



**Vestas**<sup>®</sup>

Wind. It means the world to us.™

# FIRST QUARTER 2021

**Vestas Wind Systems A/S**

Copenhagen, May 2021

# DISCLAIMER AND CAUTIONARY STATEMENT

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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.

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# KEY HIGHLIGHTS IN Q1 2021

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## **All-time high order backlog**

Combined order backlog of EUR 45bn despite lower order intake in Q1 2021

## **Integration of offshore ongoing**

Approx. 3,000 new colleagues welcomed in Vestas to capture future values

## **Revenue of EUR 2bn**

Decreased compared to Q1 2020 due to lower activity levels and impact from supply chain constraints

## **EBIT margin of (3.6) percent**

Slightly down from Q1 2020, impacted by lower revenue and logistical challenges

## **Annual displacement of CO<sub>2</sub> reaches 192m tonnes**

Vestas' aggregated installed fleet at the end of Q1 displaces 192m tonnes of CO<sub>2</sub> on an annual basis





# AGENDA

Orders and markets

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Financials

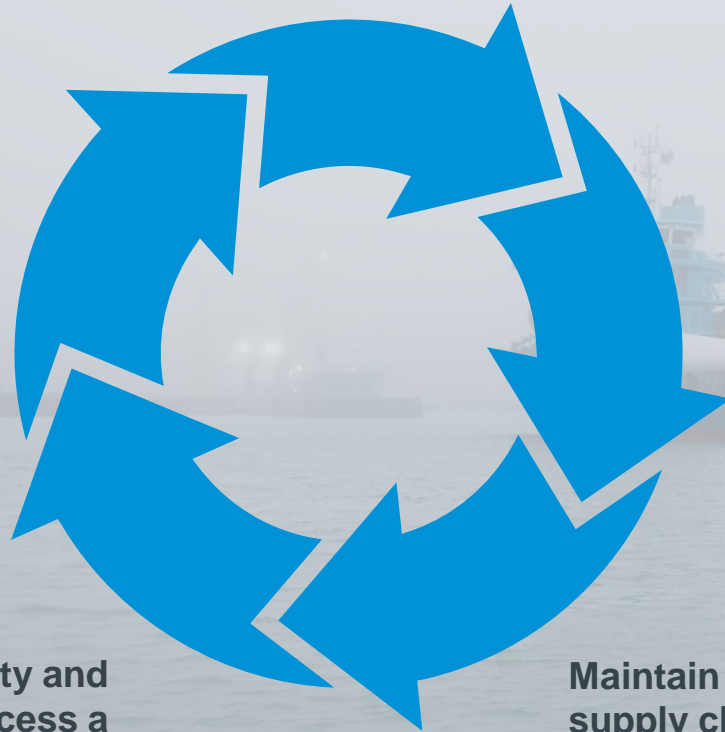
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Outlook & Q&A

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# GLOBAL BUSINESS ENVIRONMENT

**Employee health and safety top priority**



**Renewables critical infrastructure**

**Maintain business continuity**

**Mobility and site access a prerequisite**

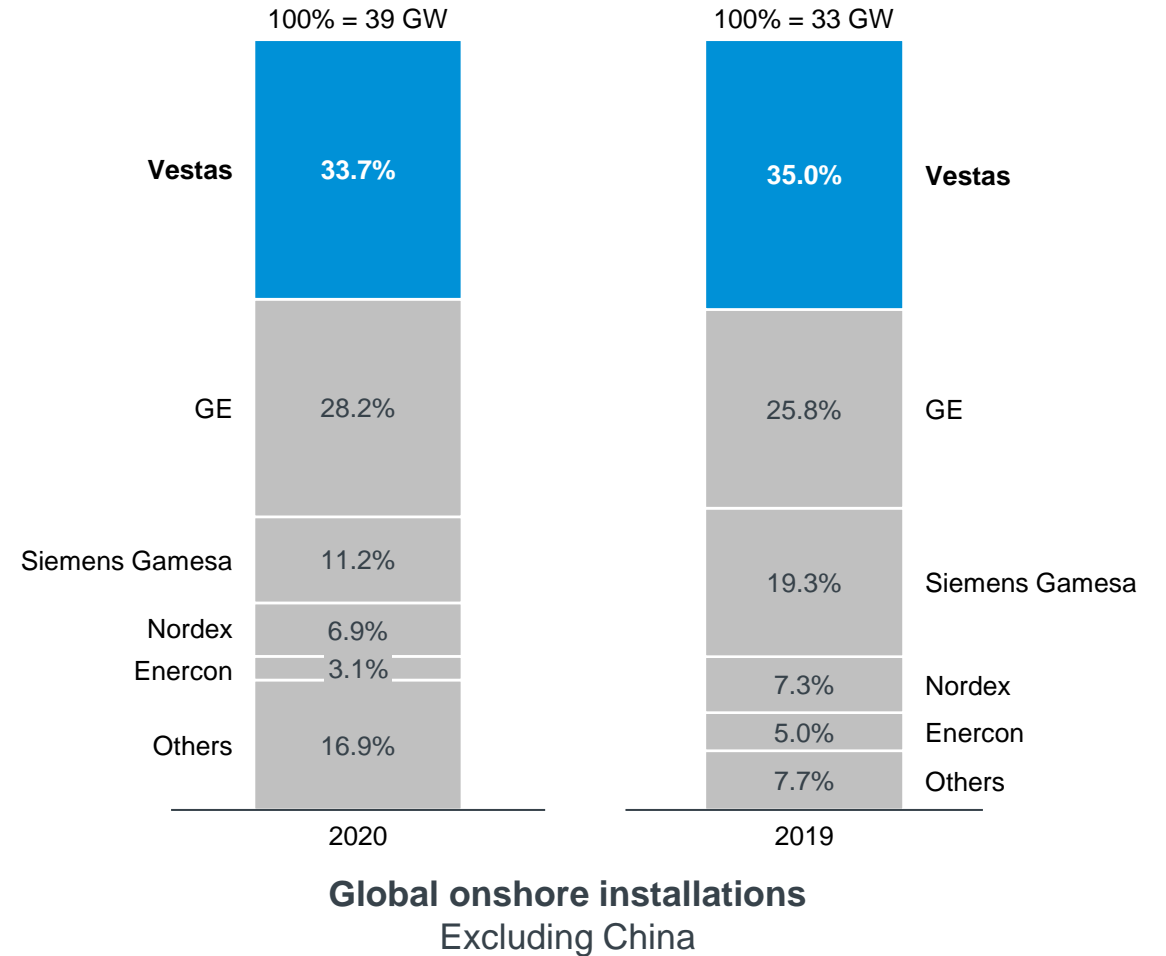
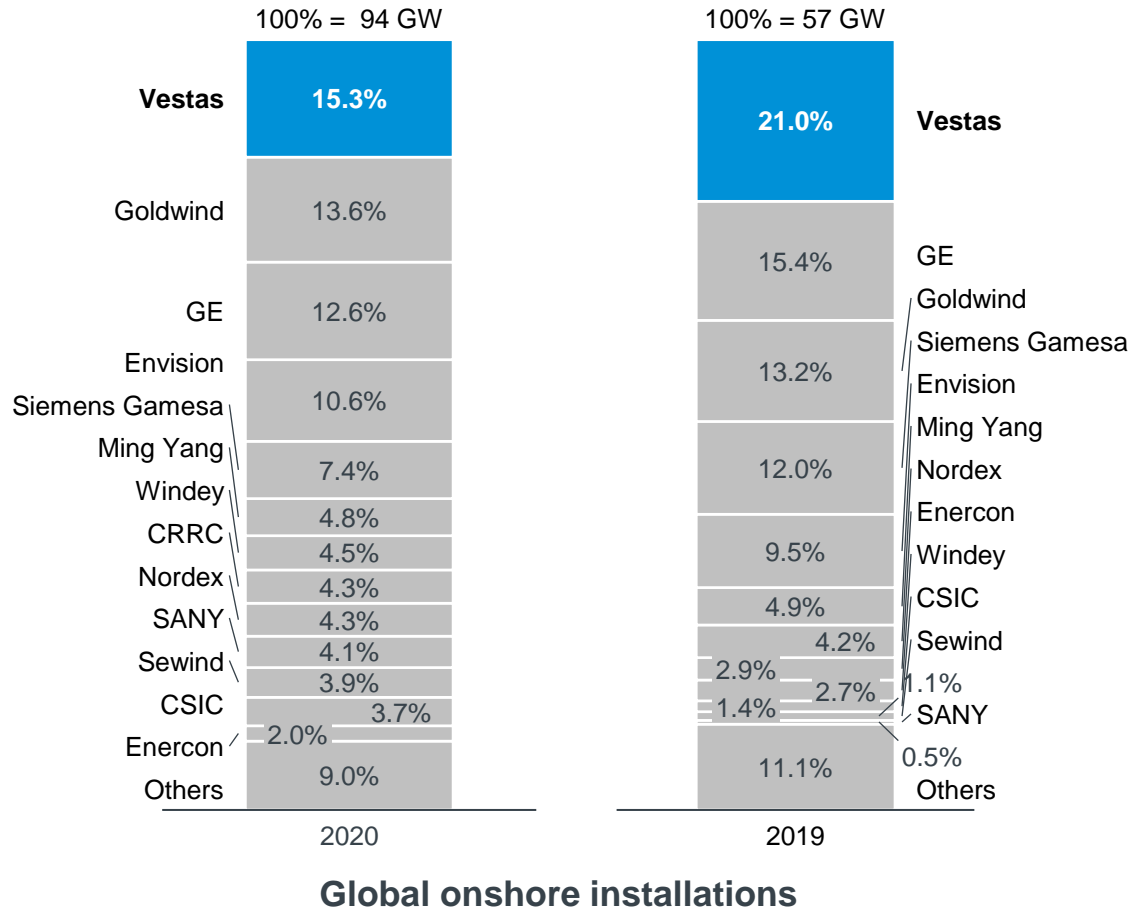
**Maintain supply chain continuity**

**Longevity of pandemic has ripple effects and entails challenges accumulate**

- Energy and wind power remain critical infrastructure, supporting business continuity
- Logistical challenges and supply chain bottlenecks amplified by COVID-19 restrictions in strategic markets and extraordinary events such as Suez canal blockage
- Reduced mobility for service technicians, construction workers, and goods

# MARKET SHARES

Sustaining our global leadership position



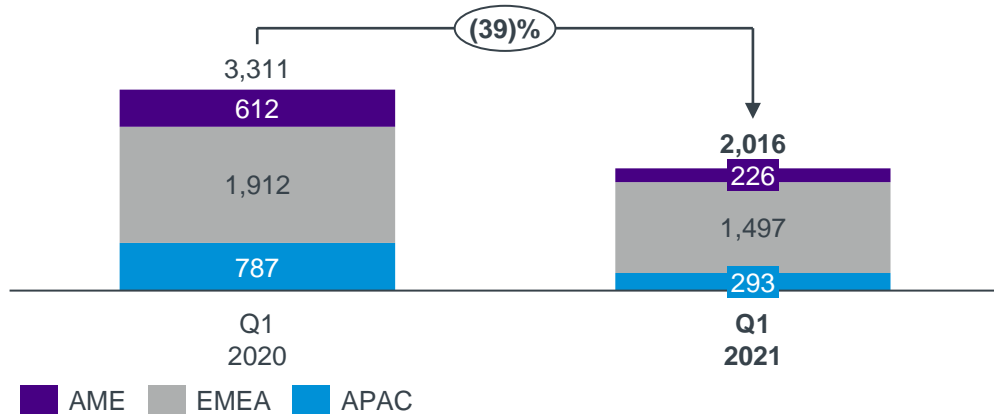
Source: Wood Mackenzie Power & Renewables



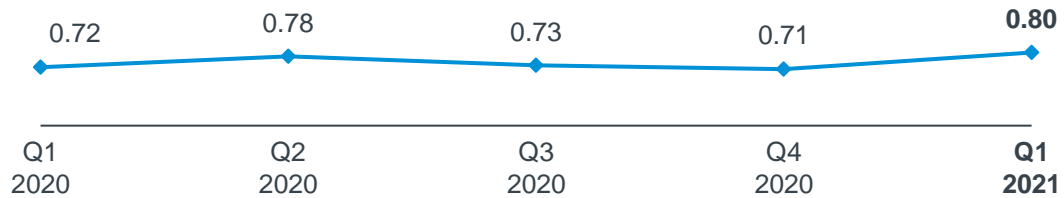
# POWER SOLUTIONS

## Leveraging our global leadership position

### Firm and unconditional order intake MW



### Average selling price of order intake mEUR per MW



### Highlights

- Strong ambition levels from EU and USA targeting a **CO<sub>2</sub> reduction of 55 percent and 50 percent** respectively
- Strong tendering activity in the **offshore market** laying foundation for the 2025 market and beyond
- **Lower order intake** driven by **the US and China**; underlying pricing environment remains **stable**
- **Strong order backlog** at EUR 19.4bn across onshore and offshore; strong focus on project profitability

### Turbine backlog



\* Compared to Q1 2020

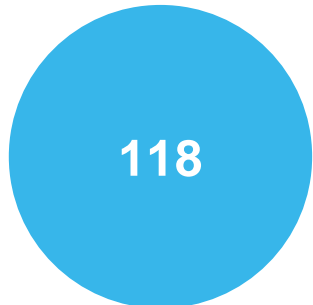
# SERVICE BUSINESS

Well positioned as the world's largest service provider



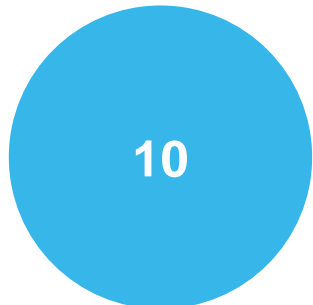
## Service order backlog

- EUR 21.8bn onshore
- EUR 3.5bn offshore



## GW of turbines with active service contracts

- 114 GW onshore
- 4 GW offshore



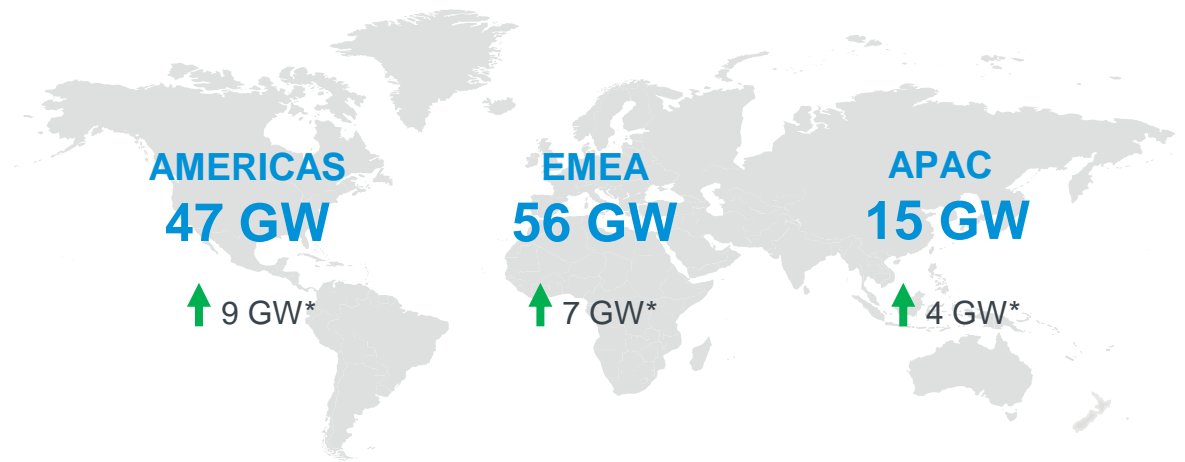
## Years of average duration in the backlog

\* Compared to Q1 2020.

## Highlights

- **Integration of offshore service** continues; leveraging global supply chain and scale
- **Focus on long-term service contracts** continues, with key deals contracted in the Nordics and Ukraine

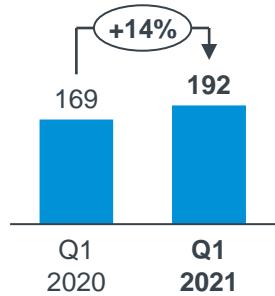
## Service fleet





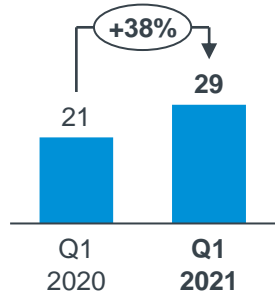
# SUSTAINABILITY STRATEGY

Sustainability in everything we do



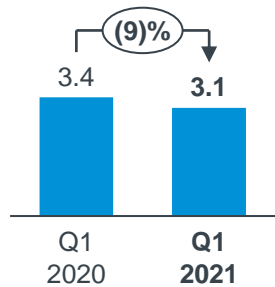
## Displaced CO<sub>2</sub>e

Annual CO<sub>2</sub>e avoided by the total aggregated installed fleet (million t)



## Carbon emissions

Direct and indirect emissions of CO<sub>2</sub>e (scope 1&2)(1,000 t)



## Safety

Total recordable injuries per 1 million working hours (TRIR)

## Highlights

- Increase in carbon emissions driven by inclusion of offshore activities
- Investment in bio-composite specialist [Modvion](#) to investigate wooden towers as an alternative to steel
- New [EUR 2bn credit facility](#) at favourable terms following Baa1 credit rating and linked to ambitious sustainability targets

### 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



# AGENDA

Orders and markets

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**Financials**

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Outlook & Q&A

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# INCOME STATEMENT

## Lower activity levels in Power Solutions

mEUR	Q1 2021	Q1 2020	% change
Revenue	1,962	2,235	(12)%
Production costs	(1,773)	(2,076)	(15)%
Gross profit	189	159	19%
SG&A costs*	(260)	(213)	22%
EBIT before special items	(71)	(54)	(31)%
Special items	-	(58)	-
EBIT after special items	(71)	(112)	37%
Income from investments in joint ventures and associates	12	7	71%
Net profit	(57)	(80)	29%
Gross margin	9.7%	7.1%	2.6%-pts
EBITDA margin before special items	6.9%	4.3%	2.6%-pts
EBIT margin before special items	(3.6)%	(2.4)%	(1.2)%-pts

\*R&D, administration, and distribution

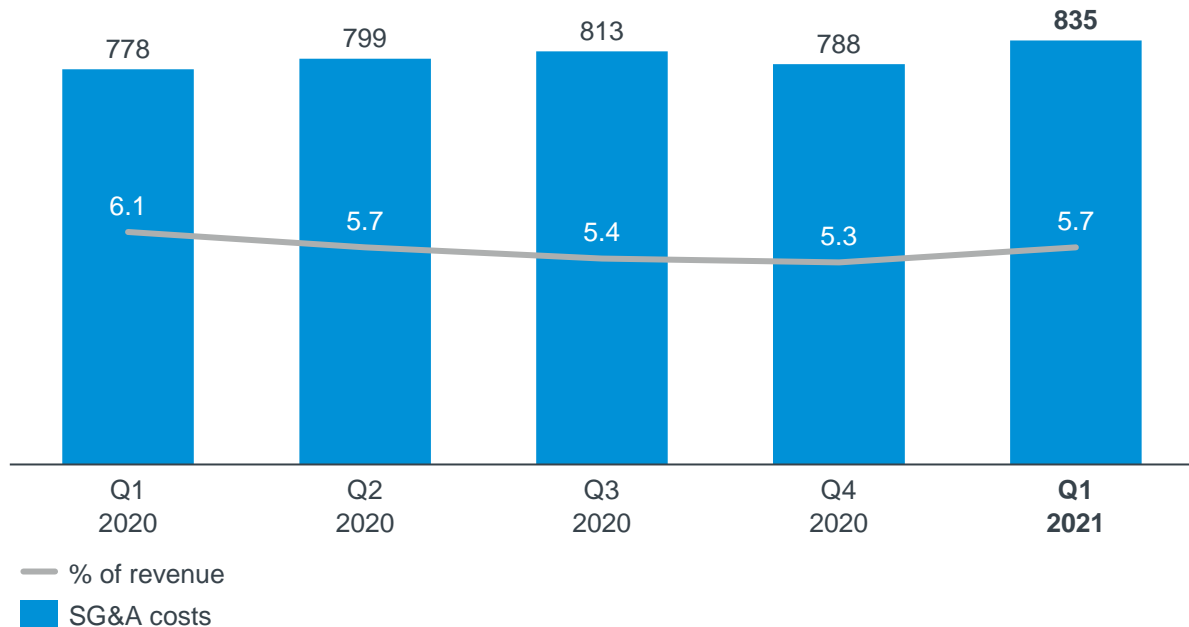
## Highlights

- **Revenue decreased 12 percent**; particularly driven by lower activity levels and impacted by supply chain constraints
- **Gross margin up by 2.6 percentage points** mainly driven by improved project profitability despite continued logistical challenges and supply chain bottlenecks which is amplified by COVID-19
- **EBIT margin before special items decreased by 1.2 percentage points**, mainly driven by higher SG&A costs as a result of offshore integration

# SG&A COSTS

SG&A costs increased due to offshore

**SG&A costs (TTM)\***  
mEUR and percent



## Highlights

- Continuing to **leverage on SG&A costs**
- Depreciation and amortisation (excluding impairments) **increased EUR 56m YoY** primarily related to offshore
- Relative to activity levels, SG&A costs amounted to **5.7 percent** – a decrease of **0.4 percentage points** compared to Q1 2020

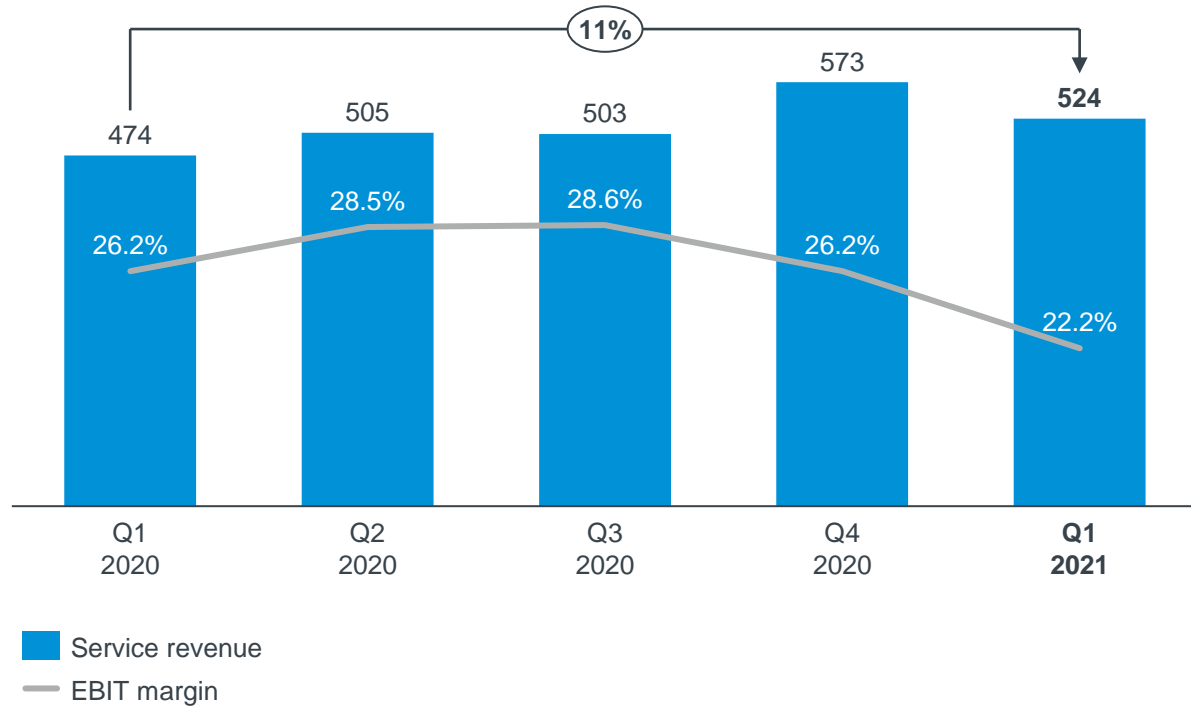
\*R&D, administration, and distribution on a 12 months basis



# SERVICE BUSINESS

## Strong service performance

Service revenue and EBIT margin  
mEUR and percent



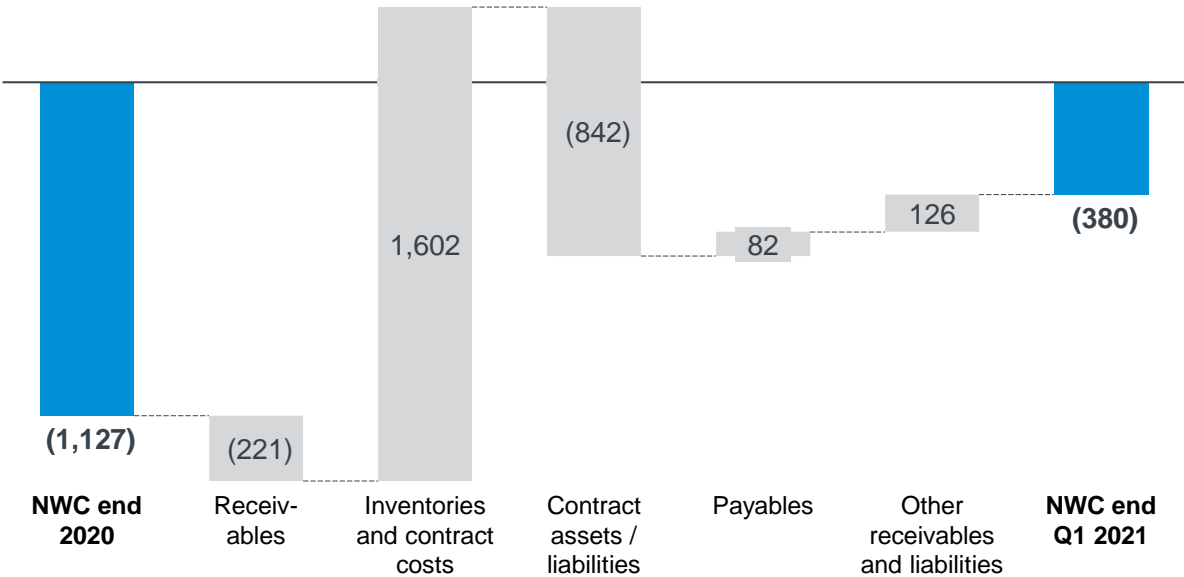
## Highlights

- Service revenue increased by 11 percent compared to Q1 2020, mainly driven by higher activity levels and integration of the offshore business
- 2021 Q1 EBIT before special items: EUR 116m  
2021 Q1 EBIT margin before special items: 22 percent
- EBIT margin impacted by external factors as well as the integration of the offshore business

# CHANGE IN NET WORKING CAPITAL

Inventory increased to cater for high activity levels

**NWC change over the year**  
mEUR



## Highlights

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

# CASH FLOW STATEMENT

## Negative free cash flow in the quarter

mEUR	Q1 2021	Q1 2020	Abs. change
Cash flow from operating activities before change in net working capital	7	(85)	92
Change in net working capital*	(753)	(675)	(78)
Cash flow from operating activities	(746)	(760)	14
Cash flow from investing activities**	(152)	(160)	8
Free cash flow before financial investments**	(898)	(920)	22
Investments in joint ventures and associates	(186)	-	-
Free cash flow	(1,090)	(919)	(171)
Cash flow from financing activities	(309)	42	(351)
Net interest-bearing position	445	1,482	(1,037)

## Highlights

- Negative **free cash flow** before financial investments of **EUR (898)m**; slightly up from Q1 2020, mainly driven by the **cash flow from EBITDA**
- Net interest-bearing position of **EUR 445m**; constant focus on **cash discipline**
- Investments in JVs and associates impacted by the **EUR 180m** upfront payment in relation to the CIP transaction

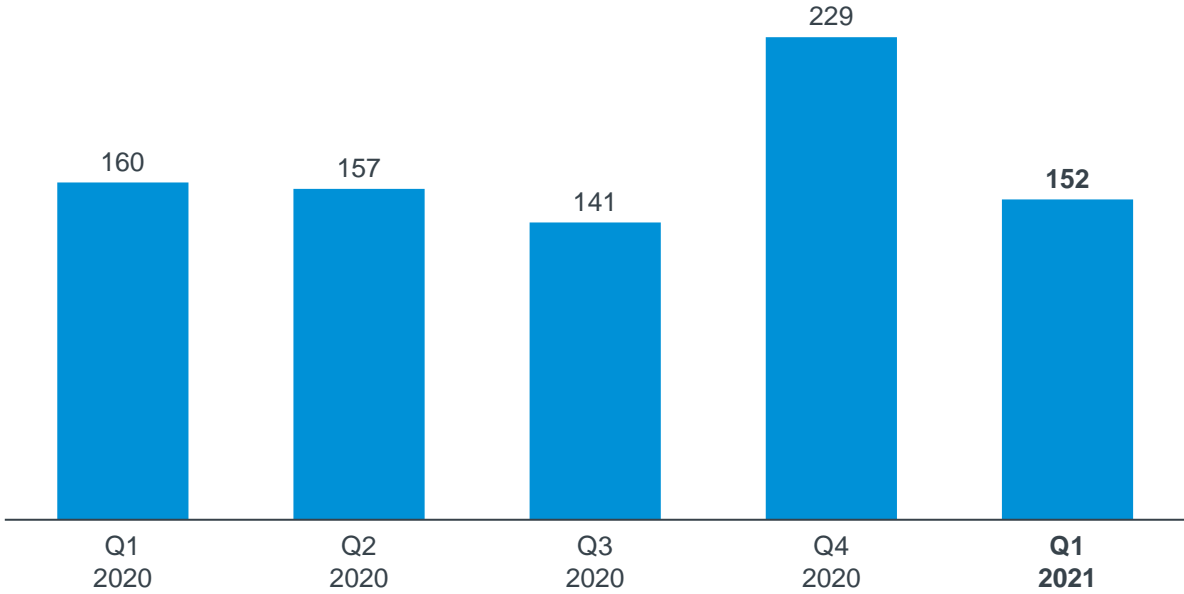
\* Change in net working capital in Q1 2021 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (6)m.

\*\* Excl. acquisitions of subsidiaries, joint ventures, associates and financial investments.

# TOTAL INVESTMENTS

Investments stable year-over-year

Total investments\*  
mEUR



Cash flow from investing activities\*

## Highlights

- Investments of EUR 152m in Q1 2021; roughly unchanged from EUR 160m in Q1 2020

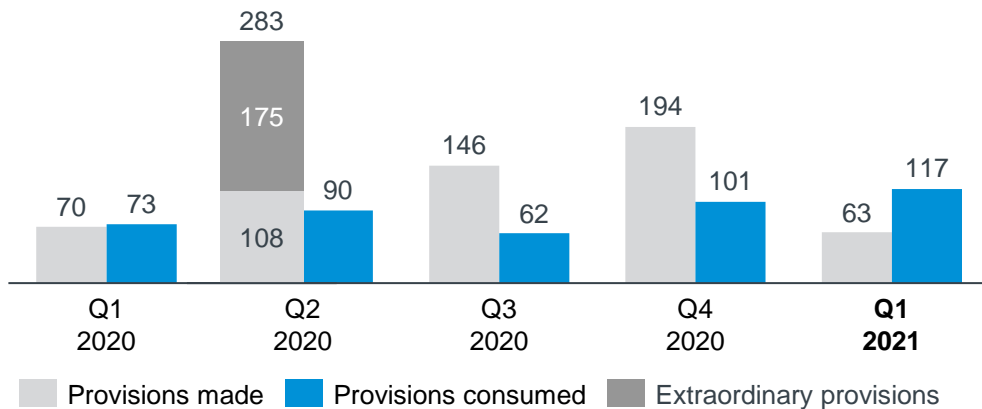
\* Excl. acquisitions of subsidiaries, joint ventures, associates and financial investments.



# WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty consumption and LPF increased in the quarter

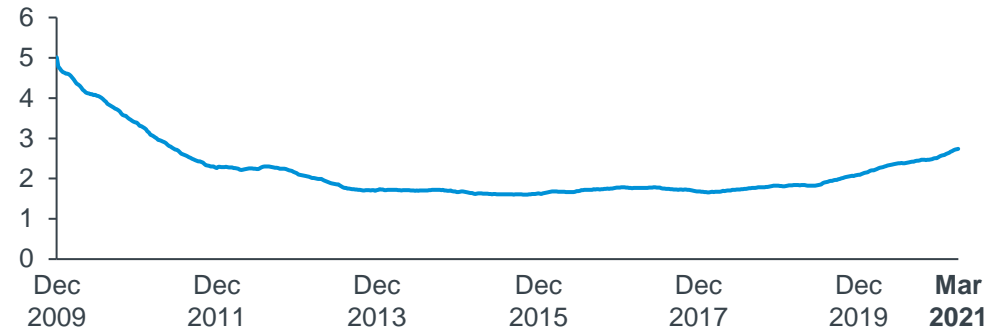
**Warranty provisions made and consumed**  
mEUR



## Highlights

- Warranty provisions made decreased **EUR 7m** YoY, corresponding to **3.2 percent of revenue in Q1 2021**
- Increased consumption driven by repair and upgrade activities

**Lost Production Factor (LPF)**  
Percent



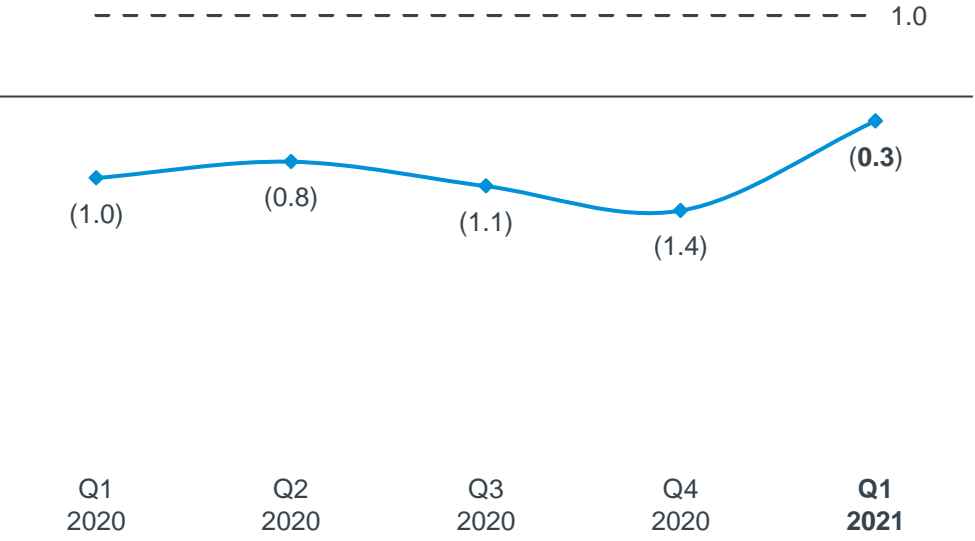
## Highlights

- LPF increasing during Q1 2021 as a consequence of the **extraordinary repair and upgrade level**
- LPF measures potential energy production not captured by Vestas' onshore and offshore wind turbines

# CAPITAL STRUCTURE

Net debt to EBITDA well below threshold

## Net debt to EBITDA before special items



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

## Highlights

- Net debt to EBITDA remains at low level of (0.3) in Q1 2021
- New EUR 2bn credit facility to support onshore and offshore wind project guarantees



# AGENDA

Orders and markets

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Financials

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Outlook & Q&A

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# OUTLOOK 2021

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## Outlook

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### Revenue (bnEUR)

- Service is expected to grow approx. 15 percent

16 – 17

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### EBIT margin before special items (%)

- Service margin is expected to be approx. 24 percent

6 – 8

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### Total investments (mEUR)

Excl. acquisitions of subsidiaries, joint ventures, associates and financial investments

approx. 1,000

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- 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:

- Disclosure of Q2 2021 (11 August)
- Disclosure of Q3 2021 (3 November)

A large, semi-transparent blue illustration of a wind turbine nacelle and a blade, set against a dark background. The nacelle is shown in a perspective view, revealing internal components like the gearbox and generator. The blade is long and tapers towards the tip, with a grid of lines indicating its internal structure. The overall aesthetic is clean and technical.

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