



Third quarter 2018

Vestas Wind Systems A/S

Copenhagen, 7 November 2018

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Key highlights

Quarterly performance

Strong order intake

Order intake of 3.3 GW; an increase of 25 percent year-over-year leading to all-time high order backlog

Good service performance

Organic revenue growth of 14 percent, and EBIT margin of 24 percent

EBIT before special items of EUR 276m

EBIT margin before special items of 9.8 percent

Progress in MHI Vestas Offshore Wind

Contribution to net profit of EUR 23m

Free cash flow year-to-date negative

Negative free cash flow due to lower profit and build-up of net working capital to cope with higher activity

Outlook 2018

Unchanged guidance for revenue and EBIT margin while total investments and free cash flow have been adjusted

Agenda

Q3

Vestas[®]
Interim financial report,
third quarter 2018

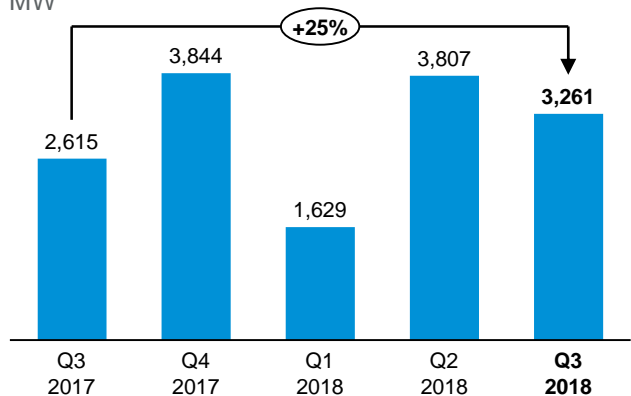
- 1. Orders and markets**
2. Financials
3. Outlook and questions & answers

Q3 order intake

Order intake at 3,261 MW, with an average selling price of EUR 0.78m per MW

Order intake

MW

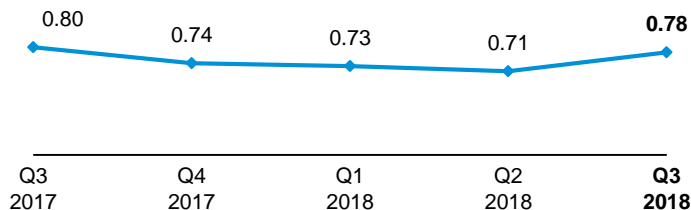


Key highlights

- Q3 2018 order intake was 646 MW higher than in Q3 2017, representing an increase of 25 percent
- USA, Canada, Australia, and Argentina were the main contributors to the order intake in Q3 2018, accounting for approx. 65 percent

Average selling price of order intake

mEUR per MW



Key highlights

- Price per MW increased in the quarter, primarily driven by scope and turbine type contributing EUR 0.04m per MW sequentially
- Geography, scope, turbine type, and uniqueness of the offering still a factor

Americas

Deliveries in line with last year while order intake increases 36 percent

Market highlights

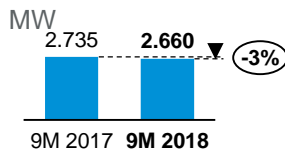
PTC and trade tariffs in the USA...

- Continued strong US demand
- Vestas is continuously working on a range of mitigation strategies utilising our global footprint and full value chain

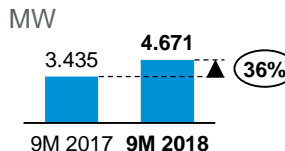
Latin America remains attractive...

- 700 MW auction expected in Mexico in Q4
- Vestas to upgrade its manufacturing facilities in Brazil after securing volume in auctions

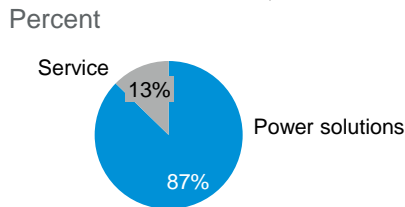
Deliveries



Order intake



Revenue breakdown, 9M 2018



- Decline in US deliveries as a result of [PTC component deliveries in 2017](#)
- [Argentina](#) and [Mexico](#) as main contributors to [offset](#) decline in US deliveries
- Strong [US](#) order intake partially driving [increase](#)
- Continued high level of orders in [Argentina](#), and very strong development in [Canada](#)
- Total revenue of [EUR 2.9 bn](#)
- Service accounting for [13 percent](#)

Europe, Middle East, and Africa

Broad based order intake in EMEA; order intake up 11 percent

Market highlights

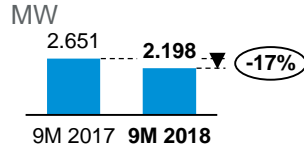
European RE target increased to 32% from 27% for 2030...

- 1 GW auction in Poland and 600 MW auction in Finland confirmed
- Additional 4 GW of onshore wind auctions between 2019 and 2021 confirmed in Germany
- German PPA prices increased in recent auctions, however auctions being undersubscribed

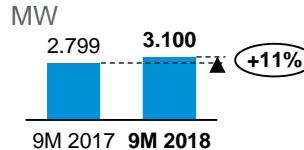
MEA moving forward...

- Kenya and Tanzania introducing auctions
- South Africa announces buildout plan to 2030, adding more than 8 GW of wind power

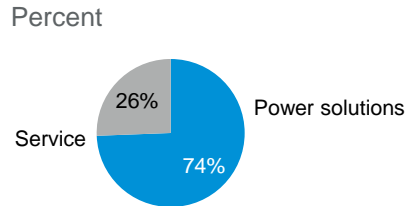
Deliveries



Order intake



Revenue breakdown, 9M 2018



- Decline in deliveries mainly driven by **UK**, but partly offset by **France** and **Italy**
- Continued solid level of deliveries in **Germany** although a significant decline compared to **9M 2017**
- Good order intake in **Sweden** and **Italy** more than compensating for lower order intake in **Germany**, where recent auction volume has not yet materialised as orders
- Total revenue of **EUR 2.7 bn**
- Service accounting for **26 percent**

Asia Pacific

Strong deliveries across the region's markets

Market highlights

Positive signals in broader APAC...

- Feed-in tariffs in Vietnam for onshore wind power increased, providing positive outlook in the market

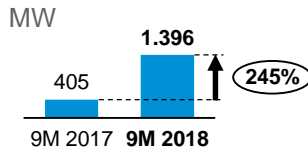
China to introduce auctions...

- Wind volume to be awarded in auctions starting in 2019 as China moves away from feed-in tariffs
- [Agreement with Aeolon to deliver blades](#)

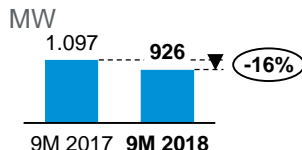
Short-term uncertainty in India...

- PPA prices stabilising, but short-term uncertainty remains
- Ambitious target of 80 GW by 2022 still in place

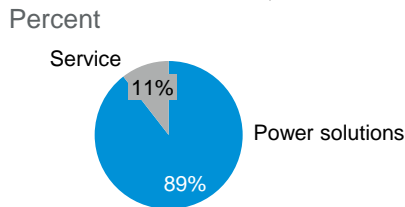
Deliveries



Order intake



Revenue breakdown, 9M 2018



- Diversified deliveries secures [high level of activity](#)
- Strong development in [India](#), [Australia](#), and [Thailand](#)
- [Australia](#) contributing to the majority of the order intake
- [India](#) on par with last year, whereas [China](#) is significantly behind

- Total revenue of [EUR 1.2 bn](#)
- Service accounting for [11 percent](#)

All-time high order backlog of close to EUR 24bn

Combined backlog increased 17 percent since Q3 last year

Wind turbines:

**EUR
10.5bn**

EUR +0.3bn*

Service:

**EUR
13.2bn**

EUR +0.4bn*

* Compared to Q2 2018

First turbine manufacturer to launch a 10 MW turbine

V164 turbine continues to develop on proven technology and track record

Track record...



> 1.000 turbines installed
across 28 projects

Pipeline...



Under installation/
unconditional orders

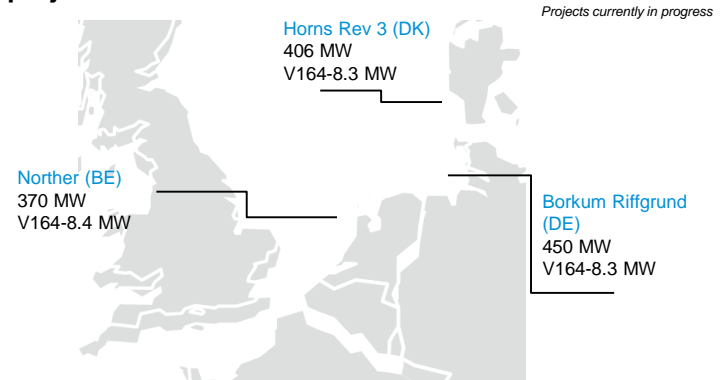


Conditional orders/
preferred supplier

Key highlights

- Conditional order for 950 MW Moray East project to deliver 100 V164-9.5MW
- Firm and unconditional order of 855 MW for Triton Knoll
- Firm order for the V164-8.4 MW™ signed with WindFloat Atlantic – most powerful turbine ever to be installed onto a floating foundation

Near-term project execution



Agenda

Q3

Vestas[®]
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Income statement

Revenue on par with last year but with lower profitability

| mEUR | Q3 2018 | Q3 2017* | % change |
|--|---------|----------|------------|
| Revenue | 2,811 | 2,743 | 2% |
| Production costs | (2,376) | (2,217) | (7)% |
| Gross profit | 435 | 526 | (17)% |
| SG&A costs** | (159) | (171) | 7% |
| EBIT before special items | 276 | 355 | (22)% |
| Special items | (40) | - | - |
| EBIT | 236 | 355 | (34)% |
| Income from investments in joint ventures and associates | 23 | (18) | 128% |
| Net profit | 178 | 253 | (30)% |
| <hr/> | | | |
| Gross margins | 15.5% | 19.2% | (3.7)%-pts |
| EBITDA margin before special items | 13.7% | 16.5% | (2.8)%-pts |
| EBIT margin before special items | 9.8% | 12.9% | (3.1)%-pts |

Key highlights

- **Revenue on par with Q3 2017**, primarily driven by higher activity in Service; negative FX impact of approx. EUR 50m
- **Gross profit down by 3.7 percentage points**, driven by lower average project margins in Power solutions
- **Special items of EUR 40m** relating to the closure of the factory in Léon; EUR 26m of impairments and EUR 14m of provisions
- Positive impact from **JV of EUR 23m**

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q3 2018

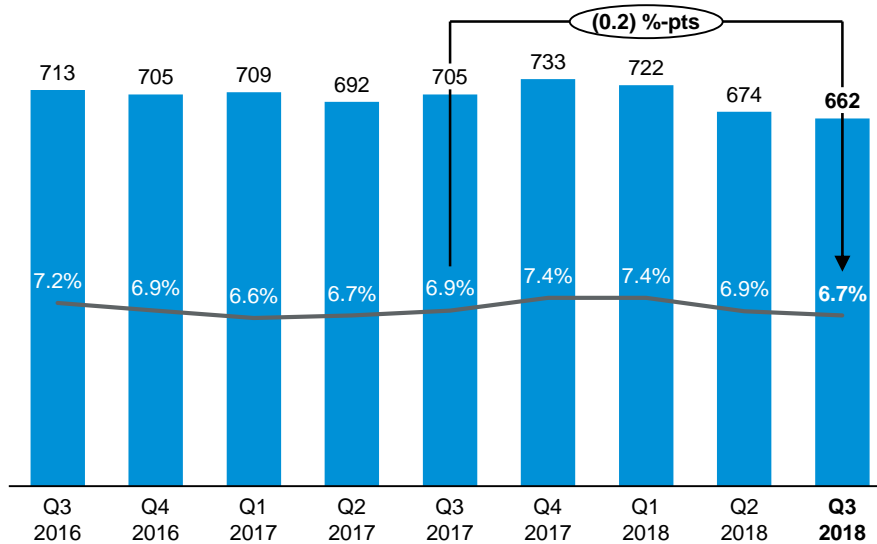
** R&D, administration, and distribution

Leveraging on SG&A

Continued control of SG&A costs

SG&A costs (TTM)*

mEUR and percent of revenue



Key highlights

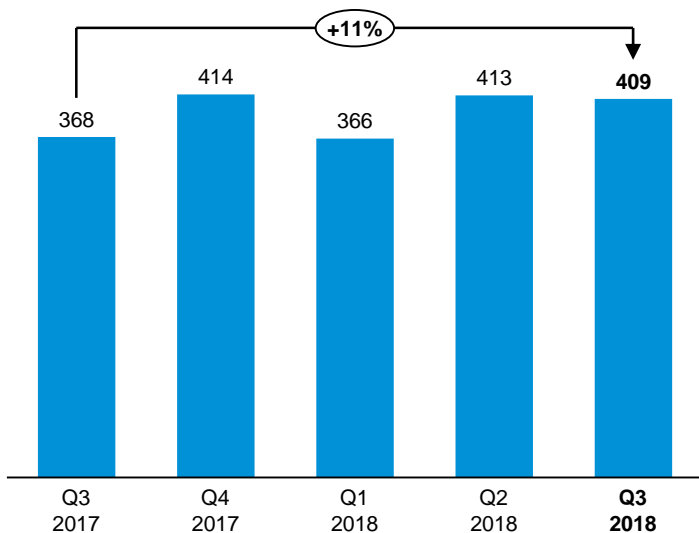
- SG&A costs down YoY
- Relative to activity levels, SG&A costs amounted to **6.7 percent** – a decrease of **0.2 percentage points** compared to Q3 2017

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

Service

Good service performance

Service revenue mEUR



Key highlights

- Service revenue increased 11 percent compared to Q3 2017; negative FX impact of approx. EUR 10m resulting in 14 percent organic growth
- EBIT of EUR 100m (24.4 percent margin) as a result of reliable turbine performance and efficient cost management

Balance sheet

Balance sheet remains strong and provides flexibility

| Assets (mEUR) | Q3 2018 | Q3 2017* | Abs. change | % change |
|---------------------------------|---------|----------|-------------|------------|
| Non-current assets | 3,061 | 2,778 | 283 | 10% |
| Current assets | 8,220 | 7,784 | 436 | 6% |
| Total assets | 11,281 | 10,562 | 719 | 7% |
| Liabilities (mEUR) | | | | |
| Equity | 2,926 | 3,163 | (237) | (7)% |
| Non-currents liabilities | 1,180 | 1,113 | 67 | 6% |
| Current liabilities | 7,175 | 6,286 | 889 | 14% |
| Total equity and liabilities | 11,281 | 10,562 | 719 | 7% |
| Key figures (mEUR) | | | | |
| Interest bearing position (net) | 1,754 | 2,609 | (855) | (33)% |
| Net working capital | (765) | (1,053) | (288) | (27)% |
| Solvency ratio (%) | 25.9% | 29.9% | - | (4.0)%-pts |
| ROIC (%) | 211% | 453% | - | (242)%-pts |

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q3 2018

Key highlights

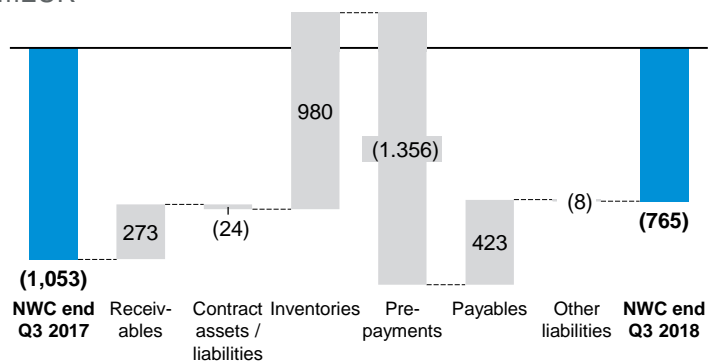
- Net interest bearing position of **EUR 1,754m**, negatively impacted by **net working capital development** and **lower EBITDA**
- Net working capital increased by **EUR 288m**

Change in net working capital

Continued high level of inventory as a result of strong demand

NWC change over the last 12 months*

mEUR

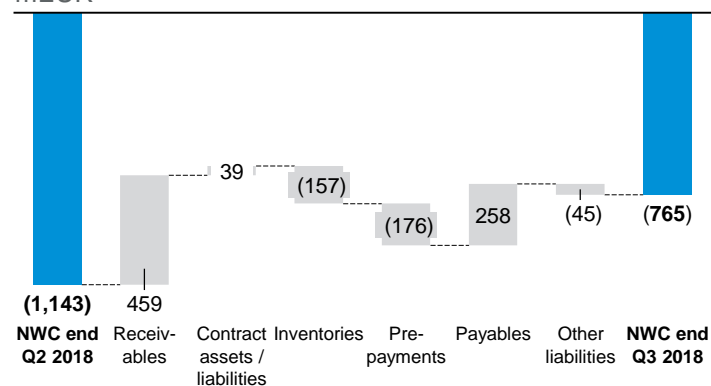


Key highlights

- Negative development mainly driven by higher **inventories** and lower **payables**, partly offset by higher **prepayments**

NWC change over the last 3 months*

mEUR



Key highlights

- Net working capital in the quarter negatively impacted by **receivables**, partly offset by lower **inventories** and higher **prepayments**

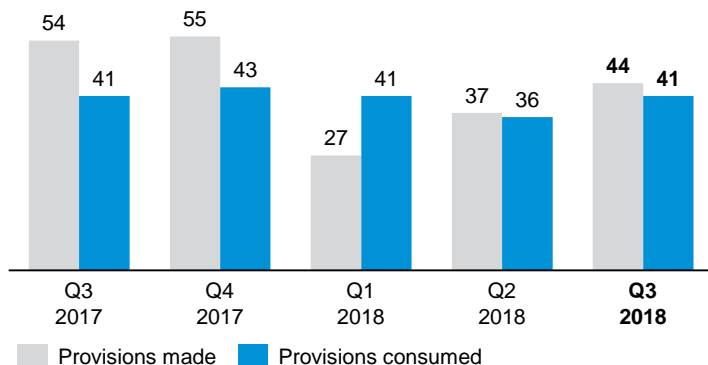
* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q3 2018

Warranty provisions and Lost Production Factor

Warranty consumption and LPF continue at a low levels

Warranty provisions made and consumed

mEUR

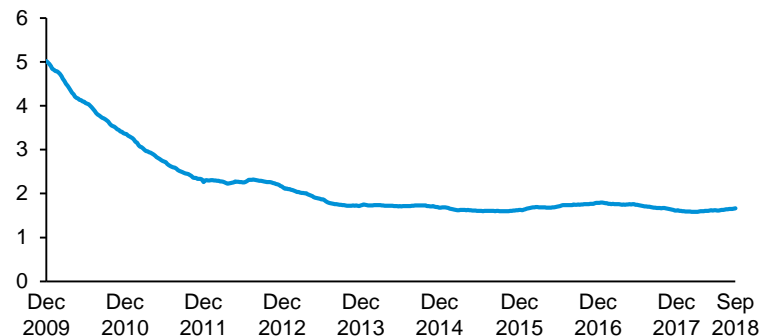


Key highlights

- Warranty consumption constitutes approx. **1.6 percent of revenue over the last 12 months**
- Warranty provisions made correlates with revenue in the quarter, corresponding to approx. **1.6 percent in Q3 2018**

Lost Production Factor (LPF)

Percent



Key highlights

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

Cash flow statement

Negative free cash flow in the third quarter

| mEUR | Q3 2018 | Q3 2017* | Abs. change |
|--|---------|----------|-------------|
| Cash flow from operating activities before change in net working capital | 382 | 493 | (111) |
| Change in net working capital** | (447) | (173) | (274) |
| Cash flow from operating activities | (65) | 320 | (385) |
| Cash flow from investing activities*** | (158) | (127) | (31) |
| Free cash flow before financial investments*** | (223) | 193 | (416) |
| Purchase of financial investments | (157) | - | (157) |
| Free cash flow | (380) | 193 | (573) |
| Cash flow from financing activities | (82) | (177) | 95 |
| Net decrease in cash and cash equivalents | (462) | 16 | (478) |

Key highlights

- Free cash flow before financial investments of EUR (223)m, impacted by net working capital development and lower net profit
- Purchase of financial investments of EUR 157m attributable to cash placed in short-term financial investments

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q3 2018

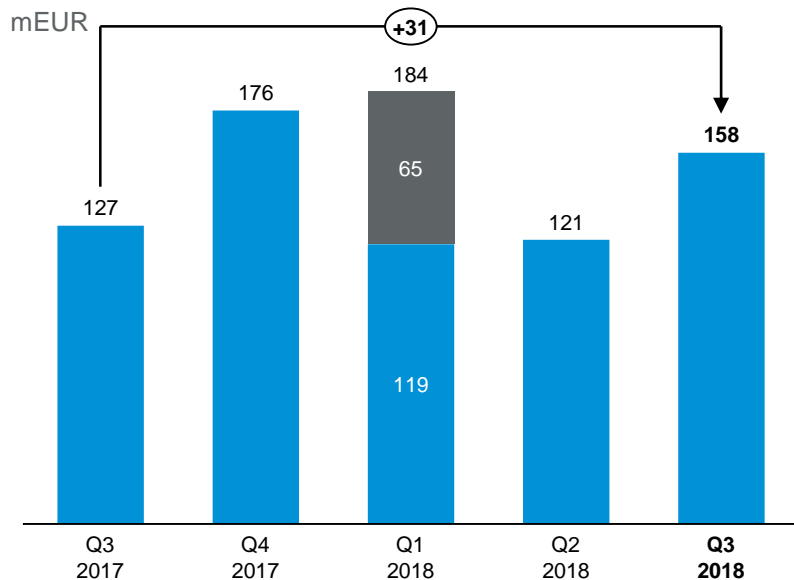
** Change in net working capital in Q3 2018 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (69)m

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

Total investments

Underlying investments increased compared to Q3 2017

Total investments*



- Acquisitions and divestments
- Cash flow from investing activities

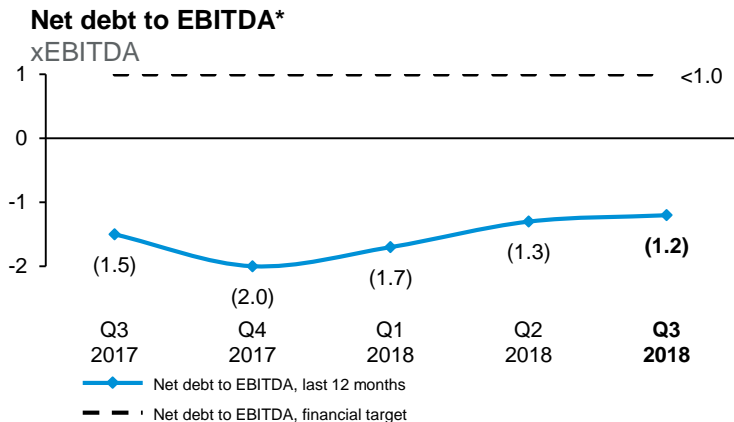
Key highlights

- Underlying investments increased by EUR 31m compared to Q3 2017, primarily driven by capitalised R&D as well as tangible blade investments

* Before investments in marketable securities and short-term financial investments, but incl. acquisition of Utopus Insights, Inc.

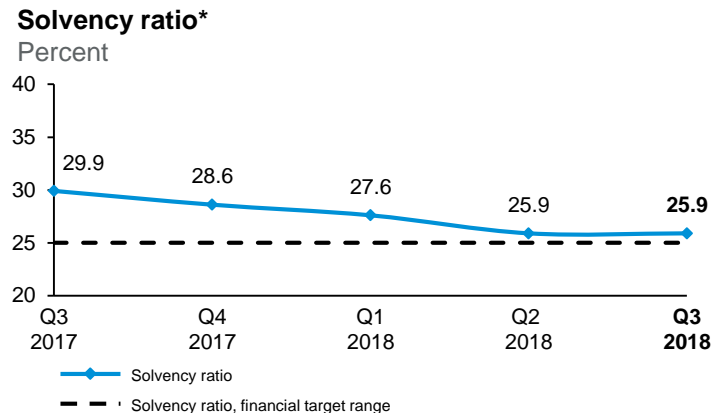
Capital structure

Net debt to EBITDA well below threshold; solvency ratio remains higher than 25 percent



Key highlights

- Net debt to EBITDA remains at low level of (1.2)
- Development driven by a decreased EBITDA and increased net working capital

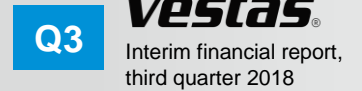


Key highlights

- Solvency ratio of 25.9 percent in Q3 2018
- Low level primarily driven by share buy-back programmes

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q3 2018

Agenda



1. Orders and markets
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Outlook 2018

| | New outlook | Previous outlook |
|---|-------------|------------------|
| Revenue (bnEUR) - Service business is expected to grow | 10.0 - 10.5 | 10.0 – 10.5 |
| EBIT margin before special items (%) - Service margin expected to increase compared to 2017 | 9.5 - 10.5 | 9.5 – 10.5 |
| Total investments (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments) | approx. 600 | approx. 500 |
| Free cash flow (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments) | min. 100 | min. 400 |

The 2018 outlook is based on current foreign exchange rates

Q&A

Financial calendar 2018:

- Capital Markets Day (29 November)
- Disclosure of annual report 2018 and outlook for 2019 (7 February)

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