

FULL YEAR 2020

Copenhagen, 10 February 2021

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 2020 (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

Financial and operational results

- FY 2020 guidance met on all parameters
- Deliveries of more than 17 GW in a challenging COVID-19 environment; up 34 percent compared to 2019 and 59 percent compared to 2018
- EBIT margin before special items of 5.1 percent impacted by higher warranty provisions and execution challenges due to COVID-19
- 10 percent revenue growth in Service and 28 percent EBIT margin
- Strong safety performance; Total recordable injury rate down 15 percent
- 33 percent reduction in own CO₂ emissions; Vestas continues as leader in displacing CO₂ emissions from the atmosphere with 186m tonnes avoided in 2020

Executing our strategy

- Acquiring full control of offshore wind activities and launch of new platform
- Expanding development activities and strategic partnership with CIP
- Sustainability strategy on track with first steps taken
- Assigned Baa1 long-term issuer credit rating with Moody's as a result of long-term outlook and market leadership



AGENDA

Orders and markets

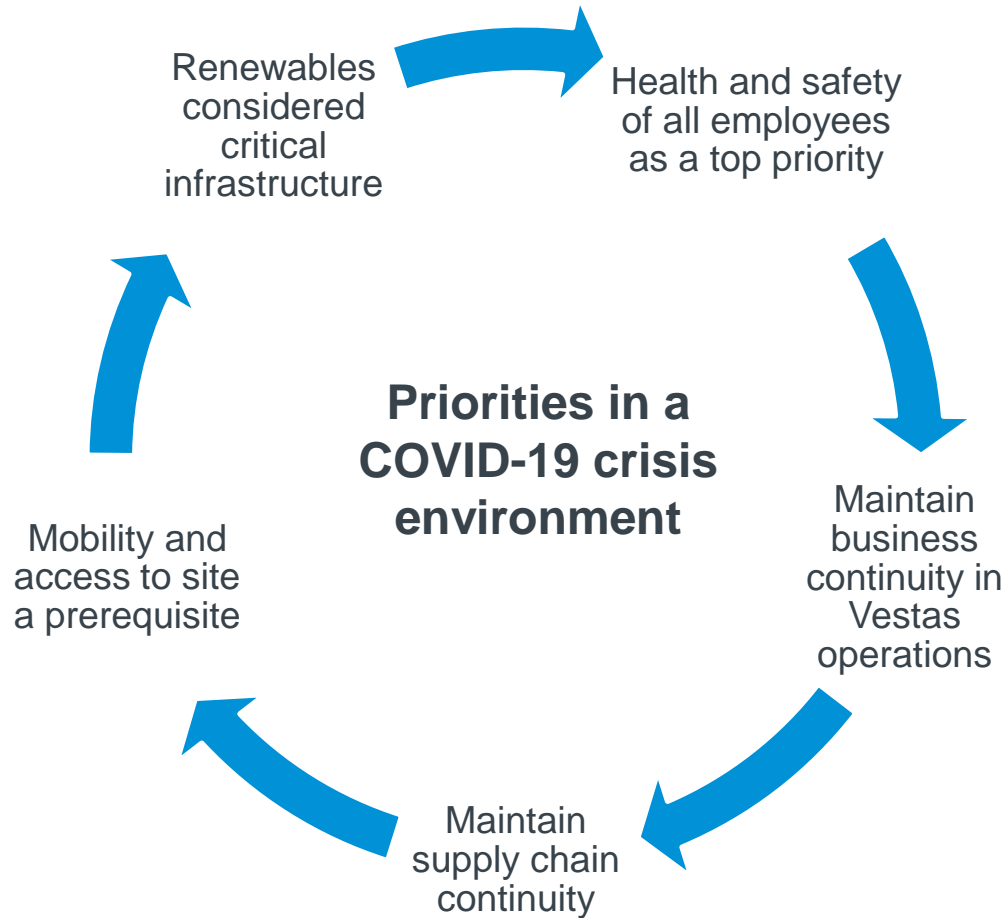
Financials

Strategy and market outlook

Outlook & Q&A

IMPACT OF THE COVID-19 CRISIS

Vestas performed strongly throughout 2020 in a challenging market without state aid



Global situation and business environment

- Second wave of COVID-19 still spreading in [Europe](#); [Americas and India](#) still impacted; all important markets for Vestas
- Suppliers [generally running](#) but [transport and shipments](#) are seeing bottlenecks
- Most markets allow construction and service; reduced mobility still impact the value chain, causing project delays

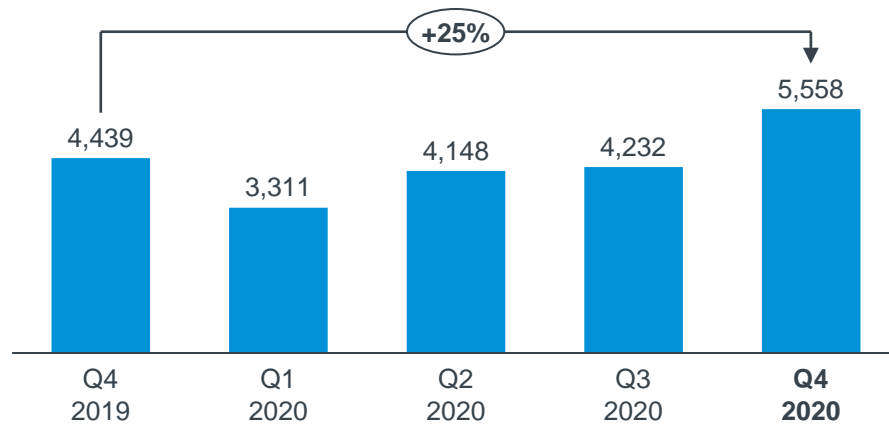
Relentless focus on our business continuity and safety

- Comprehensive [safety measures](#) implemented to prevent spread; also during re-opening
- [All Vestas manufacturing running](#), though reliant on supply chain continuity
- [More than 17 GW delivered to customers](#) in 2020; up [34 percent](#) compared to 2019

FOURTH QUARTER ORDER INTAKE

Order intake at 5.6 GW, with an average selling price of EUR 0.71m per MW

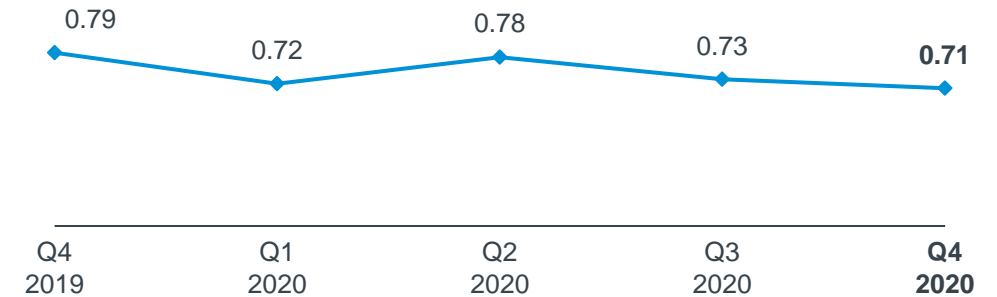
Order intake
MW



Key highlights

- Q4 2020 order intake increased 25 percent compared to Q4 2019
- USA, Brazil, Australia, and Colombia were the main contributors to the order intake in Q4 2020

Average selling price of order intake
mEUR per MW



Key highlights

- Underlying price per MW remained stable in Q4 2020 but decreased due to FX; excluding FX, full year ASP was EUR 0.77m
- Geography, turbine type, scope, and uniqueness of the offering still a factor

ALL-TIME HIGH ORDER BACKLOG OF EUR 43BN

Combined backlog increased by EUR 9.1bn YoY, driven by offshore and strong order intake



EUR +3.0bn*



EUR +6.1bn*

* Compared to FY 2019.

POWER SOLUTIONS

Leveraging our global leadership position

129

GW of installed onshore turbines globally

83

Countries with installed turbines

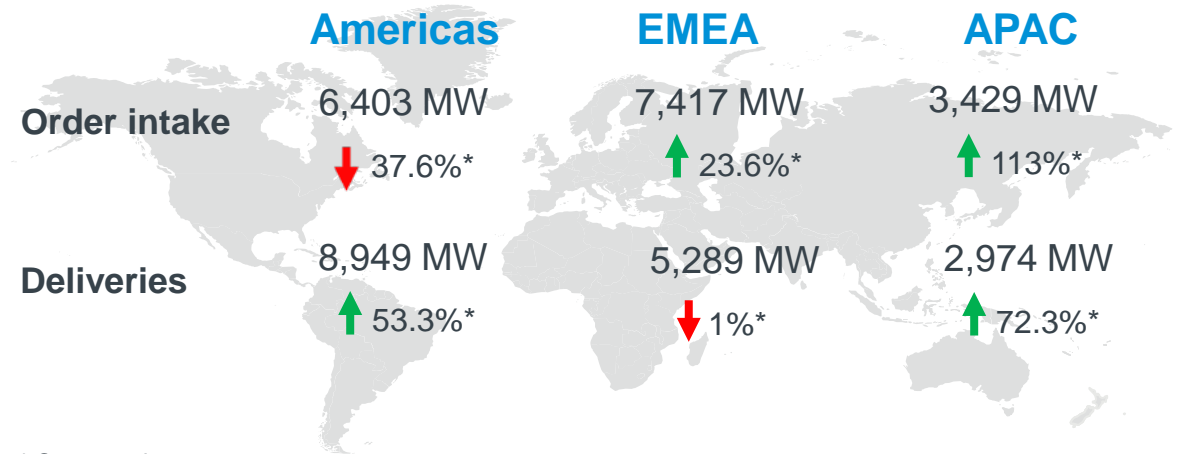
186

Million tonnes of displaced CO₂ emissions in 2020

Source: International Energy Agency, Data and statistics.

2020 highlights

- Increasing climate ambitions around the World in 2020: [EU Green Deal](#) and stimulus packages becoming more tangible with [EUR 550bn](#) to be allocated over the next 7 years; [South Korea and Japan](#) pledging carbon neutrality by 2050 and [China](#) by 2060
- Another PTC extension by year-end enabling [60 percent tax credit until 2025](#); [blue sweep](#) promising for execution of clean energy plan as USA re-enters Paris agreement
- [Increasing deliveries](#) in [Americas](#) and [Asia Pacific](#); strong orders secured in [USA](#), [Brazil](#), [China](#), and [Poland](#)



* Compared to 2019.

Classification: Public

SERVICE BUSINESS

Crossing the 100 GW milestone and integrating offshore service into the business

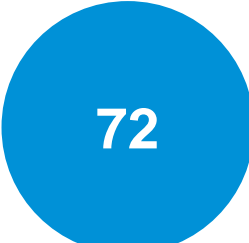


GW of turbines with active service contracts

- 113 GW onshore
- 4 GW offshore



Years average duration in the backlog

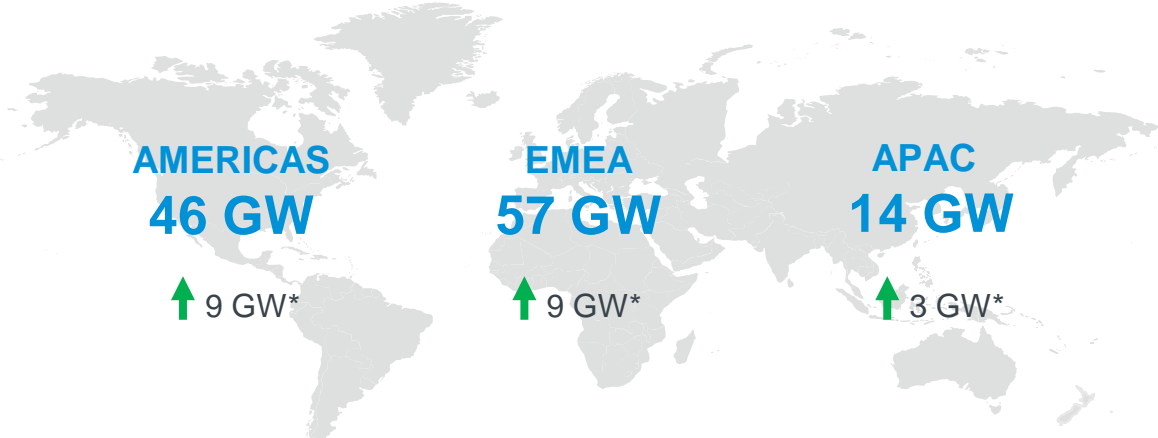


Countries with firm service contracts

2020 highlights

- Integration of offshore service off to a good start to leverage global supply chain and scale
- In 2020, more than 3 GW of wind turbines were added to Vestas' multibrand operations, now spanning more than 24 countries and servicing 7 different turbine brands
- New market entry in Colombia with more than 500 MW of service agreements with long-term duration of +12 years

Service fleet



* Compared to 2019.

OFFSHORE

Vestas strengthens offshore position

Track record...

~5.8
GW*

> 1,300 turbines installed
across 38 projects

Pipeline...

~3.7
GW*

Under installation/
unconditional orders

~1.3
GW*

Conditional orders/
preferred supplier

* As at 31 December 2020.

2020 highlights

- 3,000 employees from MHI Vestas Offshore Wind to become part of the Vestas organisation
- Integration of onshore and offshore has started; creating one team and operating model
- Installation of 731.5 MW Borssele III/IV in the Netherlands completed in 2020

Projects in progress in Q4 2020



Borssele III/IV (NL)
731.5 MW
V164-9.5 MW™

Kincardine (UK)
50 MW
V164-9.5 MW™

Triton Knoll (UK)
860 MW
V164-9.5 MW™

Moray East (UK)
950 MW
V164-9.5 MW™

Borssele V (NL)
19 MW
V164-9.5 MW™



AGENDA

Orders and markets

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INCOME STATEMENT – FULL YEAR

Record-high activity levels

| mEUR | FY 2020 | FY 2019 | % change |
|--|----------|----------|------------|
| Revenue | 14,819 | 12,147 | 22% |
| Production costs | (13,281) | (10,386) | 28% |
| Gross profit | 1,538 | 1,761 | (13)% |
| SG&A costs* | (788) | (757) | 4% |
| EBIT before special items | 750 | 1,004 | (25)% |
| Special items | (52) | - | - |
| EBIT after special items | 698 | 1,004 | (30)% |
| Income from investments in joint ventures and associates | 331 | 3 | - |
| Net profit | 771 | 700 | 10% |
| Gross margin | 10.4% | 14.5% | (4.1)%-pts |
| EBITDA margin before special items | 9.4% | 12.8% | (3.4)%-pts |
| EBIT margin before special items | 5.1% | 8.3% | (3.2)%-pts |

*R&D, administration, and distribution.

Key highlights

- Revenue increased **22 percent**; mainly driven by increased deliveries in Power Solutions
- **Gross margin down by 4.1 percentage points**, negatively impacted by increased **warranty provisions** and **logistical challenges and supply chain bottlenecks** which is amplified by COVID-19
- **EBIT margin before special items decreased by 3.2 percentage points**, mainly driven by lower gross margin and higher depreciations
- Income from investments in JVs and associates driven by remeasurement of Vestas' existing **50 percent ownership in MHI Vestas** resulting in a positive contribution of **EUR 383m**

INCOME STATEMENT – Q4 2020

Strong activity levels also in Q4 2020

| mEUR | Q4 2020 | Q4 2019 | % change |
|--|---------|---------|------------|
| Revenue | 4,273 | 4,650 | (8)% |
| Production costs | (3,734) | (4,040) | (8)% |
| Gross profit | 539 | 610 | (12)% |
| SG&A costs* | (181) | (206) | (12)% |
| EBIT before special items | 358 | 404 | (11)% |
| Income from investments in joint ventures and associates | 329 | (16) | - |
| Net profit | 566 | 282 | 101% |
| Gross margin | 12.6% | 13.1% | (0.5)%-pts |
| EBITDA margin before special items | 12.4% | 12.1% | 0.3%-pts |
| EBIT margin before special items | 8.4% | 8.7% | (0.3)%-pts |

*R&D, administration, and distribution.

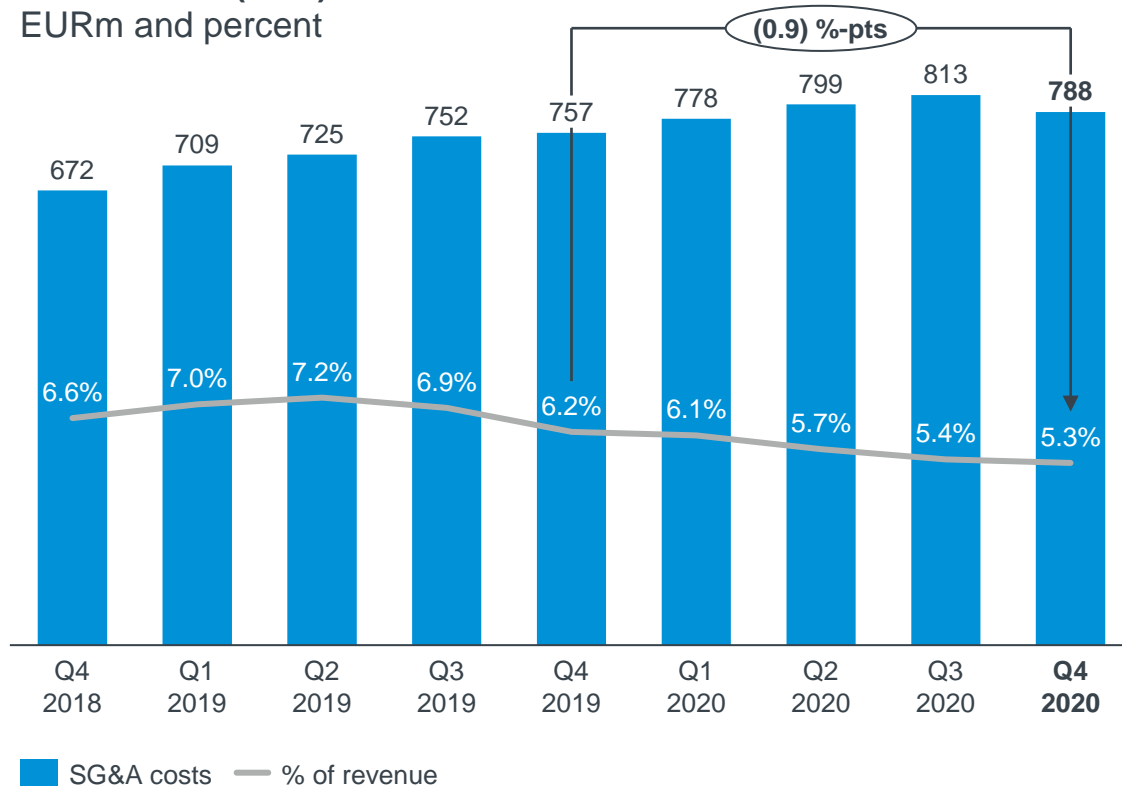
Key highlights

- Revenue **decreased slightly in Q4** as H2 2020 deliveries were more front-loaded compared to 2019
- Overall good performance in the quarter, **but gross margin decline of 0.5 percentage points** driven by higher warranty provisions and COVID-19 related challenges; direct COVID-19 impact of around **EUR 40m** in Q4
- **EBIT margin decreased by 0.3 percentage points**, mainly driven by the lower gross margin and higher depreciations

SG&A COSTS

SG&A costs under control

SG&A costs (TTM)*
EURm and percent



Key highlights

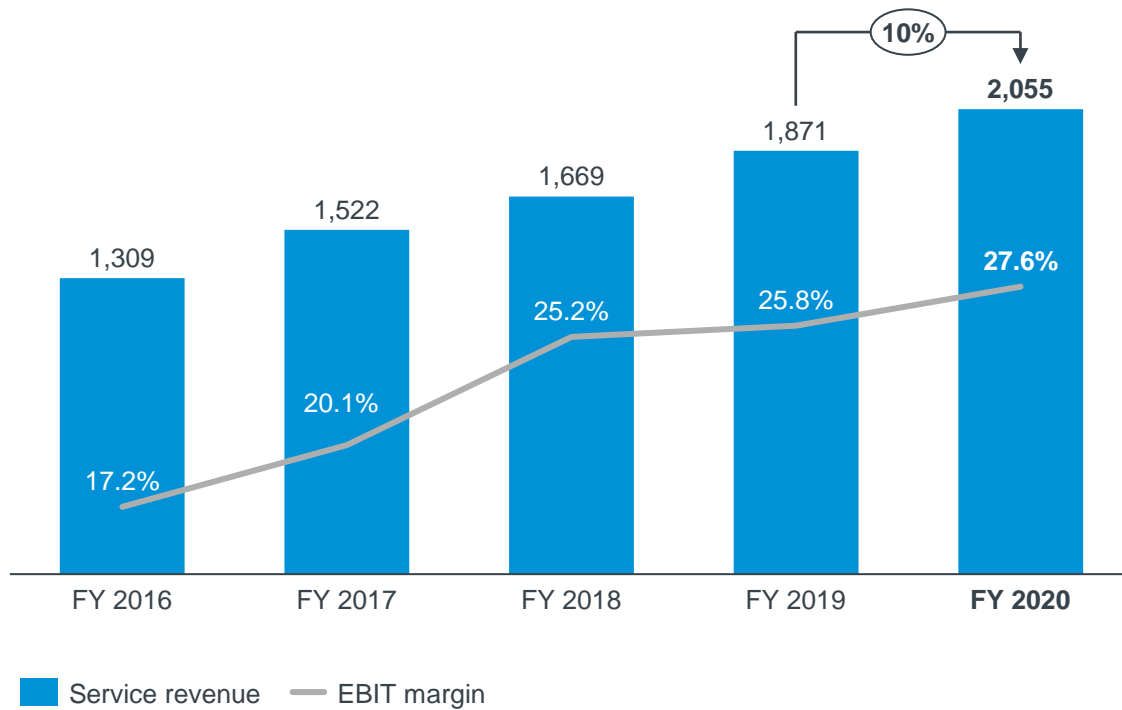
- SG&A costs increased YoY to cater for higher activity levels
- Depreciation and amortisation increased EUR 84m in 2020 compared to 2019 primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 5.3 percent – a decrease of 0.9 percentage points compared to Q4 2019

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

SERVICE BUSINESS

Strong service performance

Service revenue and EBIT margin
mEUR and percent



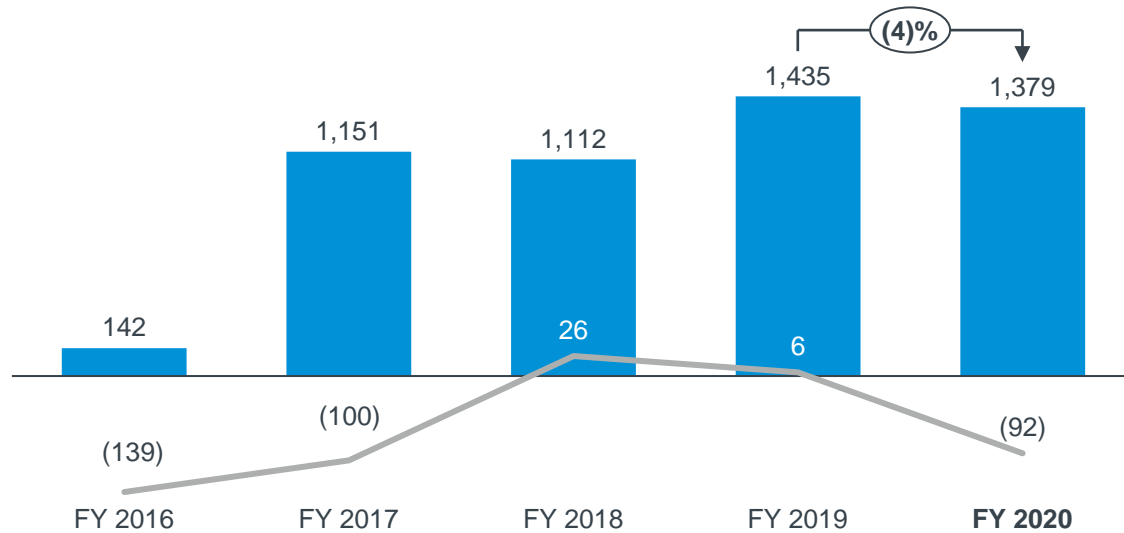
Key highlights

- Service revenue increased by 10 percent compared to FY 2019, mainly driven by higher activity levels
- 2020 Q4 EBIT: EUR 156m
2020 Q4 EBIT margin: 27.2 percent

MHI VESTAS OFFSHORE WIND

Stable activity levels in offshore

Revenue and net profit* EURm



■ Revenue — Net profit

Key highlights

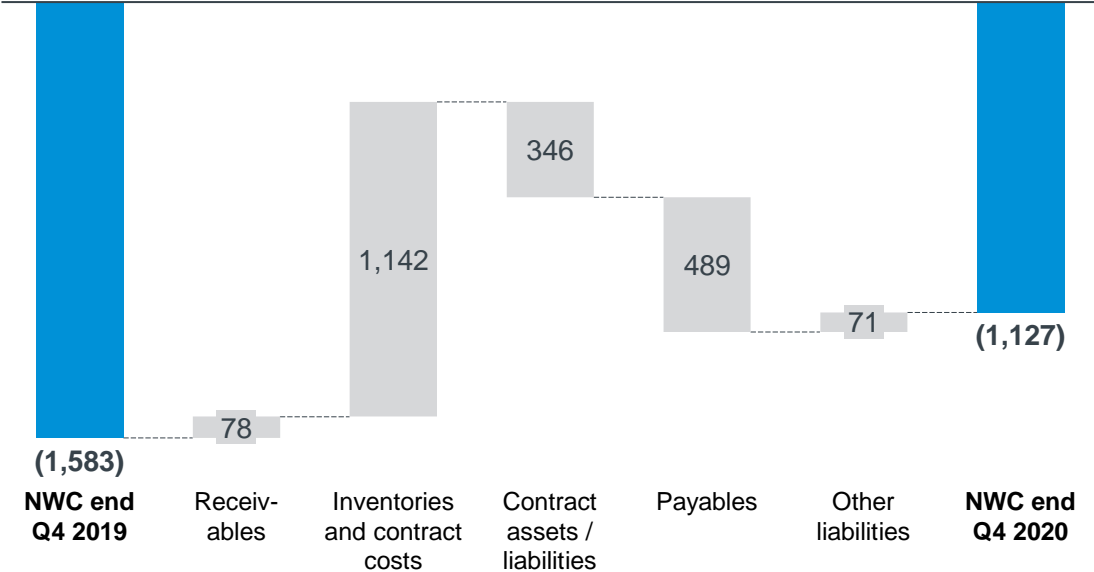
- Revenue from MVOW of EUR 1,379m; slightly down from 2019
- Net loss of EUR 92m driven by changes in assessments of the need of warranty provisions
- Pre-PPA results in MVOW within expectations and corresponds to:
 - EBIT margin of 4 percent
 - Net profit of EUR 45m

* Vestas accounting for MHI Vestas Offshore Wind: The joint venture is accounted for using the equity method up until 14 Dec 2020.

CHANGE IN NET WORKING CAPITAL

Net working capital continues to be negative

NWC change over the year
mEUR



Key highlights

- Net working capital negatively impacted by **increased level of inventory** driven by offshore
- **Down- and milestone payments** together with **payables** partly offset inventory increase

CASH FLOW STATEMENT

Positive free cash flow of EUR 84m

| mEUR | FY 2020 | FY 2019 | Abs. change |
|--|---------|---------|-------------|
| Cash flow from operating activities before change in net working capital | 1,331 | 1,260 | 71 |
| Change in net working capital* | (588) | (437) | (151) |
| Cash flow from operating activities | 743 | 823 | (80) |
| Cash flow from investing activities** | (659) | (729) | 70 |
| Free cash flow before financial investments** | 84 | 94 | (10) |
| Free cash flow | 476 | 332 | 144 |
| Cash flow from financing activities | (234) | (367) | 133 |
| Net interest-bearing position | 1,920 | 2,452 | (532) |

Key highlights

- Free cash flow before financial investments of EUR 84m compared to EUR 94m in 2019, positively impacted by cash flow from EBITDA and lower investments but offset by change in net working capital
- Net interest-bearing position solid around EUR 2bn; impact from MVOW net debt of EUR 198m

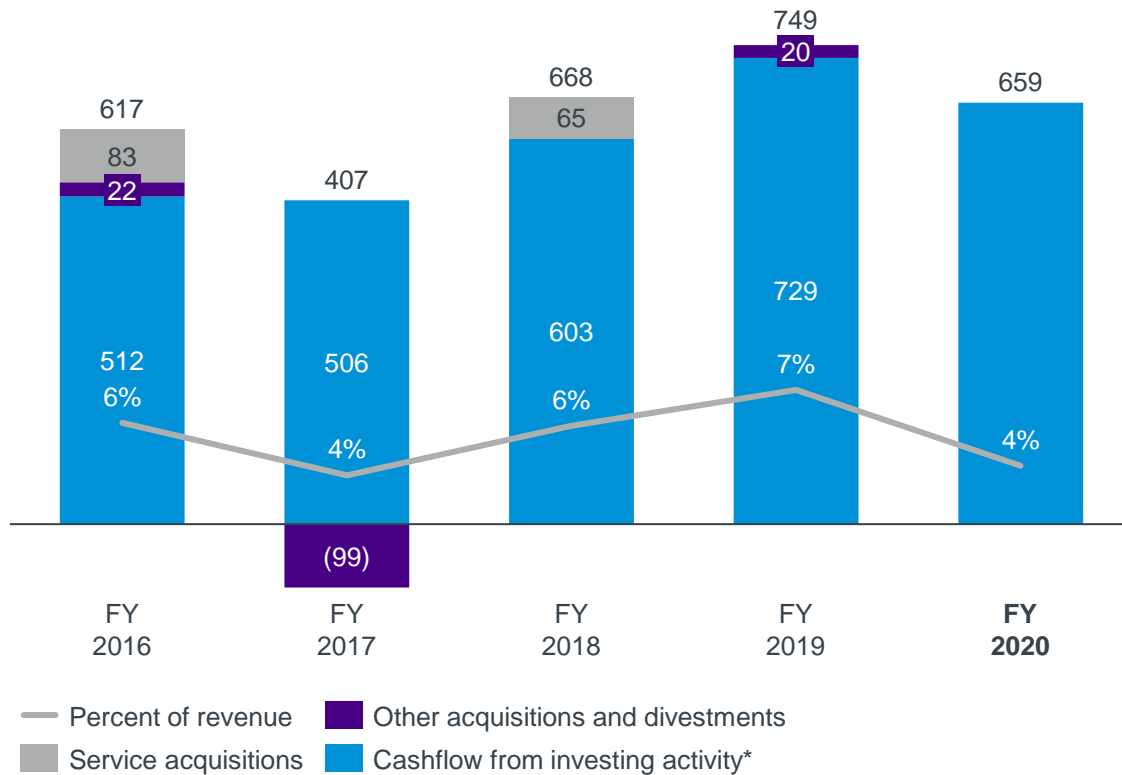
* Change in net working capital in 2020 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (132)m.

** Excl. acquisitions of subsidiaries and financial investments.

TOTAL INVESTMENTS

Investments slightly down year-over-year

Total investments*
EURm



* Excl. acquisitions of subsidiaries and financial investments.

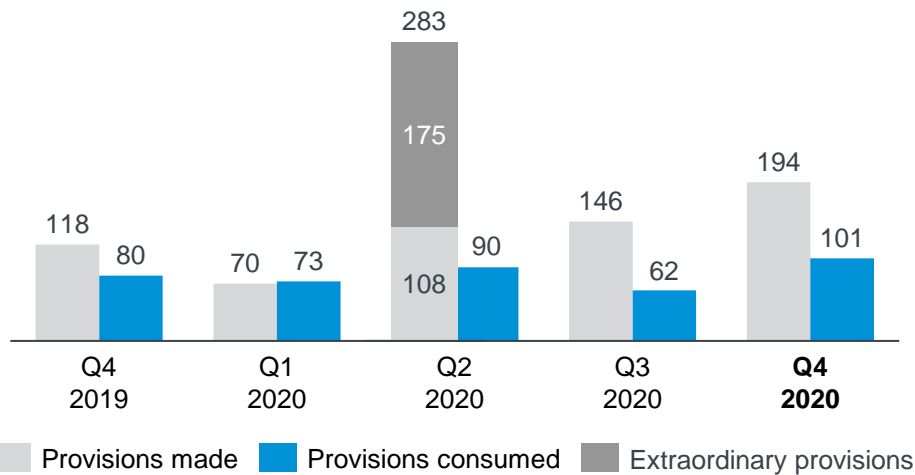
Key highlights

- Investments decreased slightly to **EUR 659m** compared to EUR 729m in 2019
- **Optimisation of product portfolio** to reduce total investment need
- Acquisition of MHI's 50 percent share in MVOW paid through issuing of **2.5 percent** new Vestas shares to MHI

WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty consumption and LPF continue at a low level

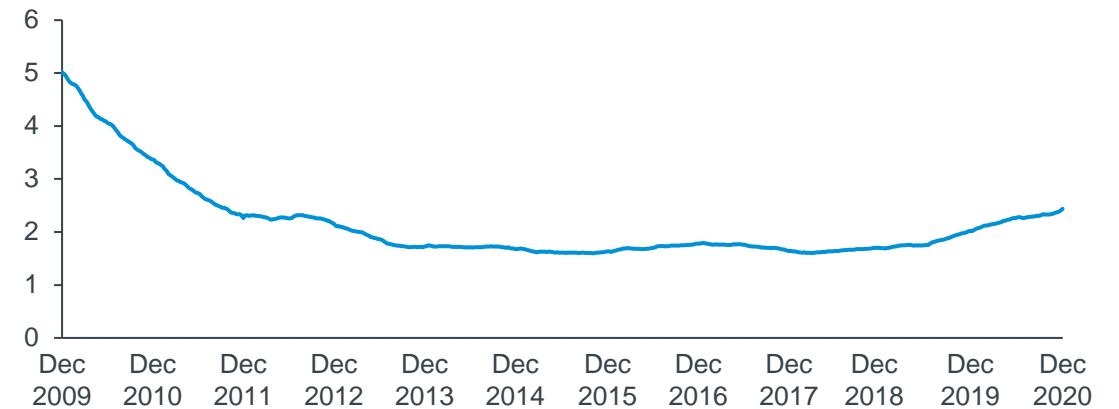
Warranty provisions made and consumed
mEUR



Key highlights

- Warranty provisions made of **EUR 194m in Q4 2020**; higher than anticipated level driven by a component specific failure
- Provisions made in 2021 expected at around **3 percent of revenue**

Lost Production Factor (LPF)
Percent



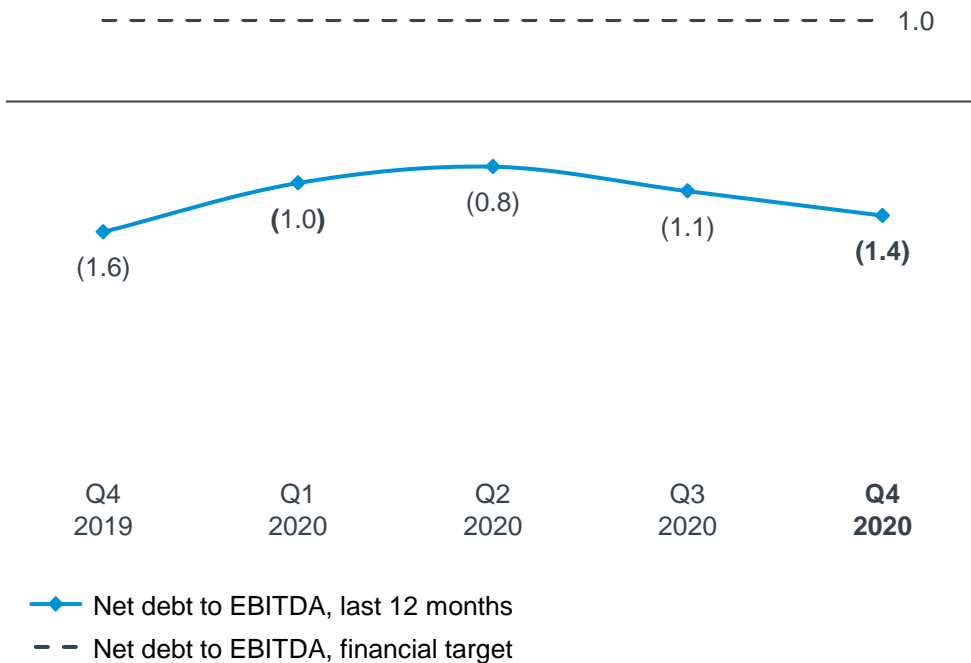
Key highlights

- LPF increased during 2020 as a consequence of the extraordinary repair and upgrade 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



Key highlights

- Net debt to EBITDA remains at low level of (1.4) in Q4 2020
- Liquidity position remains strong with close to EUR 2bn cash at hand
- Assigned Baa1 long-term issuer credit rating with Moody's as a result of long-term outlook and market leadership
- Dividend of DKK 8.45 per share, equal to a payout ratio of 30 percent



AGENDA

Orders and markets

Financials

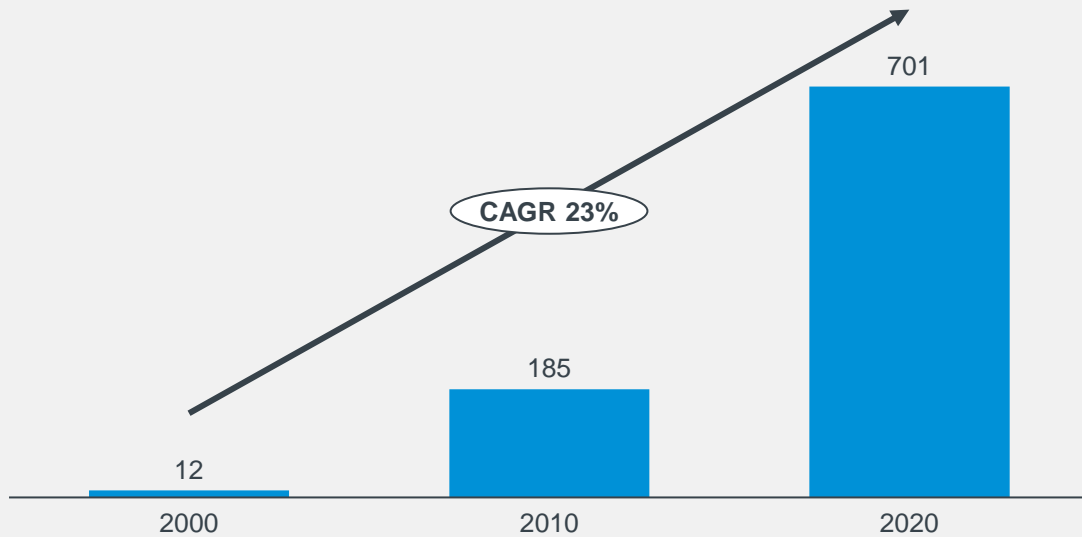
Strategy and market outlook

Outlook & Q&A

IMPRESSIVE JOURNEY FOR RENEWABLES AND WIND

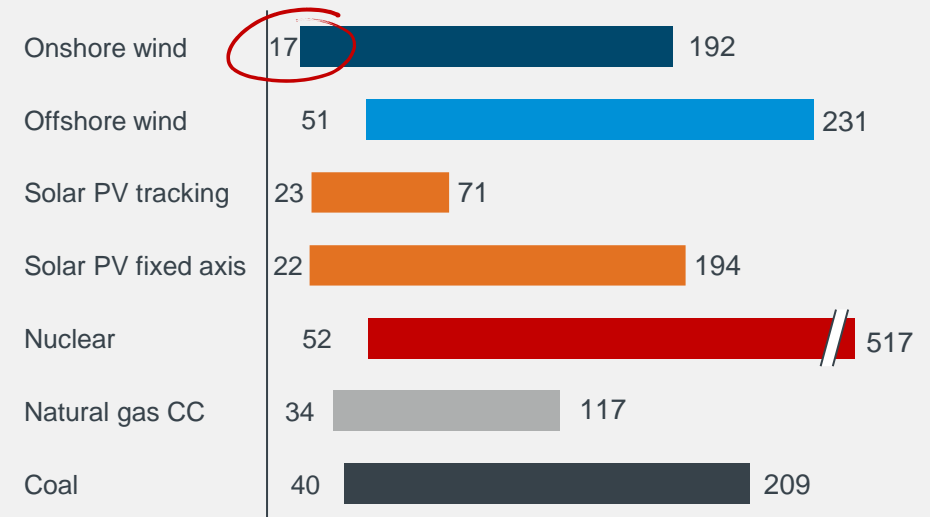
Renewables and wind have gained foothold and become the most cost competitive source of energy

Installed fleet of wind capacity
GW



- Now more than **700 GW** of wind power installed globally
- More than **70 percent of capacity** installed in the last decade

Global Levelised Cost of Energy ranges – H2 2020 update
\$/MWh



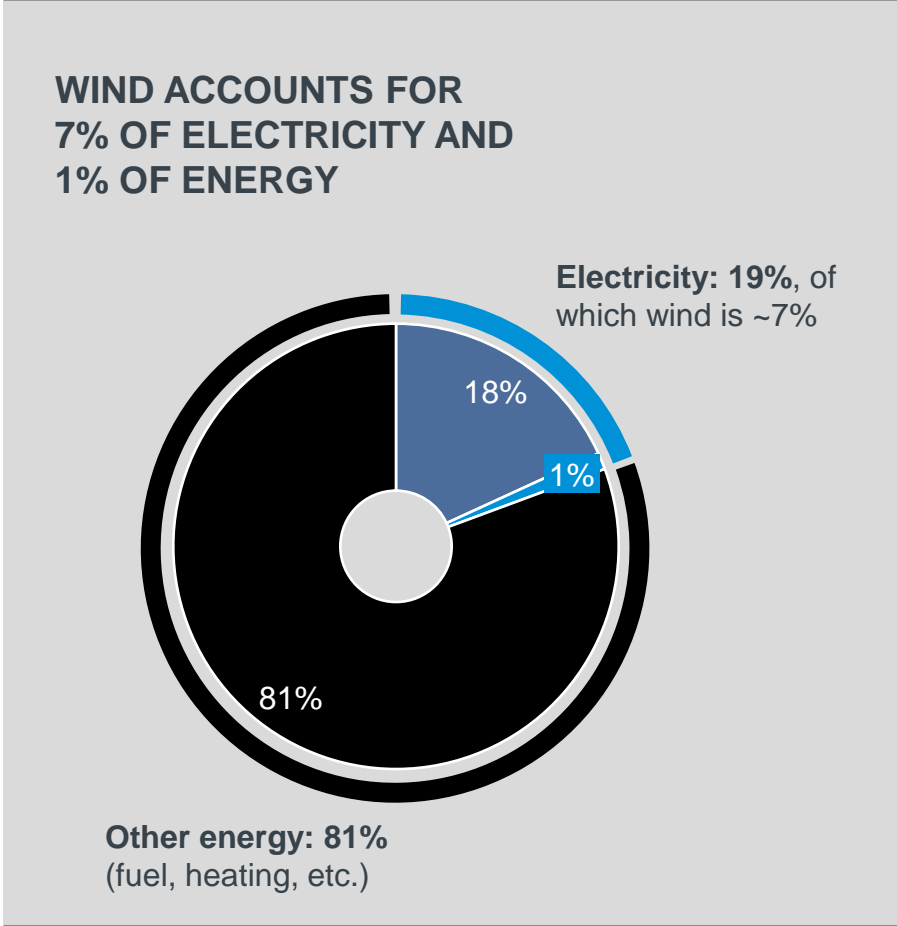
- Renewables clearly beating fossil-based electricity sources on LCOE
- LCOE of onshore wind declined by **63 percent over the last 10 years**; partly driven by scale and industrialisation

Source: Wood Mackenzie, Global Wind Power Market Outlook Update, December 2020 and BNEF, H2 2020 LCOE Update.

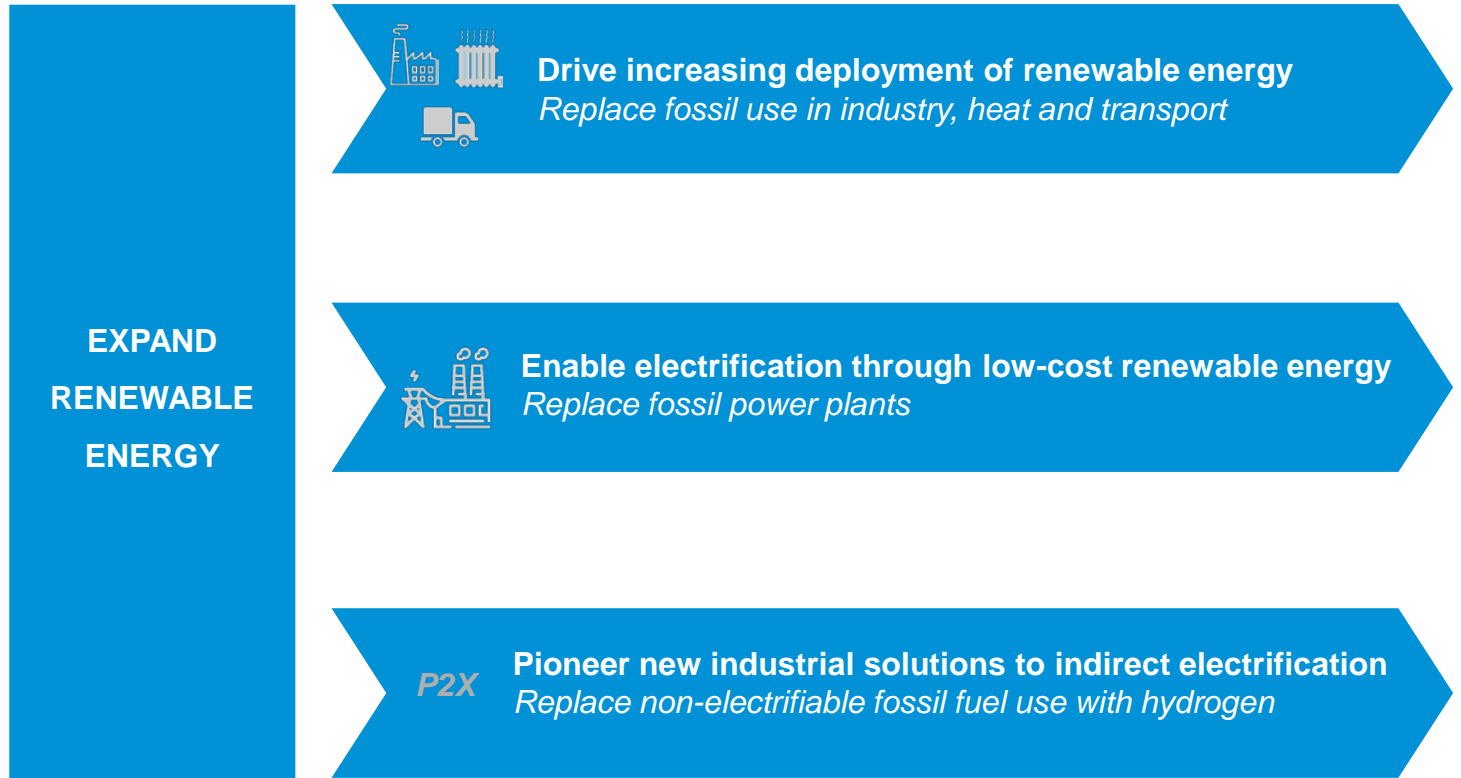
STILL SIGNIFICANT DECARBONISATION POTENTIAL AHEAD

Very limited penetration of the total energy market of renewables

Energy consumption 2019 (% of total)



Solutions to decarbonise the world



SUSTAINABILITY IN EVERYTHING WE DO



Carbon footprint

Carbon neutrality
by 2030



Circularity

Zero-waste wind
turbines
by 2040



Our employees

The safest, most
inclusive and socially
responsible company



Energy transition

Leading the transition
to a world powered by
sustainable energy

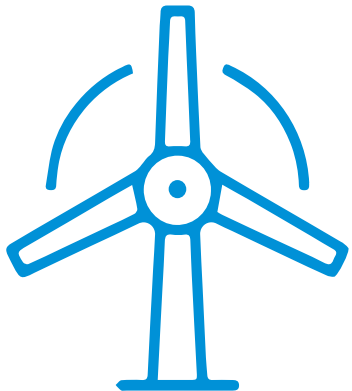
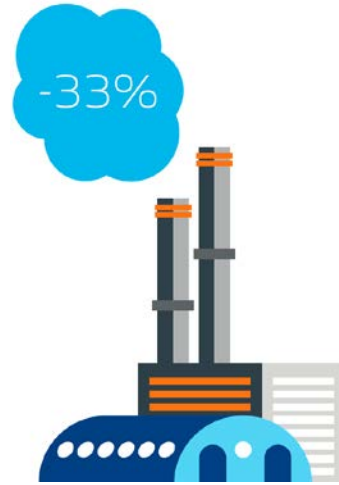
SUSTAINABILITY

Progress on strategy

ENVIRONMENTAL

Carbon footprint

- Emissions from own operations reduced by 33 percent
- 186m tonnes CO₂ emissions avoided through our installed fleet in 2020
- Set expectations to key suppliers to start measuring and set targets



Circularity

Several projects launched to help expand and scale the value chain for blade recycling

SCIENCE BASED TARGETS



SOCIAL

Safety



Total Recordable Injury Rate at an all-time low of 3.3



Diversity and inclusion

- Review of recruitment processes
- Unconscious bias trainings to all recruiters



Corporate Social Responsibility

CSR approach launched to address business-related human rights



OUR PORTFOLIO CONSISTS OF THREE ATTRACTIVE RE SEGMENTS

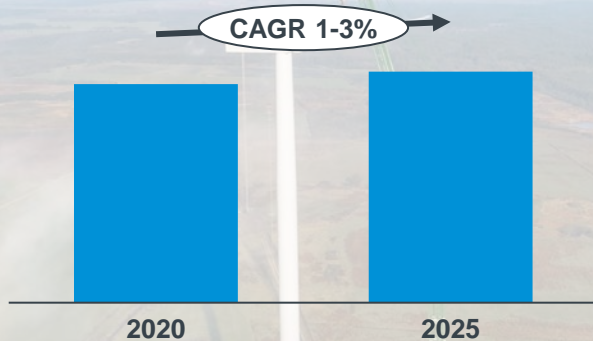
Vestas uniquely positioned in the industry

ONSHORE

Large market, healthy growth



New installations GW



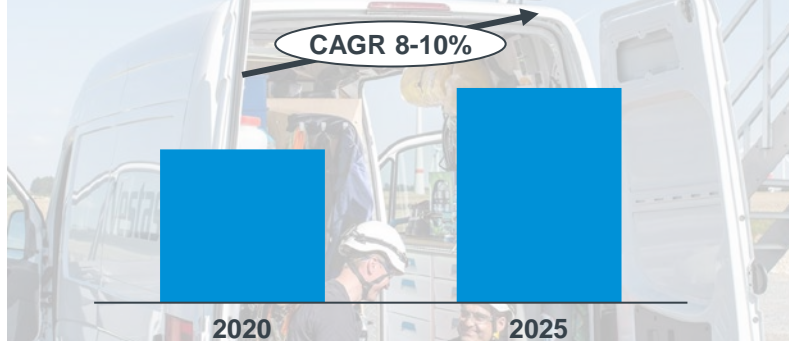
- Stable volumes of 60-70GW post 2020 record
- Increasingly global diversification
- Growth upsides driven by economics and climate ambitions

SERVICE

Mid-sized market, high growth



Installed fleet GW



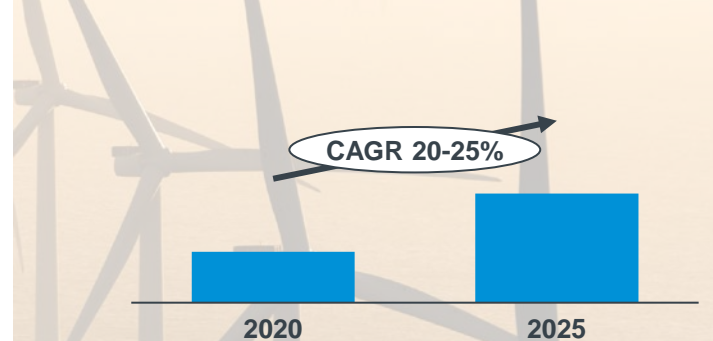
- Solid growth from high base
- Expanded solution scope
- Focus on digitalization and global scale

OFFSHORE

Younger market, high growth



New installations GW



- Market growth towards 30 GW level by 2030
- Strong expansion on all key continents

Source: Wood Mackenzie, Global Wind Power Market Outlook Update, December 2020 and Bloomberg New Energy Finance: Bloomberg New Energy Outlook. September 2020

INTRODUCING THE V236-15.0 MW™

- Underlines Vestas' full return to offshore wind
- Leverages modular approach and proven system designs from Vestas' onshore and offshore turbine technology
- Delivers industry-leading performance with fewer number of turbines required, to optimise our customer's business case at park level

**>60%
Capacity
Factor**

**Increase of
84% in swept
area and 65%
in Annual
Energy
Production***

*Compared to V174-9.5 MW™, depending on site-specific conditions



INTEGRATION OF OFFSHORE

Current indicative impact of Offshore business addition

| | 2021-22 <i>Temporary high driven by few large orders</i> | 2023-24 <i>Lower activity and continued high investments</i> | 2025- <i>Mature, scaled, leading Offshore OEM</i> |
|--------------------|--|--|---|
| REVENUE* | EUR 2-2.5bn | EUR 1-2bn | EUR +3bn |
| EBIT margin | Low single-digit | Around break-even | Average Vestas Group margin |
| CAPEX* | ~EUR 250m | ~EUR 250m | ~EUR 250m |

* On an annual basis.

LONG-TERM FINANCIAL AMBITIONS

Long-term financial ambitions largely intact; assumptions and starting point changed with integration of offshore wind



Onshore

Stable pricing to continue

Roll-out of new technology with high focus on quality

Onshore wind continuously broadened and captured by new markets



Service

Growing faster than the market

Digitalisation and scale to drive efficiencies

Best-in-class margins at around 25 percent in coming years; offshore to be dilutive initially



Offshore

Leveraging scale from Vestas onshore global sales and supply chain footprint

Launch of V236-15.0 MW™ to secure competitive product offering

Investments needed to secure competitiveness



Market leader in revenue
Grow faster than the market

Free Cash Flow
Positive every year

Best-in-class EBIT margin
Minimum 10 percent

ROCE
Minimum 20 percent



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OUTLOOK 2021

Outlook

Revenue (bnEUR)

- Service is expected to grow approx. 15 percent

16 – 17

EBIT margin before special items (%)

- Service margin is expected to be approx. 24 percent

6 – 8

Total investments (mEUR)

Excl. acquisitions of subsidiaries, any financial investments, and the investment in CIP P/S.

approx. 1,000

- In 2021, warranty provisions are expected to be at a level around 3 percent of revenue including both onshore and offshore
- Special items are expected to amount to approx. EUR 100m relating to the integration of MHI Vestas Offshore Wind
- Important to note that basic assumptions behind the guidance are more uncertain than normal

The 2021 outlook is based on current foreign exchange rates

Q&A

Financial calendar 2021:

- Annual General Meeting 2021 (8 April)
- Disclosure of Q1 2021 (5 May)
- Disclosure of Q2 2021 (11 August)
- Disclosure of Q3 2021 (3 November)

THANK YOU FOR YOUR ATTENTION

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