling price of EUR 0.79m per MW

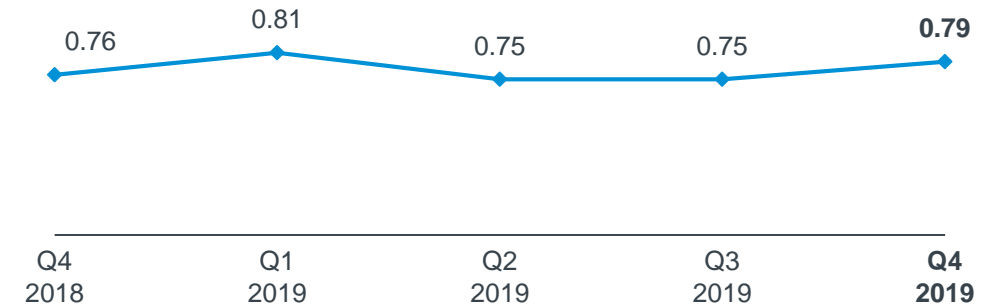
Order intake
MW



Key highlights

- Q4 2019 order intake down compared to Q4 2018, but supporting record high FY 2019
- USA, Poland, and Finland were the main contributors to the order intake in Q4 2019

Average selling price of order intake
mEUR per MW



Key highlights

- Price per MW remained stable in Q4 2019
- Geography, turbine type, scope, and uniqueness of the offering still a factor

ALL-TIME HIGH ORDER BACKLOG OF EUR 34BN

Combined backlog increased by EUR 7.6bn YoY, an increase of 29 percent



EUR +4.1bn*



EUR +3.5bn*

* Compared to FY 2018.

REGIONAL HIGHLIGHTS: AMERICAS

Strong demand in USA and Latin America drives increasing activity

Market highlights

PTC and trade tariffs in the USA...

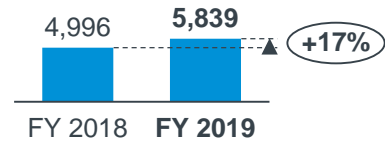
- Extension of PTC at 60 percent level for projects installed in '23 and '24; qualification by end '20
- Steel and tariff mitigation continues; still heavily impacting supply chain and transport costs

Latin America auctions...

- Chile expected to allocate 1.3 GW in technology neutral auction in 2020
- New rounds of A-4 and A-6 auctions in Brazil expected in 2020

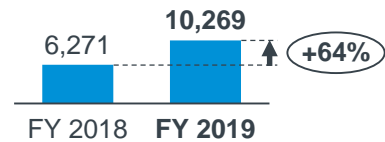
Deliveries

MW



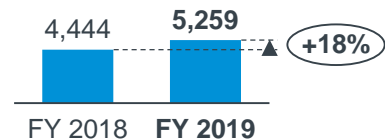
Order intake

MW



Revenue

mEUR



- Increase mainly driven by **US** deliveries
- Increase in **Canada** partly offsetting decline in **Mexico**
- **USA** and **Brazil** drives strong increase in the region
- Positive development in **Chile** while **Argentina** and **Canada** orders declined
- Total revenue of **EUR 5.3bn**; service accounting for **12 percent**
- Deliveries in **9 countries** and service in **18 countries**

REGIONAL HIGHLIGHTS: EUROPE, MIDDLE EAST, AND AFRICA

High activity levels as commitments towards renewables increase

Market highlights

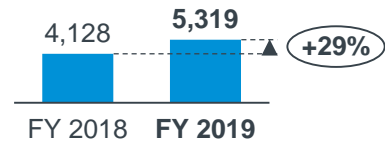
EU Green Deal in place for Europe to become carbon-neutral by 2050...

- 2.2 GW onshore wind allocated to wind in Poland in 2019 – another 1 GW auction expected in 2020
- Oversubscribed auction in Germany in Q4 2019, but not yet a release of permitting bottleneck; distance rules still uncertain
- 1.2 GW of auction expected in Italy in 2020

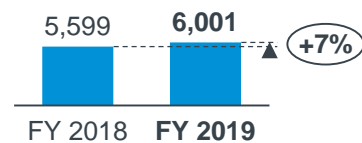
Positive signals in MEA...

- Saudi Arabia targeting 16 GW of wind by 2030
- Broad commitments in a highly diversified region

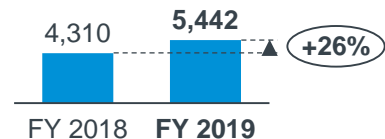
Deliveries MW



Order intake MW



Revenue mEUR



- Delivery growth in **Sweden and Spain** offsets expected decline in **Germany**
- High activity levels in **Italy** and **Norway**
- **Finland** leading broad based order intake from **21 countries**
- **France** continues at high level, while **Saudi Arabia** and **Poland** among others saw strong order increase
- Total revenue of **EUR 5.4bn**; service accounting for **19 percent**
- Deliveries in **25 countries** and service in **40 countries**

REGIONAL HIGHLIGHTS: ASIA PACIFIC

Slow order intake in 2019; high potential remains

Market highlights

Increased commitment in China...

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

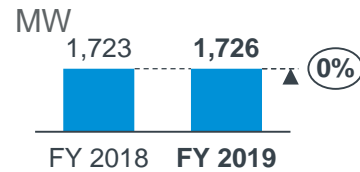
Challenges in India continues...

- Ambitions still in place with 140 GW wind target for 2030 but execution still uncertain and price sealing limits auction activity

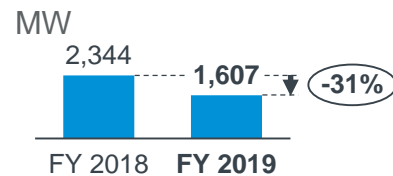
Broader Asia Pacific region on the move...

- Vietnam seeing strong interest for renewables – Vestas to introduce intertidal projects

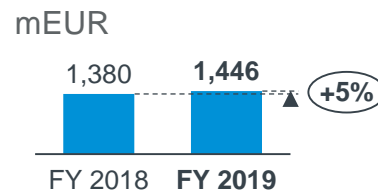
Deliveries



Order intake



Revenue



- Slight increases in [Australia](#) and [China](#) deliveries
- Declines in [India](#) and [Thailand](#)
- Strong increase in [Vietnam](#) and [New Zealand](#) partly offsetting lower activity in [Australia](#)
- Low activity levels in [India](#) in 2019
- Total revenue of [EUR 1.4bn](#); service accounting for [13 percent](#)
- Deliveries in [8 countries](#) and service in [11 countries](#)

SERVICE BUSINESS

Well positioned as the world's largest service provider

96

GW of onshore turbines with active service contracts

18

Years of average duration on new contracts signed

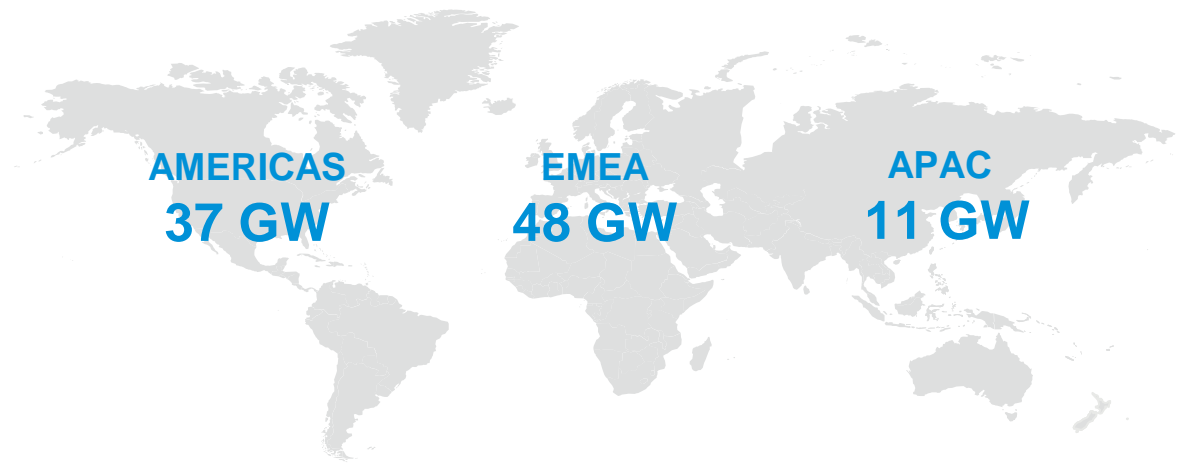
69

Countries with active service contracts

Key highlights

- Repowering of the world's most northern wind farm with **30 years** of full scope service contract
- Fleet optimisation contracts gaining traction in the **overhaul** and **life-extension** of older turbines
- For Multibrand, approx. **3.5 GW** contracts signed across **12 countries** and all major OEMs in 2019, with an average contract length of 6 years

Service fleet



MHI VESTAS OFFSHORE WIND



Developments in the joint venture

Track record...

~4.8*
GW

> 1,220 turbines installed
across 34 projects

Pipeline...

~2.8*
GW

Under installation/
unconditional orders

~3.8*
GW

Conditional orders/
preferred supplier

* As at 31 December 2019

Key highlights

- Preferred supplier status for [Hibikinada Offshore Wind Farm](#), the first commercial-scale project in Japan to feature the V174-9.5 MW™
- Conditional agreement signed to supply 27 V174-9.5 MW™ for the 257 MW [Arcadis Ost 1](#) in the German Baltic Sea
- First V164-9.5 MW™ installed at [Northwester 2](#), the world's largest installed wind turbine now exceeding 9 MW

Projects in progress in Q4 2019



[Deutsche Bucht \(DE\)](#)
269 MW
V164-8.0 MW™

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

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

[Borssele III/IV \(NL\)](#)
731.5 MW
V164-9.5 MW™

[Borssele V \(NL\)](#)
19 MW
V164-9.5 MW™

[Kincardine \(UK\)](#)
50 MW
V164-9.5 MW™

[Moray East \(UK\)](#)
950 MW
V164-9.5 MW™



AGENDA

Orders and markets

Financials

Strategy and market outlook

Outlook & Q&A

INCOME STATEMENT – FULL YEAR

Revenue increased while EBIT margin decreased

mEUR	FY 2019	FY 2018	% change
Revenue	12,147	10,134	20%
Production costs	(10,386)	(8,503)	(22)%
Gross profit	1,761	1,631	8%
SG&A costs*	(757)	(672)	(13)%
EBIT before special items	1,004	959	5%
Income from investments in joint ventures and associates	3	40	(93)%
Net profit	700	683	2%
Gross margin	14.5%	16.1%	(1.6)%-pts
EBITDA margin before special items	12.8%	13.8%	(1.0)%-pts
EBIT margin before special items	8.3%	9.5%	(1.2)%-pts

Key highlights

- Revenue increased **20 percent**; driven by both Power solutions and Service
- **Gross margin down by 1.6 percentage points**, positively impacted by sale of Romanian projects; external factors such as **tariffs, transport, and raw material prices** increased costs
- **EBIT margin decreased by 1.2 percentage points**, mainly driven by lower gross margin

*R&D, administration, and distribution

INCOME STATEMENT – Q4 2019

Record high quarterly activity levels

mEUR	Q4 2019	Q4 2018	% change
Revenue	4,650	3,369	38%
Production costs	(4,040)	(2,870)	(41)%
Gross profit	610	499	22%
SG&A costs*	(206)	(201)	(2)%
EBIT before special items	404	298	36%
Income from investments in joint ventures and associates	(16)	12	(233)%
Net profit	282	219	29%
Gross margin	13.1%	14.8%	(1.7)%-pts
EBITDA margin before special items	12.1%	12.3%	(0.2)%-pts
EBIT margin before special items	8.7%	8.8%	(0.1)%-pts

Key highlights

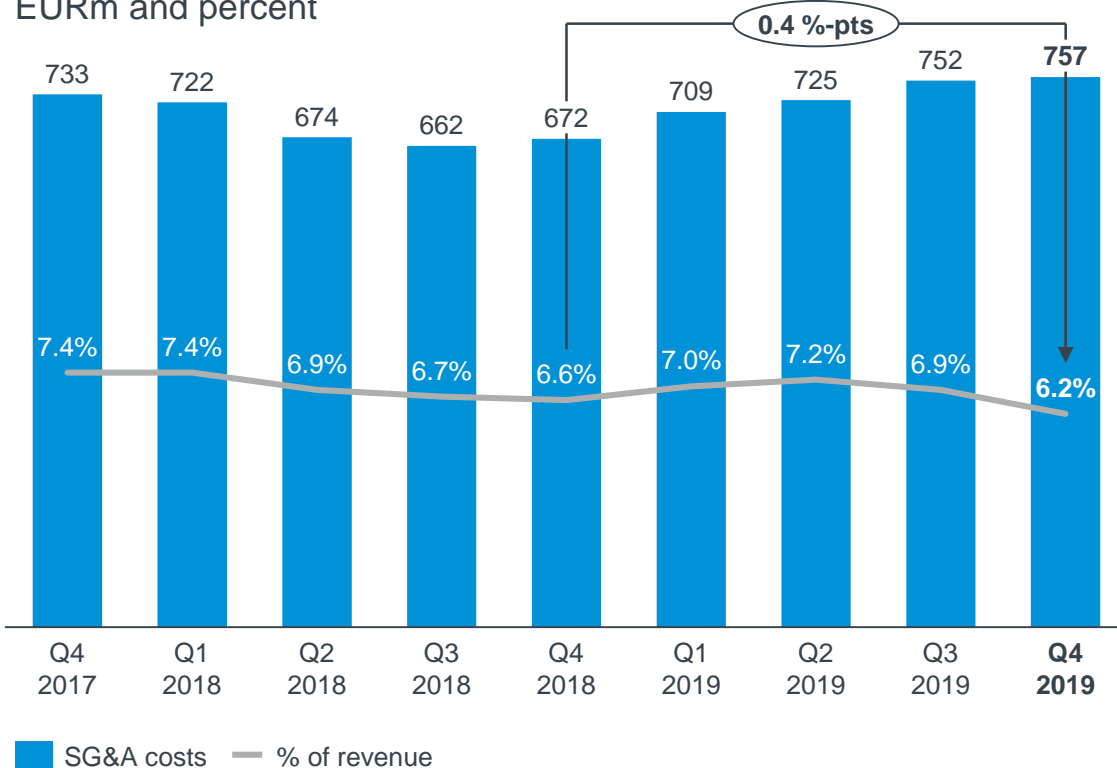
- Revenue increased **38 percent resulting in highest-ever level** driven by all regions; mainly driven by Power solutions due to **back-end loaded activity profile**
- **Gross margin down by 1.7 percentage points** driven by external factors such as **tariffs, transport, and raw material prices**, and as well **lower share of service revenue**
- **EBIT margin decreased by 0.1 percentage points**, mainly driven by increased leverage on SG&A costs partly offsetting the lower gross margin

*R&D, administration, and distribution

SG&A COSTS

SG&A costs under control

SG&A costs (TTM)*
EURm and percent



Key highlights

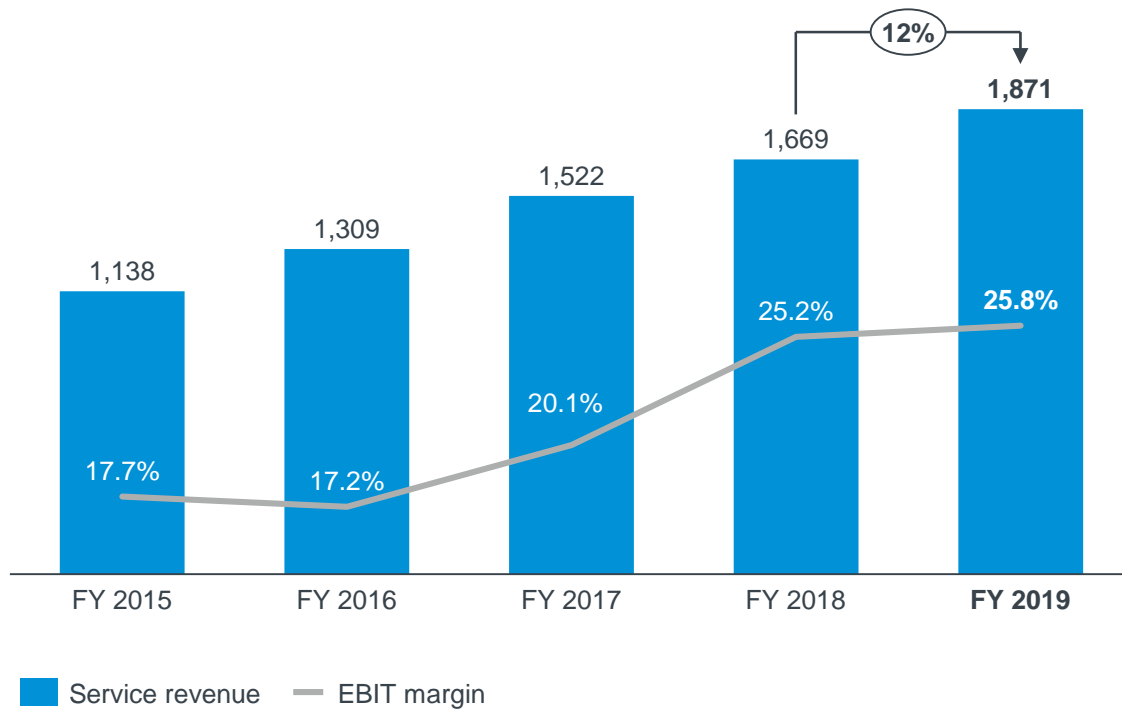
- SG&A costs increased YoY (12m rolling) to cater for higher activity levels
- Depreciation and amortisation increased EUR 29m YoY primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 6.2 percent – a decrease of 0.4 percentage points compared to Q4 2018

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

SERVICE BUSINESS

Strong service performance

Service revenue and EBIT margin, onshore
mEUR and percent



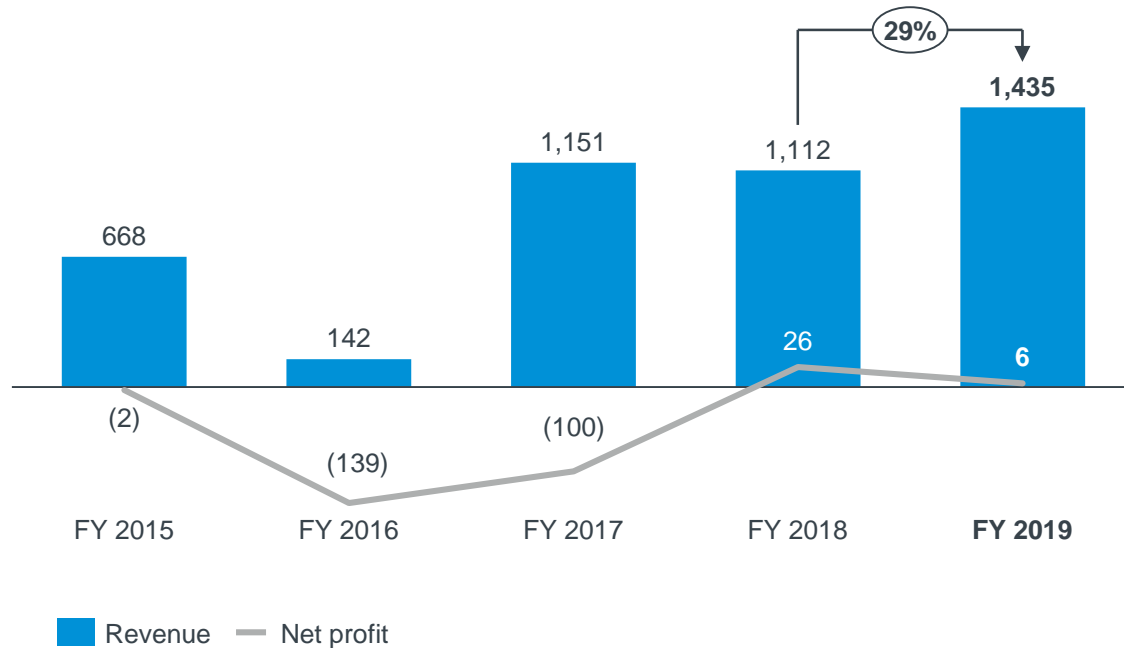
Key highlights

- Service revenue increased by 12 percent compared to FY 2018, mainly driven by higher activity levels
- 2019 Q4 EBIT: EUR 110m
2019 Q4 EBIT margin: 20.8 percent

MHI VESTAS OFFSHORE WIND

Strong growth in activity levels

Revenue and net profit* EURm



Key highlights

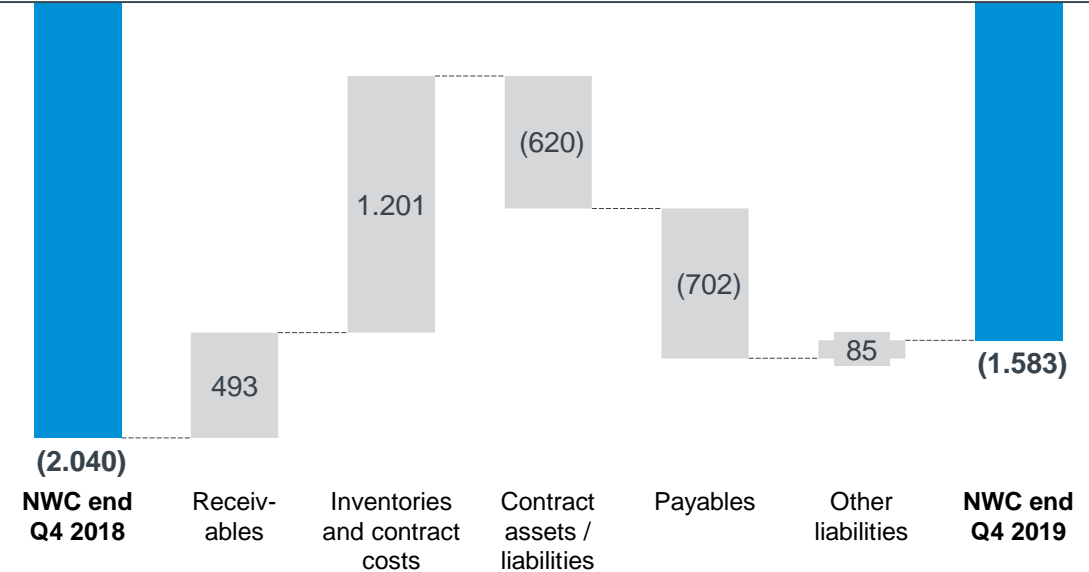
- Revenue in the JV of EUR 1,435m; up 29 percent from 2018
- EBIT performance improved YoY but was more than offset by additional non-operational costs
- Net profit of EUR 6m

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

CHANGE IN NET WORKING CAPITAL

Inventory remains high to cater for increasing activity levels

NWC change over the year
mEUR



Key highlights

- Net working capital negatively impacted by **increased level of inventory** to cater for high activity levels
- **Down- and milestone payments** partly offset

CASH FLOW STATEMENT

Positive free cash flow of EUR 94m

mEUR	FY 2019	FY 2018	Abs. change
Cash flow from operating activities before change in net working capital	1,260	1,190	70
Change in net working capital*	(437)	(169)	(268)
Cash flow from operating activities	823	1,021	(198)
Cash flow from investing activities**	(729)	(603)	(126)
Free cash flow before financial investments**	94	418	(324)
Free cash flow	332	(69)	401
Cash flow from financing activities	(367)	(639)	272
Net interest-bearing position	2,452	3,046	(594)

Key highlights

- Free cash flow before financial investments of EUR 94 compared to EUR 418m in 2018, negatively impacted by change in net working capital and higher investments
- Net interest-bearing position of EUR 2.5bn

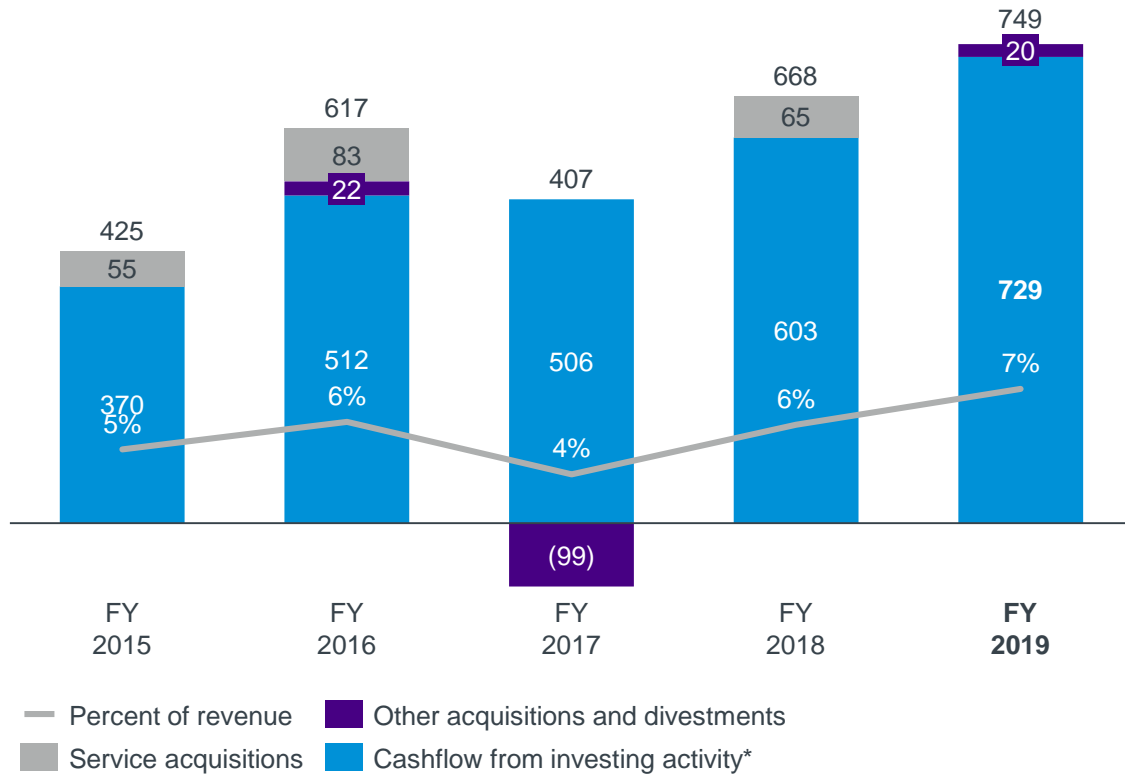
* Change in net working capital in 2019 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (20)m

** Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments

TOTAL INVESTMENTS

Investments year-to-date increased to meet strong demand

Total investments*
EURm



Key highlights

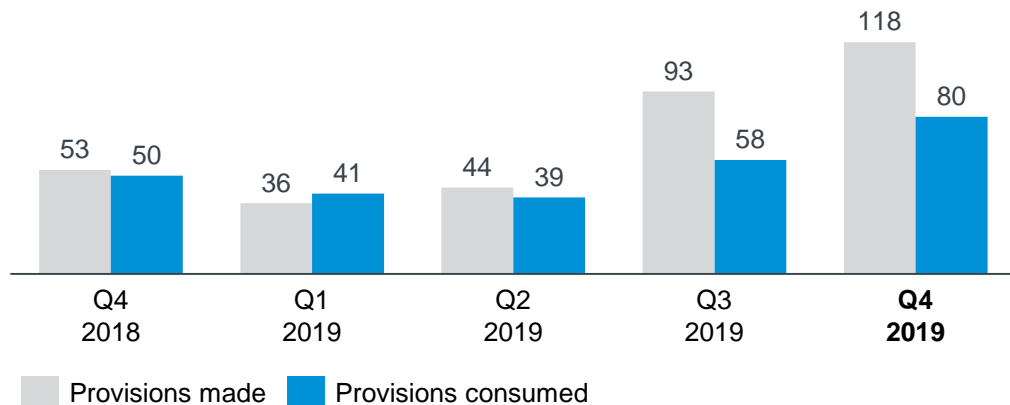
- Investments increased to **EUR 729m**
- 2019 investments up **EUR 126m** compared to 2018 in order to meet **strong demand** and **new product launches**

* Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments

WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty consumption and LPF continue at a low level

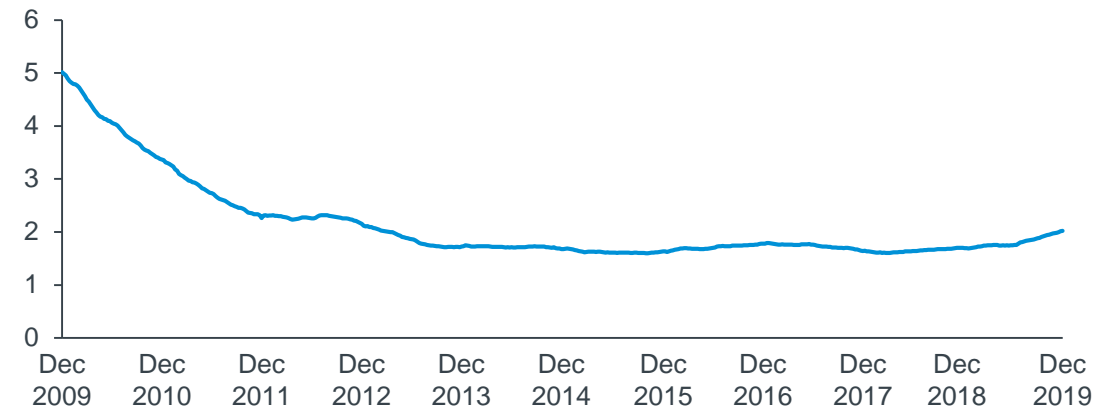
Warranty provisions made and consumed
mEUR



Key highlights

- Warranty provisions consumed increased slightly
- Warranty provisions made corresponded to **2.5 percent of revenue in Q4 2019** as a result of steep delivery ramp-up and the acceleration of new product introductions

Lost Production Factor (LPF)
Percent



Key highlights

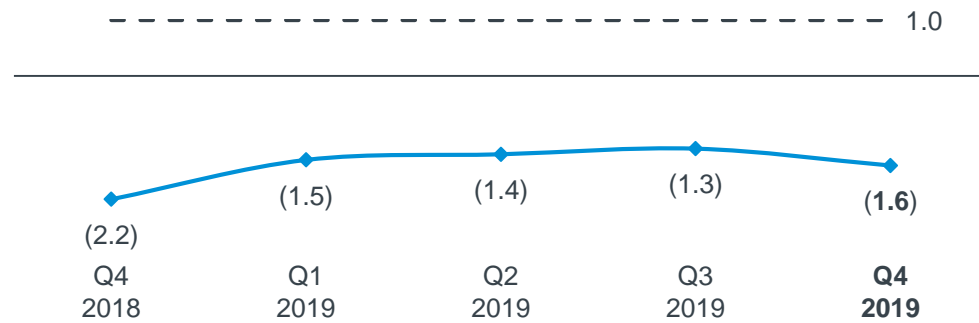
- LPF continues at a low level
- LPF measures potential energy production not captured by Vestas' wind turbines

CAPITAL STRUCTURE

Net debt to EBITDA well below threshold

Net debt to EBITDA before special items

mEUR



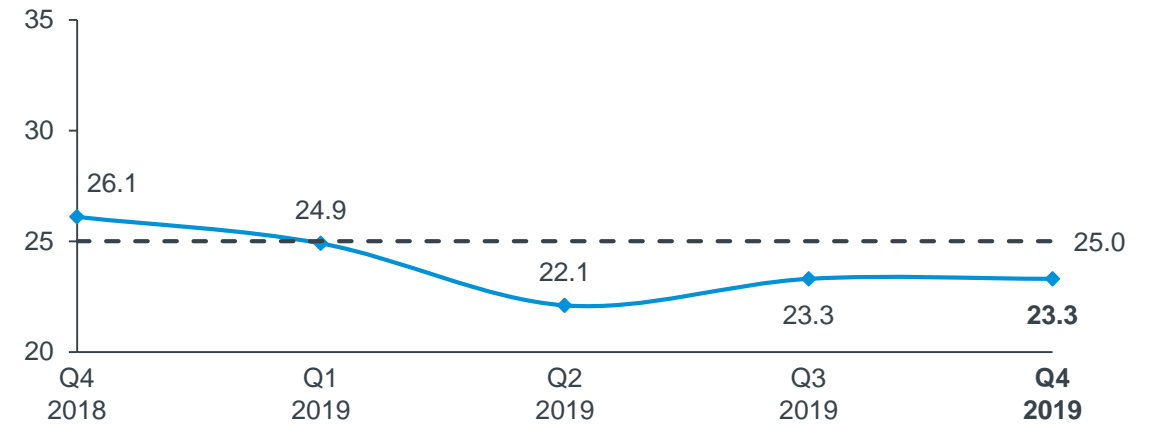
- ◆ Net debt to EBITDA, last 12 months
- - Net debt to EBITDA, financial target

Key highlights

- Net debt to EBITDA remains at low level of **(1.6)** in **Q4 2019**

Solvency ratio

Percent



- ◆ Solvency ratio

Key highlights

- Solvency ratio of **23.3 percent** in **Q4 2019**
- Low level primarily driven by **increase in total assets**



AGENDA

Orders and markets

Financials

Strategy and market outlook

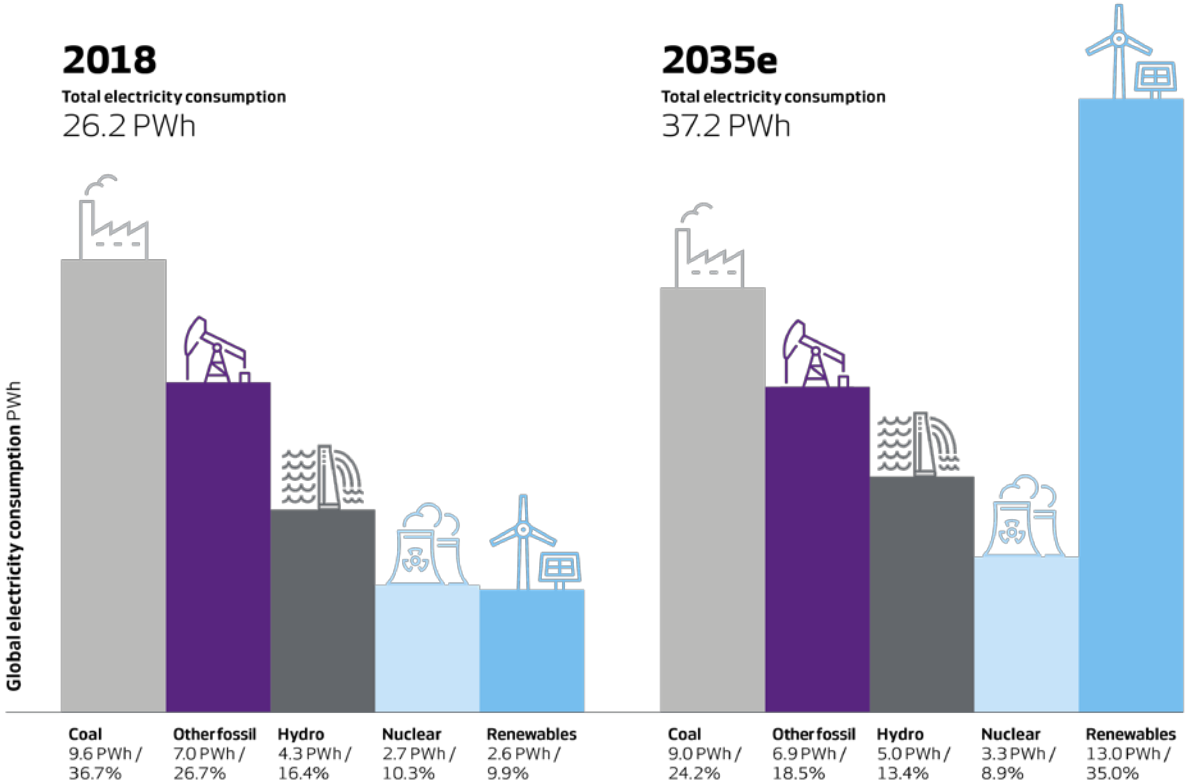
Outlook & Q&A

GROWTH OUTLOOK FOR THE SECTOR

Renewables to drive capacity increases needed to meet future electricity consumption

Renewables to expand electricity capacity

In 2035, renewables are set to account for more than 30 percent of the global electricity consumption.



Source: Bloomberg New Energy Finance: New Energy Outlook 2019. June 2019.

Key highlights

- Electricity consumption expected to grow more than **40 percent** towards 2035
- **Renewable energy** to be the dominant generation source and lead capacity additions
- Annual investments in **wind power** capacity expected to roughly double between 2018 and 2035 to more than **USD 200bn**

OUR PORTFOLIO CONSISTS OF THREE ATTRACTIVE RE SEGMENTS

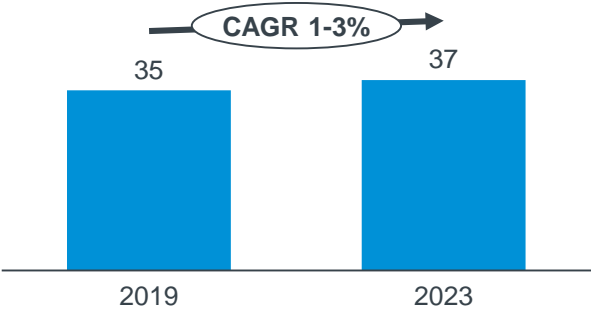
Vestas uniquely positioned in the industry



Power solutions
Global leader in onshore wind

ONSHORE WIND
Large market, healthy growth

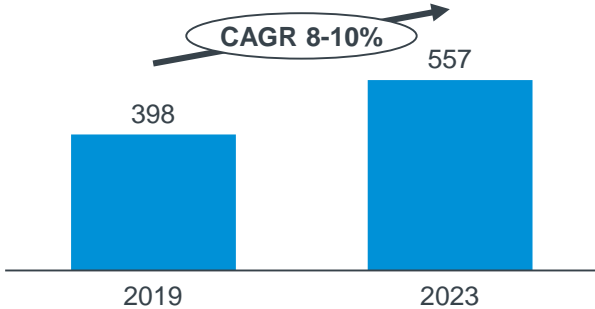
New installations, excl. China
GW



Service
Global leader in onshore service

WIND SERVICE
Mid-sized market, high growth

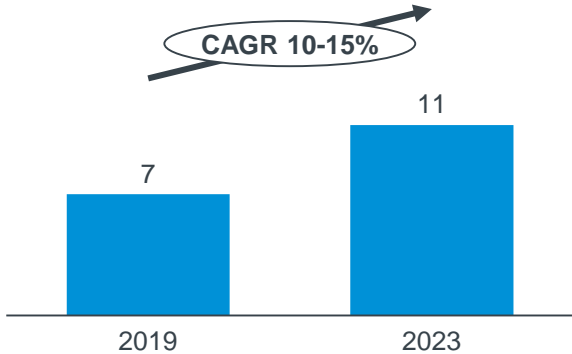
Installed fleet
GW



Offshore
Top player in offshore wind

OFFSHORE WIND
Younger market, high growth

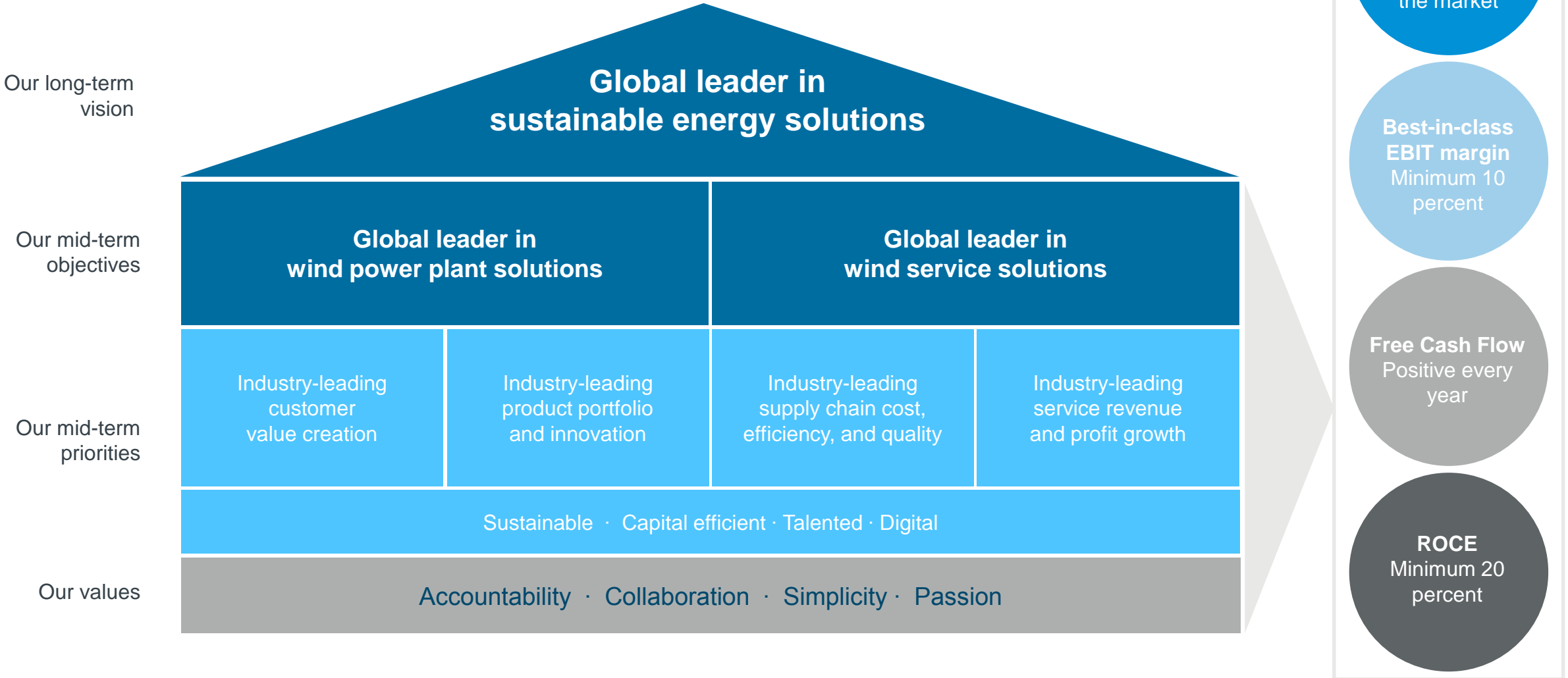
New installations
GW



Source: Wood Mackenzie, 2019 Q4 Global Wind Power Market Outlook Update, December 2019

OUR STRATEGIC FRAMEWORK

Clear strategy and priorities



SUSTAINABILITY IN EVERYTHING WE DO

Vestas has launched ambitious targets to lead a focus on sustainability across the organisation and entire value chain





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OUTLOOK 2020

	Outlook
Revenue (bnEUR) - Service is expected to grow approx. 7 percent	14 - 15
EBIT margin before special items (%) - Service margin is expected to be approx. 25 percent	7 - 9
Total investments (mEUR) Excl. investments in marketable securities and short-term financial investments.	approx. 700

The 2020 outlook is based on current foreign exchange rates

Q&A

Financial calendar 2020:

- Annual General Meeting 2020 (7 April)
- Disclosure of Q1 2020 (5 May)
- Disclosure of Q2 2020 (11 August)
- Disclosure of Q3 2020 (4 November)

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