

# THIRD QUARTER 2019

Vestas Wind Systems A/S

Copenhagen, 7 November 2019

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# KEY HIGHLIGHTS

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## **Increased order intake and all-time high order backlog**

4.7 GW of order intake in Q3; combined backlog up 38 percent YoY

## **Total revenue of EUR 3,646m driven by all regions**

30 percent increase compared to Q3 2018

## **EBIT of EUR 429m**

EBIT margin at 11.8 percent

## **Strong service performance**

Revenue growth of 8 percent, and EBIT of EUR 125m

## **Share buy-back programme**

EUR 200m share buy-back programme launched to adjust the capital structure

## **Outlook 2019**

Unchanged guidance for revenue, EBIT margin, and investments; service revenue growth upgraded



# AGENDA

Orders and markets

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Financials

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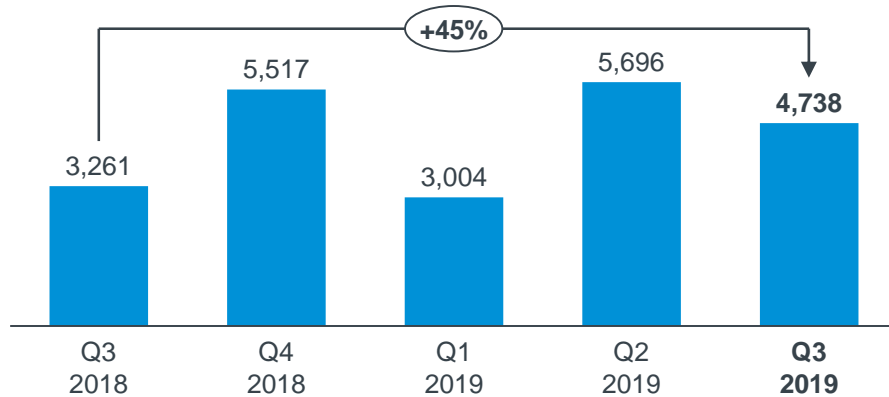
Outlook and Q&A

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# THIRD QUARTER ORDER INTAKE

Order intake at 4.7 GW, with an average selling price of EUR 0.75m per MW

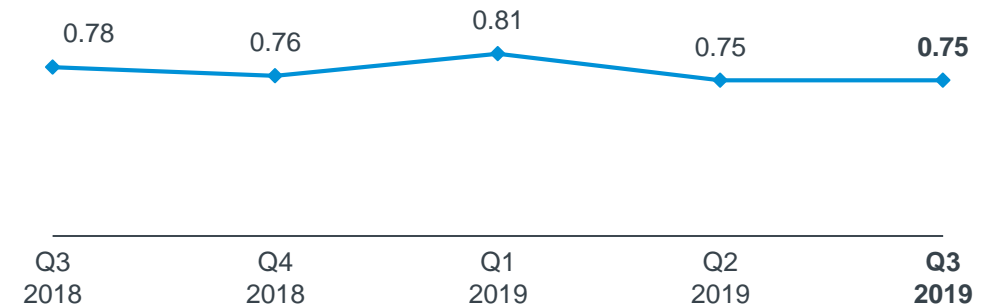
Order intake  
MW



## Key highlights

- Q3 2019 order intake was 1,477 MW higher than in Q3 2018; an increase of 45 percent
- USA, Brazil, and Saudi Arabia were the main contributors to the order intake in Q3 2019

Average selling price of order intake  
mEUR per MW



## Key highlights

- Price per MW remained stable in Q3 2019
- Geography, turbine type, scope, and uniqueness of the offering still a factor

# ALL-TIME HIGH ORDER BACKLOG OF MORE THAN EUR 32BN

Combined backlog increased by EUR 9.1bn YoY, an increase of 38 percent



EUR +6.0bn\*



EUR +3.1bn\*

\* Compared to Q3 2018.

# REGIONAL HIGHLIGHTS: AMERICAS

Demand in USA and Latin America continues to increase

## Market highlights

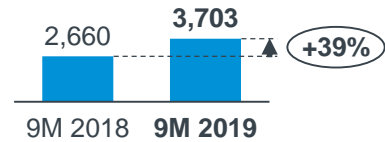
### PTC and trade tariffs in the USA...

- Continued strong US demand driven by current PTC structure and economics of wind
- Steel and tariff mitigation continues; still heavily impacting supply chain

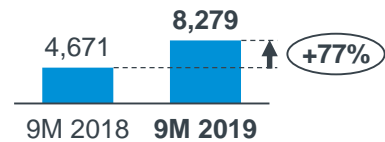
### Latin America auctions...

- Colombia concluded first renewable energy auction; 1.3 GW allocated to wind and solar
- 1 GW auction in Brazil completed in Q3 2019

### Deliveries MW

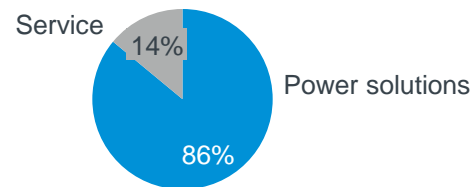


### Order intake MW



### Revenue breakdown, 9M 2019

Percent



- Increase mainly driven by **US** deliveries
- **Canada** and **Mexico** also contributing to the increase
- **USA** continues to increase from an already high level
- Strong position in **Brazil** drives order intake above 2 GW YTD 2019
- Total revenue of **EUR 3.3bn**
- Service accounting for **14 percent**; up 1 percentage point YoY

# REGIONAL HIGHLIGHTS: EUROPE, MIDDLE EAST, AND AFRICA

High activity levels as commitments towards renewables increase

## Market highlights

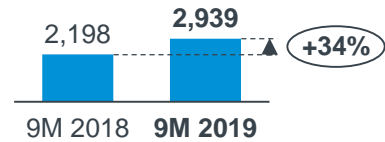
### Continuously increasing the penetration of renewable energy in EU...

- 2 GW onshore wind and solar auction in Poland planned for Q4 2019
- Climate package defining target for total onshore in Germany has been proposed, but permitting bottlenecks are not addressed adequately
- 5 GW technology neutral auctions announced in Italy through 2021

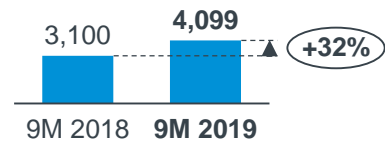
### Positive signals in MEA...

- New Integrated Resource Plan released in South Africa indicating ~14 GW of wind, with 1.6 GW a year from 2022-2030

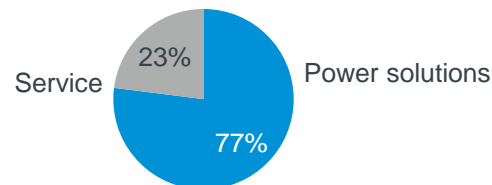
### Deliveries MW



### Order intake MW



### Revenue breakdown, 9M 2019 Percent



- Delivery growth in [Spain](#), [Sweden](#), and [Italy](#) offsets expected decline in [Germany](#)
- [Back-end loaded](#) delivery profile starting to unfold
- Broad based order intake from [20 countries](#)
- Growth mainly driven by [Finland](#), [Greece](#), [Turkey](#), and [France](#)
- Total revenue of [EUR 3.2bn](#)
- Service accounting for [23 percent](#); down 3 percentage points YoY as deliveries increased



# REGIONAL HIGHLIGHTS: ASIA PACIFIC

Slow order intake in the quarter; high potential remains

## Market highlights

### Increased commitment in China...

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

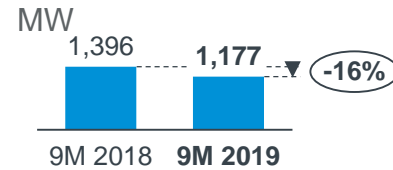
### India auctions launched...

- Ambitions still in place with 140 GW wind target for 2030 but short-term execution still uncertain

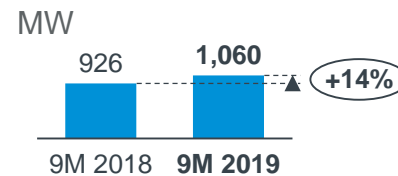
### Broader Asia Pacific region on the move...

- Strong growth seen in Australia meeting its 2020 Renewable Energy Target, but further transmission access needed

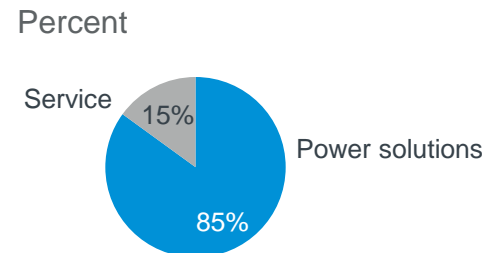
### Deliveries



### Order intake



### Revenue breakdown, 9M 2019



- Decrease primarily driven by Thailand, and China, and Mongolia
- Australia remains stable

- Limited order activity in Q3 2019
- 9M 2019 order increase driven by Australia, China, and New Zealand

- Total revenue of EUR 948m
- Service accounting for 15 percent; up 4 percentage points YoY

# SERVICE BUSINESS

Well positioned as the world's largest service provider

91

**GW of onshore turbines with active service contracts**

67

**Countries with active operations**

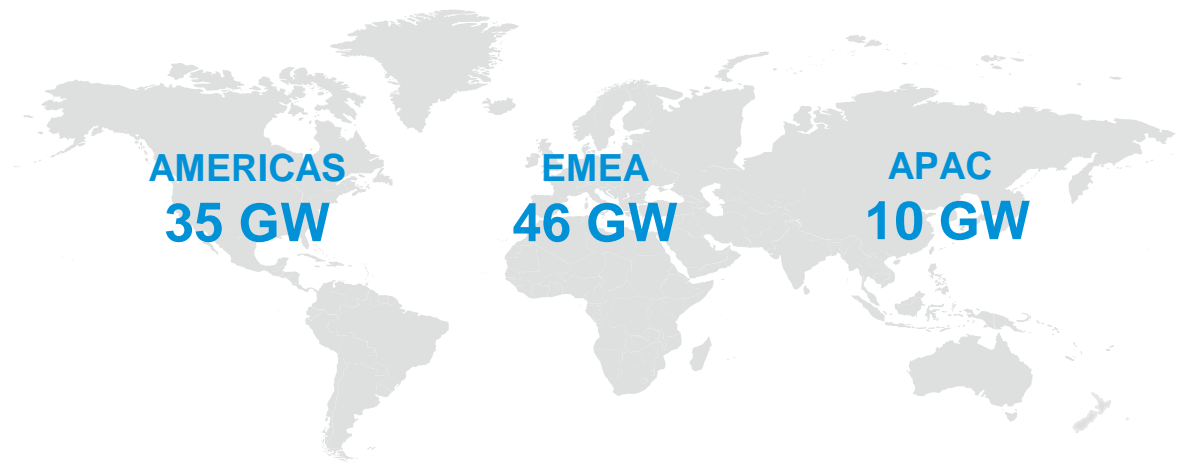
18

**Years of average duration on new contracts**

## Key highlights

- Continuing to see **longer service contracts**: average of **~18 years** for YTD 2019; four contracts with 25+ years signed in Q3 2019
- **Power upgrades** signed for more than 25 contracts delivering **annual energy production gain**
- More than **500 MW multibrand contracts** signed in USA and Europe

## Service fleet



# MHI VESTAS OFFSHORE WIND

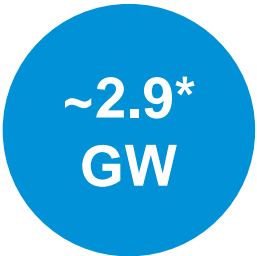
Two preferred supplier agreements signed

## Track record...



> 1,200 turbines installed  
across 32 projects

## Pipeline...



Under installation/  
unconditional orders



Conditional orders/  
preferred supplier

\* As at 30 September 2019

## Key highlights

- Preferred supplier status for [Seagreen](#), supplying up to 114 wind turbines and expanding the UK track record with the largest project in Scotland
- Selected as preferred wind turbine supplier for the 29 MW [Groix & Belle-Ile Floating Offshore Wind Farm in France](#)
- Inauguration of 49 V164-8.3 MW™ turbines at [Horns Reef 3](#) with Vattenfall – now 143 offshore wind turbines operating in Denmark

## Projects in progress in Q3



[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™



# AGENDA

Orders and markets

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**Financials**

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Outlook and Q&A

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# INCOME STATEMENT

Revenue and EBIT increased in the quarter

mEUR	Q3 2019	Q3 2018	% change
Revenue	3,646	2,811	30%
Production costs	(3,031)	(2,376)	(28)%
Gross profit	615	435	41%
SG&A costs*	(186)	(159)	(17)%
EBIT before special items	429	276	55%
Income from investments in joint ventures and associates	4	23	(83)%
Net profit	303	178	70%
<hr/>			
Gross margin	16.9%	15.5%	1.4%-pts
EBITDA margin	15.5%	13.2%	2.3%-pts
EBIT margin	11.8%	9.8%	2.0%-pts

## Key highlights

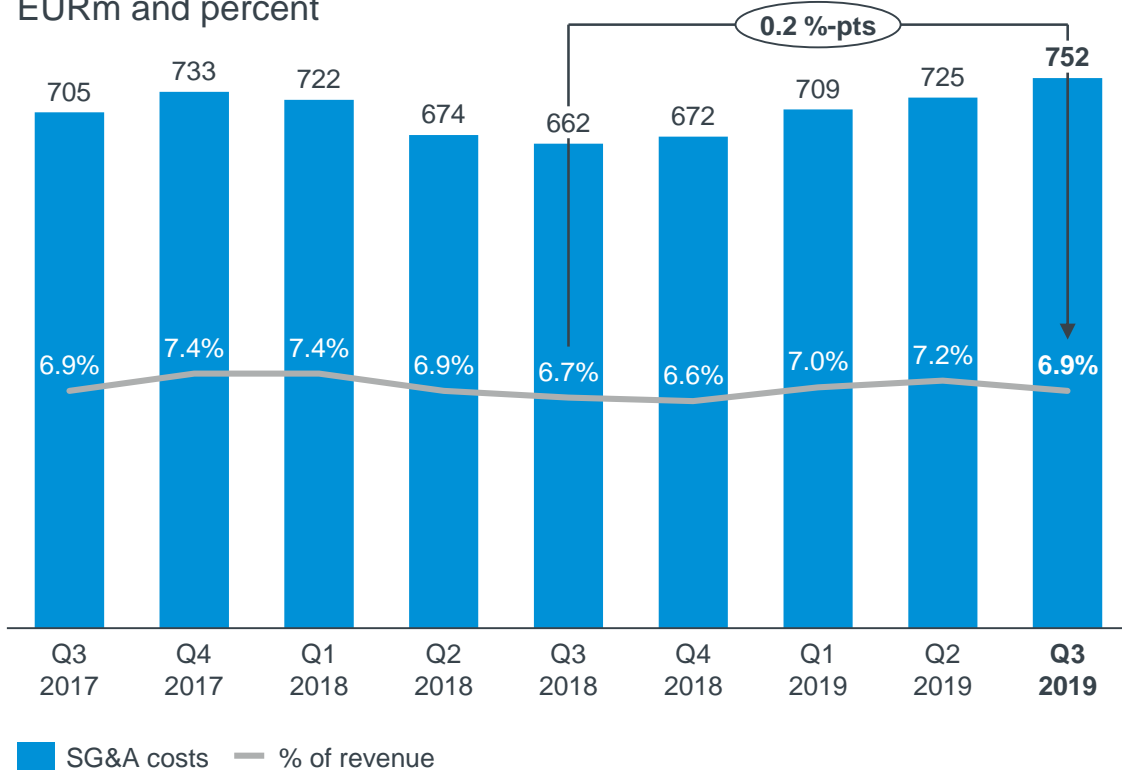
- Revenue increased **30 percent**
- Increase driven by both Power solutions as **back-end loaded activity profile unfolds** and Service
- **Gross margin up by 1.4 percentage points**, positively impacted by sale of Romanian projects; external factors such as **tariffs, transport, and raw material prices** increased costs
- **EBIT margin increased by 2.0 percentage points**, mainly driven by higher gross profit and increased leverage on SG&A costs

\*R&D, administration, and distribution

# SG&A COSTS

## SG&A costs under control

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



### Key highlights

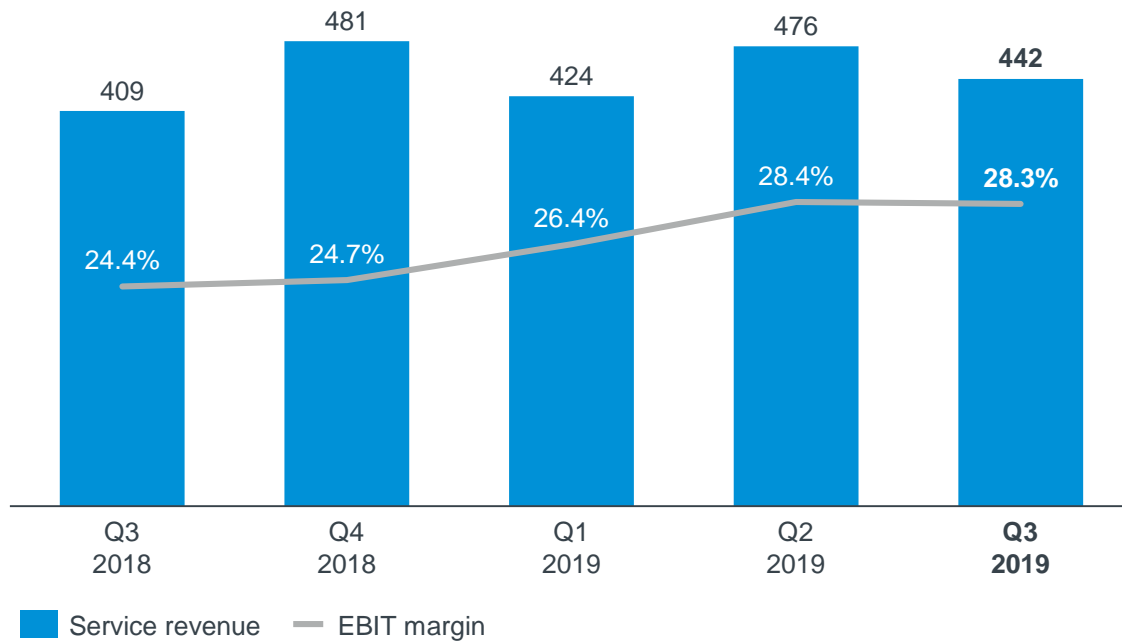
- SG&A costs increased YoY (12m rolling) to cater for higher activity levels
- Depreciation and amortisation increased EUR 28m YoY primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 6.9 percent – an increase of 0.2 percentage points compared to Q3 2018

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

# SERVICE BUSINESS

## Strong service performance

Service revenue and EBIT margin, onshore  
EURm and percent



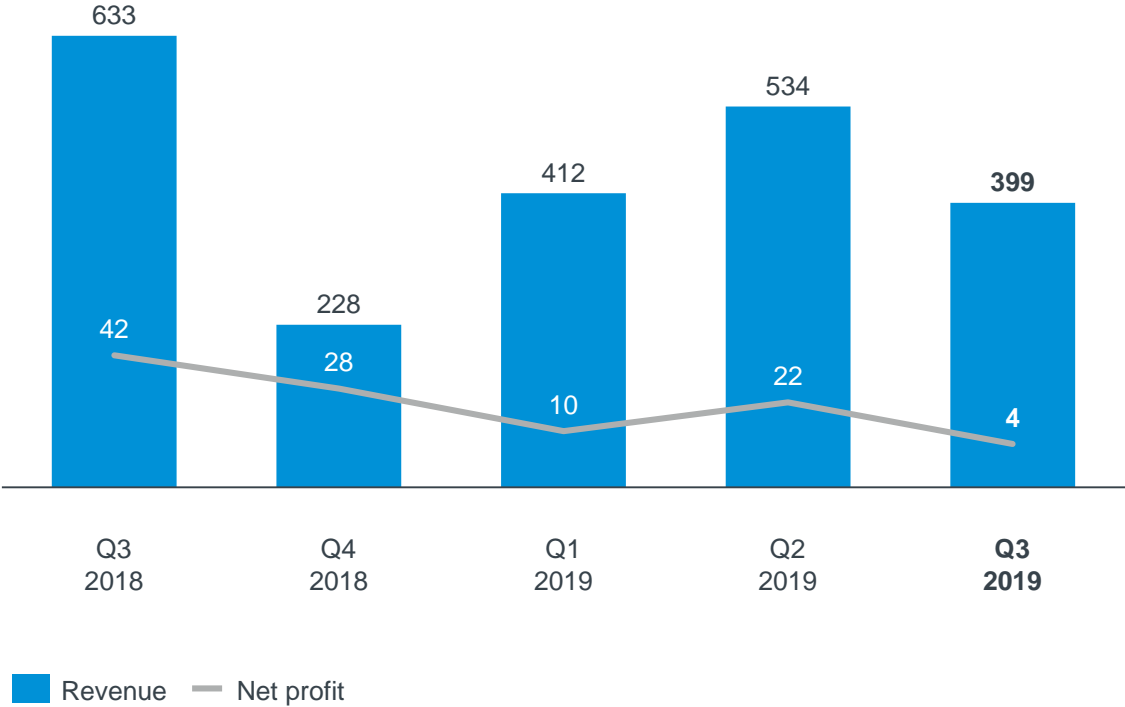
### Key highlights

- Service revenue increased by 8 percent compared to Q3 2018, mainly driven by higher activity levels
- 2019 Q3 EBIT: EUR 125m  
2019 Q3 EBIT margin: 28.3 percent

# MHI VESTAS OFFSHORE WIND

Revenue and profits down on tough comparisons; underlying trends still positive

Revenue and net profit\*  
EURm



### Key highlights

- Revenue in the JV of EUR 399m; down from a very busy Q3 2018
- Net profit of EUR 4m impacted by additional costs as a consequence of a project delay

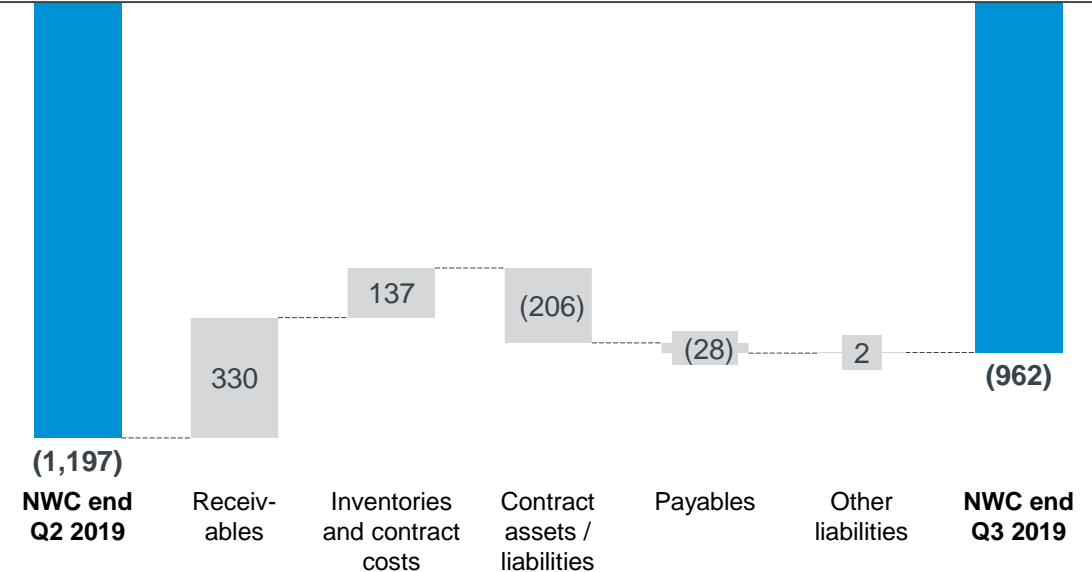
\* Vestas accounting for MHI Vestas: The joint venture is accounted for using the equity method.



# CHANGE IN NET WORKING CAPITAL

Inventory remains high to cater for increasing activity levels

**NWC change over the last 3 months**  
mEUR



**Key highlights**

- Net working capital in the quarter negatively impacted by **increased receivables and higher** level of inventory
- **Down- and milestone payments** partly offset

# CASH FLOW STATEMENT

## Free cash flow positive in the quarter

mEUR	Q3 2019	Q3 2018	Abs. change
Cash flow from operating activities before change in net working capital	450	382	68
Change in net working capital*	(99)	(447)	348
Cash flow from operating activities	351	(65)	416
Cash flow from investing activities**	(146)	(158)	12
Free cash flow before financial investments**	205	(223)	428
Free cash flow	265	(380)	645
Cash flow from financing activities	17	(82)	99
Net interest-bearing position	1,849	1,754	95

### Key highlights

- Free cash flow before financial investments of EUR 205m compared to EUR (223)m in Q3 2018, impacted by increased profit and operating cash flow
- Net interest-bearing position of EUR 1.8bn

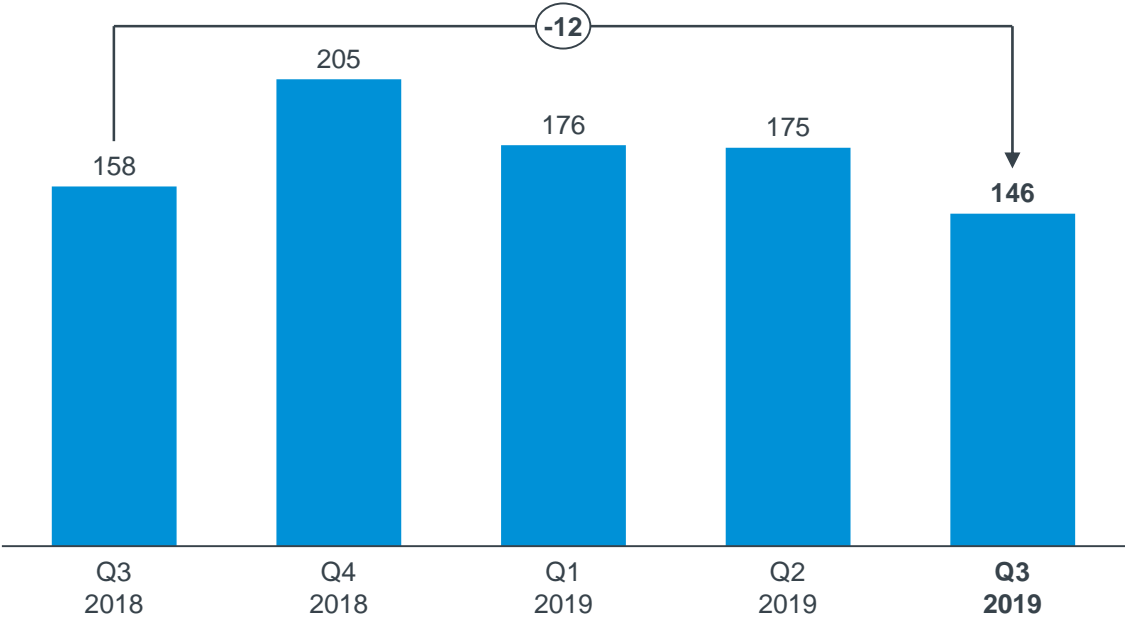
\* Change in net working capital in Q3 2019 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (136)m

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

# TOTAL INVESTMENTS

Investments year-to-date increased to meet strong demand

Total investments\*  
EURm



Cash flow from investing activities

### Key highlights

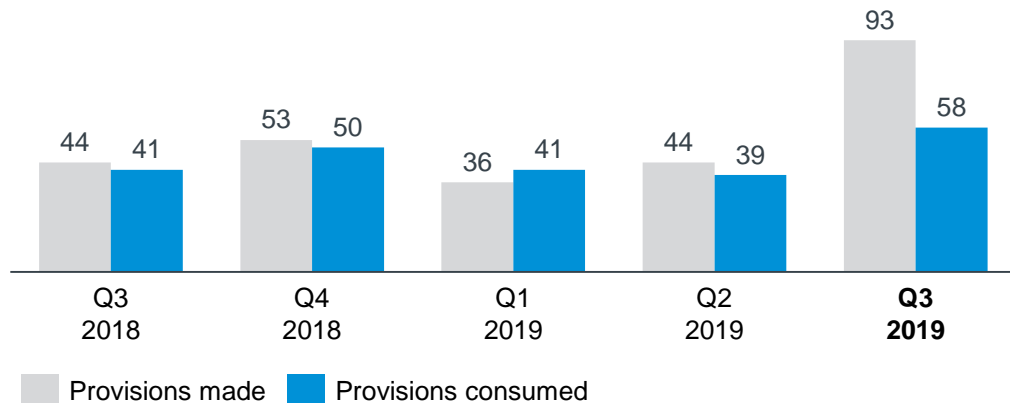
- Investments decreased EUR 12m
- YTD 2019 investments up approx. EUR 100m compared to 2018 in order to meet strong demand and new product launches

\* 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

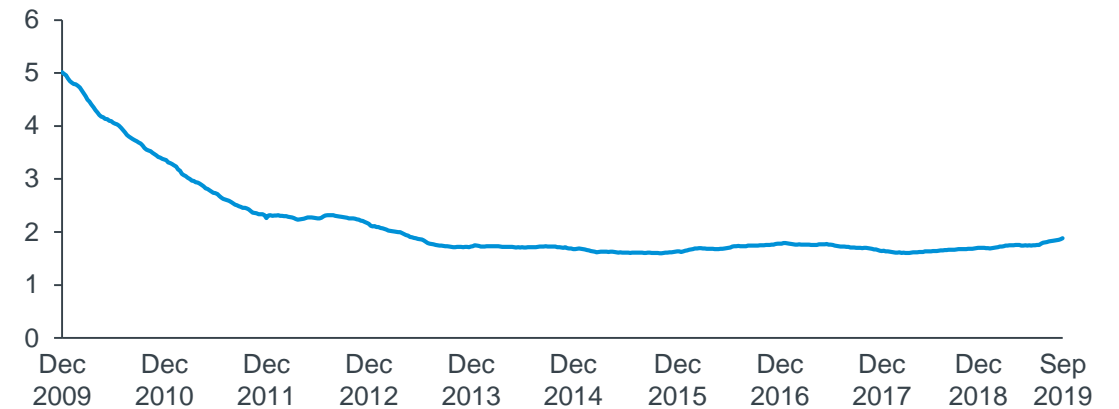
Warranty provisions made and consumed  
mEUR



## Key highlights

- Warranty provisions consumed increased slightly
- Warranty provisions made increased to **2.6 percent of revenue in Q3 2019** to cater for steep delivery ramp-up and the acceleration of new product introductions

Lost Production Factor (LPF)  
Percent



## Key highlights

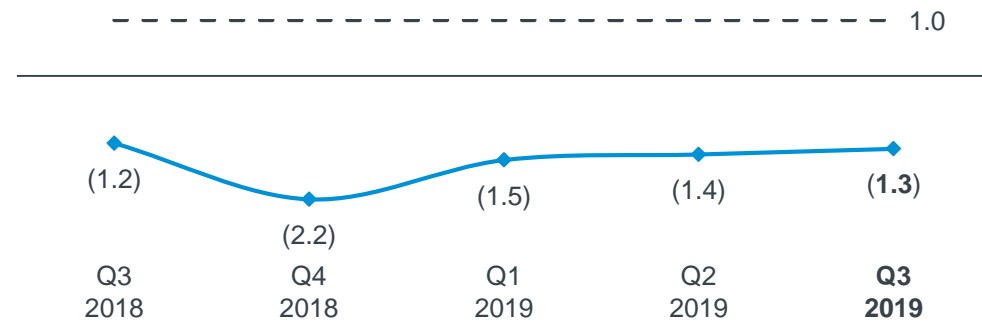
- LPF continues at a low level – **below 2.0**
- LPF measures potential energy production not captured by Vestas' wind turbines

# CAPITAL STRUCTURE

## Net debt to EBITDA well below threshold

### Net debt to EBITDA before special items

mEUR



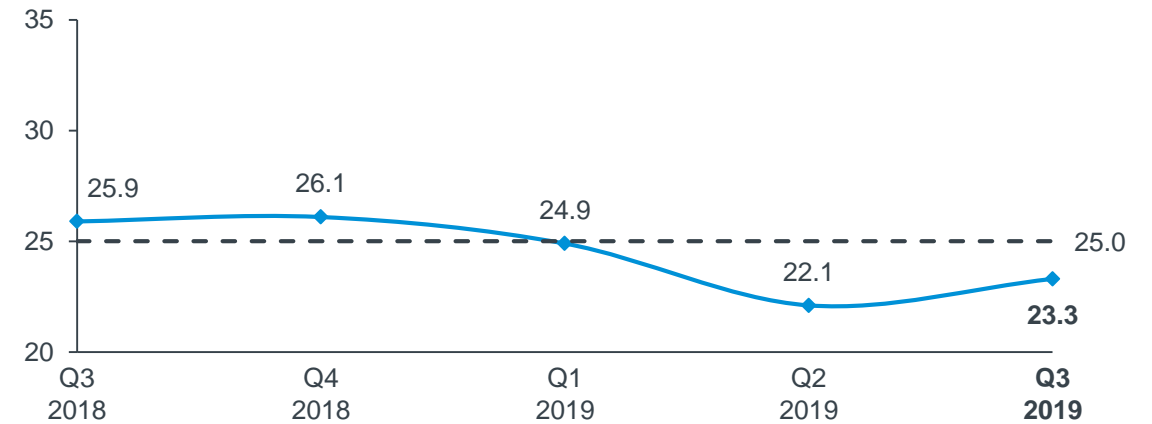
- ◆ Net debt to EBITDA, last 12 months
- - Net debt to EBITDA, financial target

### Key highlights

- Net debt to EBITDA remains at low level of **(1.3) in Q3 2019**
- **EUR 200m share buy-back** programme launched

### Solvency ratio

Percent



- ◆ Solvency ratio

### Key highlights

- Solvency ratio of **23.3 percent in Q3 2019**
- Low level primarily driven by **increase in total assets**



# AGENDA

Orders and markets

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Financials

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Outlook and Q&A

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# OUTLOOK 2019

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

*The 2019 outlook is based on current foreign exchange rates*

# Q&A

## Financial calendar 2020:

- Disclosure of Annual Report 2019 (5 February)
- Annual General Meeting 2020 (7 April)
- Disclosure of Q1 2020 (5 May)
- Disclosure of Q2 2020 (12 August)
- Disclosure of Q3 2020 (4 November)



THANK YOU FOR YOUR ATTENTION