

# FIRST QUARTER 2019

Vestas Wind Systems A/S

Copenhagen, 8 May 2019



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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

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## Organisational update

Anders Runevad to step down as CEO effective 1 August 2019; Henrik Andersen, CEO of Hempel A/S and member of Vestas' board to succeed

## Record Q1 order intake and all-time high order backlog

3 GW of order intake in Q1 leads to combined order backlog of more than EUR 28bn; up 31 percent YoY

## Total revenue of EUR 1,730m

Two percent increase compared to Q1 2018

## EBIT of EUR 43m

EBIT margin at 2.5 percent impacted by competitive markets, tariffs, and back-end loaded activity level

## Strong service performance

Revenue growth of 16 percent, and EBIT margin of 26.4 percent

## Positive contribution from MHI Vestas continues

Contribution to net profit of EUR 5m; an underlying improvement of EUR 14m YoY



# AGENDA

Orders and markets

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Financials

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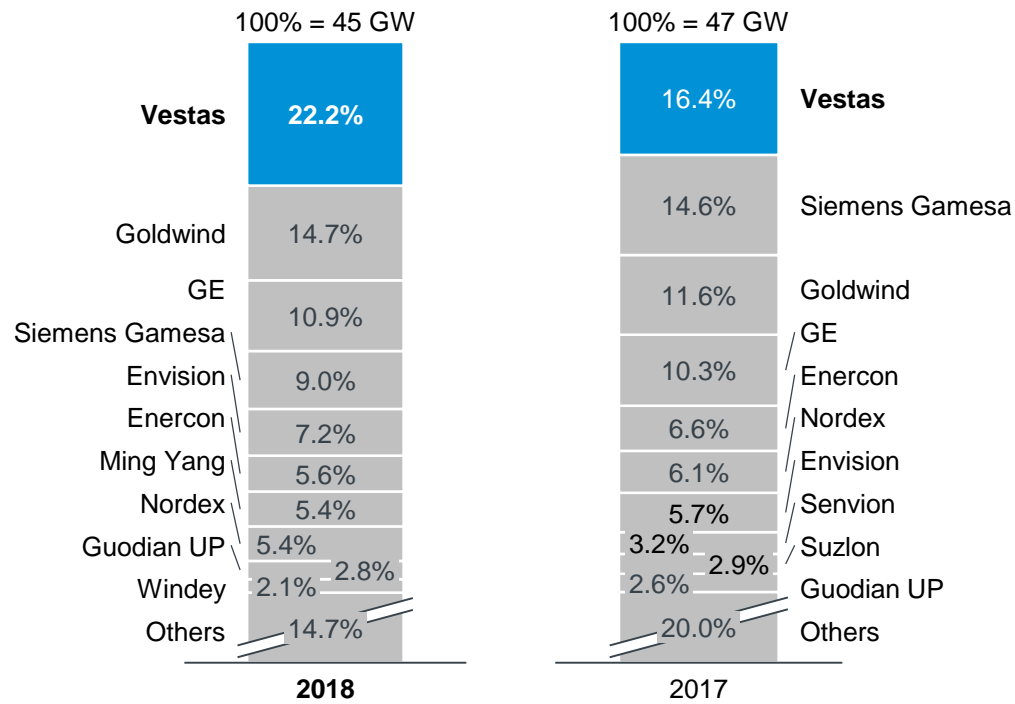
Outlook and Q&A

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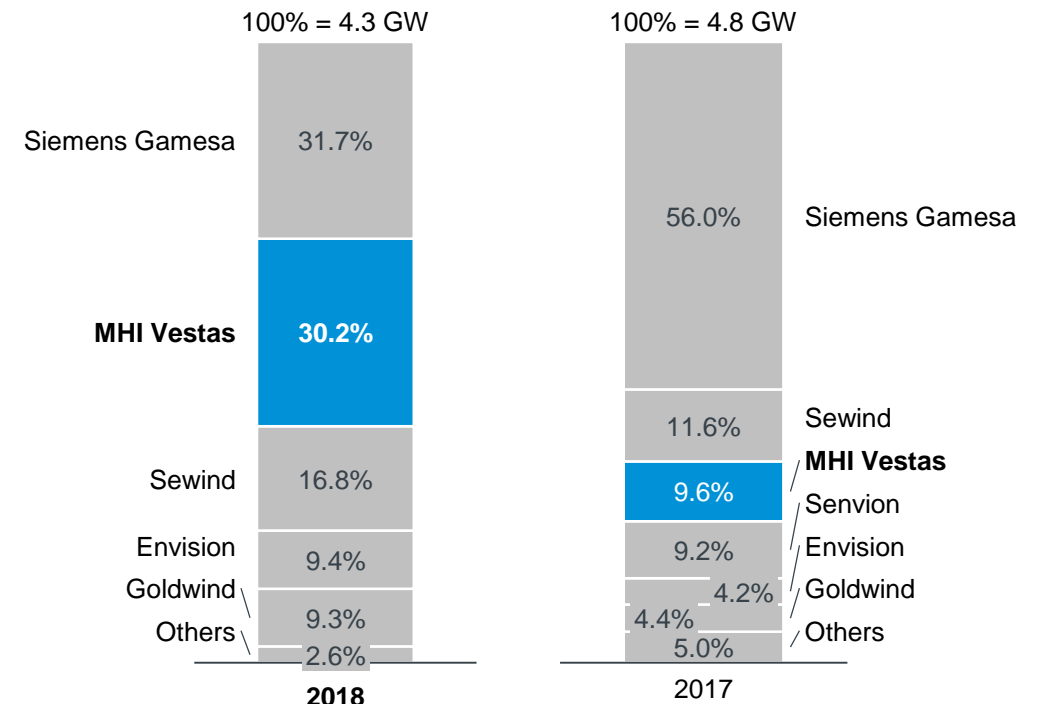
# EXPANDING OUR MARKET LEADERSHIP

Vestas expands its market share in both onshore and offshore

## Market share development Percent



Onshore installations 2018



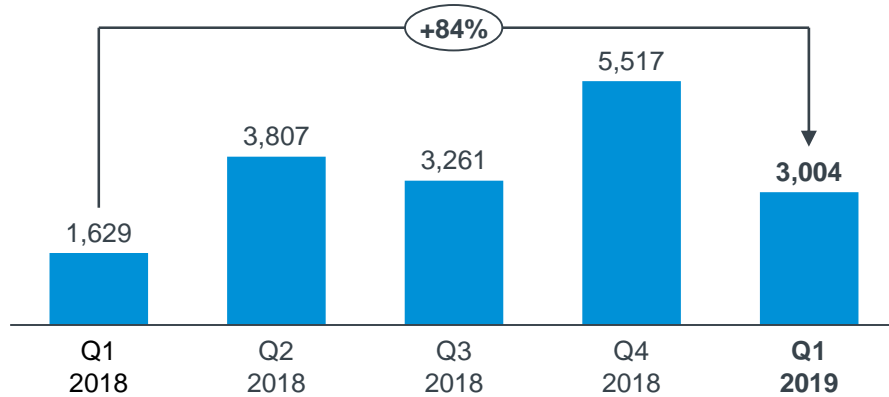
Offshore installations 2018

Source: Bloomberg New Energy Finance

# FIRST QUARTER ORDER INTAKE

Record high order intake at 3 GW, with an average selling price of EUR 0.81m per MW

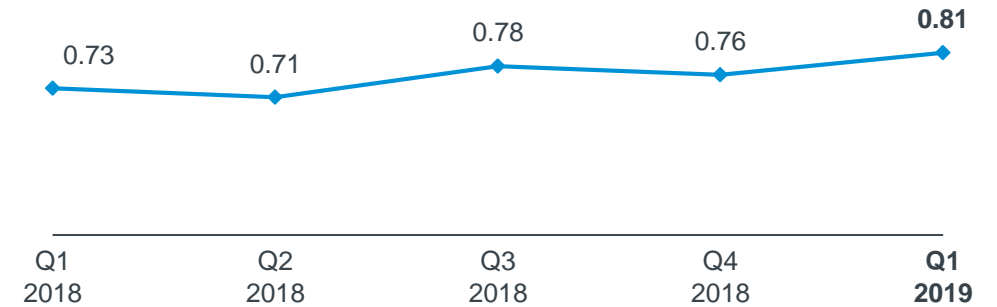
Order intake  
MW



## Key highlights

- Q1 2019 order intake was 1,375 MW higher than in Q1 2018
- US, Brazil, France, and Australia were the main contributors to order intake in Q1 2019

Average selling price of order intake  
mEUR per MW



## Key highlights

- Price per MW increased in Q1 primarily driven by turbine type and geography
- Underlying prices remained fairly stable

# ALL-TIME HIGH ORDER BACKLOG OF MORE THAN EUR 28BN

Combined backlog increased by EUR 6.7bn YoY, an increase of 31 percent



EUR +4.0bn\*



EUR +2.7bn\*

\* Compared to Q1 2018.

# REGIONAL HIGHLIGHTS: AMERICAS

Demand in US and Latin America continues to increase

## Market highlights

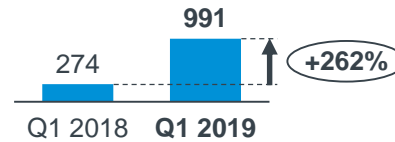
### PTC and trade tariffs in the USA...

- Continued strong US demand driven by current PTC structure
- [Steel and tariff mitigation continues](#)

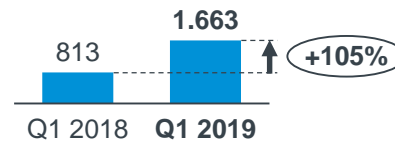
### Latin America auctions...

- New energy auctions in Brazil announced for 2019-2021; [nacelle facility in Ceará ramping up](#)
- Broad based auction activity in the region
- 350 MW auction in Argentina confirmed for Q2 2019

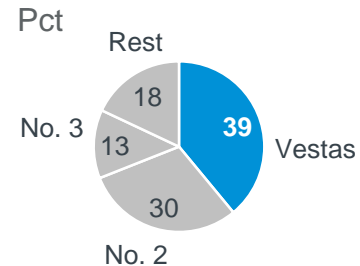
### Deliveries MW



### Order intake MW



### 2018 Market share\*



- Increase mainly driven by [US](#) deliveries
- [Argentina](#), [Mexico](#), and [Chile](#) also contributing to increase

- Strong order intake in [Brazil](#) drives increase
- [US](#) order intake increased from an already high level

- Remained [No. 1](#) in the [US](#) market
- Increasing market share in [Latin America](#)

Source: Bloomberg New Energy Finance



# REGIONAL HIGHLIGHTS: EUROPE, MIDDLE EAST, AND AFRICA

## Expanding market share and increasing order intake

### Market highlights

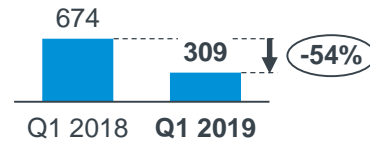
#### Continuously increasing the penetration of renewable energy in EU...

- Successful restart of auctions in Poland late 2018; 2.5 GW auction expected for 2019
- 5 GW planned to be auctioned in France and 4.8 GW planned in Italy through 2020s

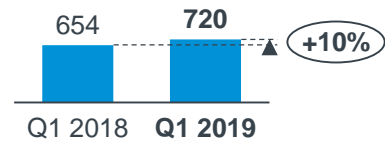
#### Positive signals in MEA...

- Saudi Arabia raising renewable ambitions after competitive prices in recent auctions
- Kenya, Ethiopia, and Tanzania starting to plan for more renewables

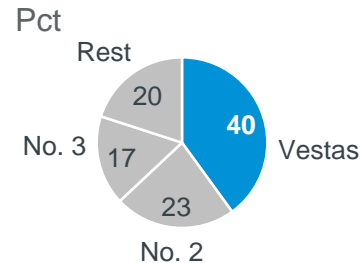
#### Deliveries MW



#### Order intake MW



#### 2018 Market share\*



- Decline in deliveries expectedly driven by Germany
- Generally low level of deliveries in the region as profile is expected to be back-end loaded

- Increased order intake in France more than offsets decline in Sweden and Italy
- First merchant wind power projects secured in UK and Denmark

- Market share increased from 24 percent in 2017
- Diverse footprint with strong position in core markets such as Germany, France, and the Nordics

Source: Bloomberg New Energy Finance

# REGIONAL HIGHLIGHTS: ASIA PACIFIC

## Geographically diversified deliveries and order intake

### Market highlights

#### Increased commitment in China...

- Large scale auctions and tenders started
- Third party ramp-up of blade production with TPI and Aeolon

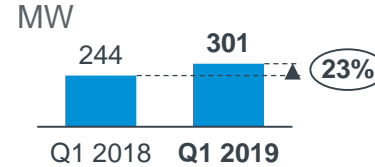
#### India auctions launched...

- Round seven, eight and hybrid auction announced totaling 3.6 GW of wind

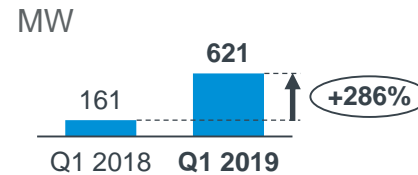
#### Broader Asia Pacific region on the move...

- Japan to transition from FiT to auctions for onshore wind
- Australia rules out large investments in coal-fired power stations

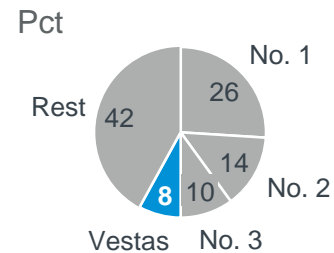
#### Deliveries



#### Order intake



#### 2018 Market share\*



- Increase primarily driven by [Australia](#), [Thailand](#), and [Vietnam](#)
- [China](#) and [India](#) remains fairly [stable](#)

- Continued strong order intake in [Australia](#)
- [New Zealand](#), [China](#), [Taiwan](#), and [Vietnam](#) also contributes to [increased order intake in the region](#)

- Top-3 consisting of [Chinese manufacturers](#)
- [Largest non-Chinese](#) manufacturer in [China](#) and [Asia Pacific](#) as a whole

Source: Bloomberg New Energy Finance

# SERVICE BUSINESS

Fleet under service increased to 88 GW

8 GW

of non-Vestas turbines under service covering **all major platforms**

67

countries with active operations

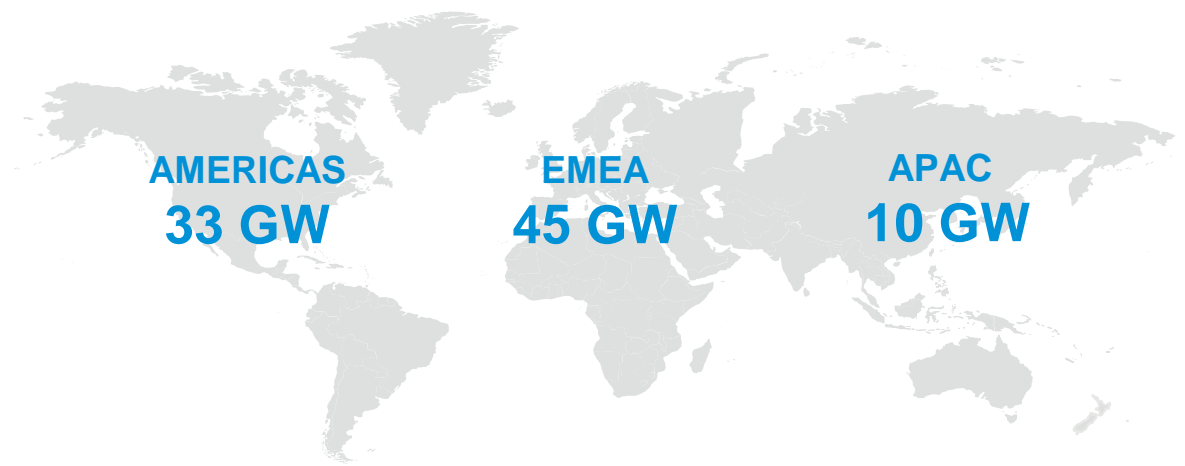
+42k

turbines under service

## Key highlights

- **20-year service extension** with Novatus Energy for **1 GW** of wind turbines in the US
- **30-year service contract** with Copenhagen Infrastructure Partners for the 143 MW Bearkat II project
- **Average duration** of the backlog increased to **eight years** from seven years

## Service fleet



# MHI VESTAS OFFSHORE WIND

## First preferred supplier agreement for the new V174-9.5 MW turbine

### Track record...



> 1.100 turbines installed  
across 30 projects

### Pipeline...



Under installation/  
unconditional orders



Conditional orders/  
preferred supplier

\* As per April 30, 2019

### Key highlights

- Preferred supplier announcement for the 476 MW Baltic Eagle project utilising the V174-9.5MW turbine
- 50 MW signed as a firm order to deliver V164-9.5MW turbines for the world's largest floating offshore wind farm (Kincardine, Scotland) and the first to feature turbines greater than 9 MW
- Opening of US office in Boston, MA

### Projects in progress in Q1



Horns Rev 3  
(DK)  
406 MW  
V164-8.3 MW

Norther (BE)  
370 MW  
V164-8.4 MW

Deutsche  
Bucht (DE)  
269 MW  
V164-8.0MW

WindFloat  
Atlantic (PT)  
25 MW  
V164-8.4MW

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

## Lower profitability driven by Power solutions

mEUR	Q1 2019	Q1 2018	% change
Revenue	1,730	1,694	2%
Production costs	(1,495)	(1,413)	(6)%
Gross profit	235	281	(16)%
SG&A costs*	(192)	(155)	(24)%
EBIT	43	126	(66)%
Income from investments in associates and joint ventures	6	18	(67)%
Net profit	25	102	(75)%
Gross margin	13.6%	16.6%	(3.0)%-pts
EBITDA margin	9.8%	13.3%	(3.5)%-pts
EBIT margin	2.5%	7.4%	(4.9)%-pts

\*R&D, administration, and distribution

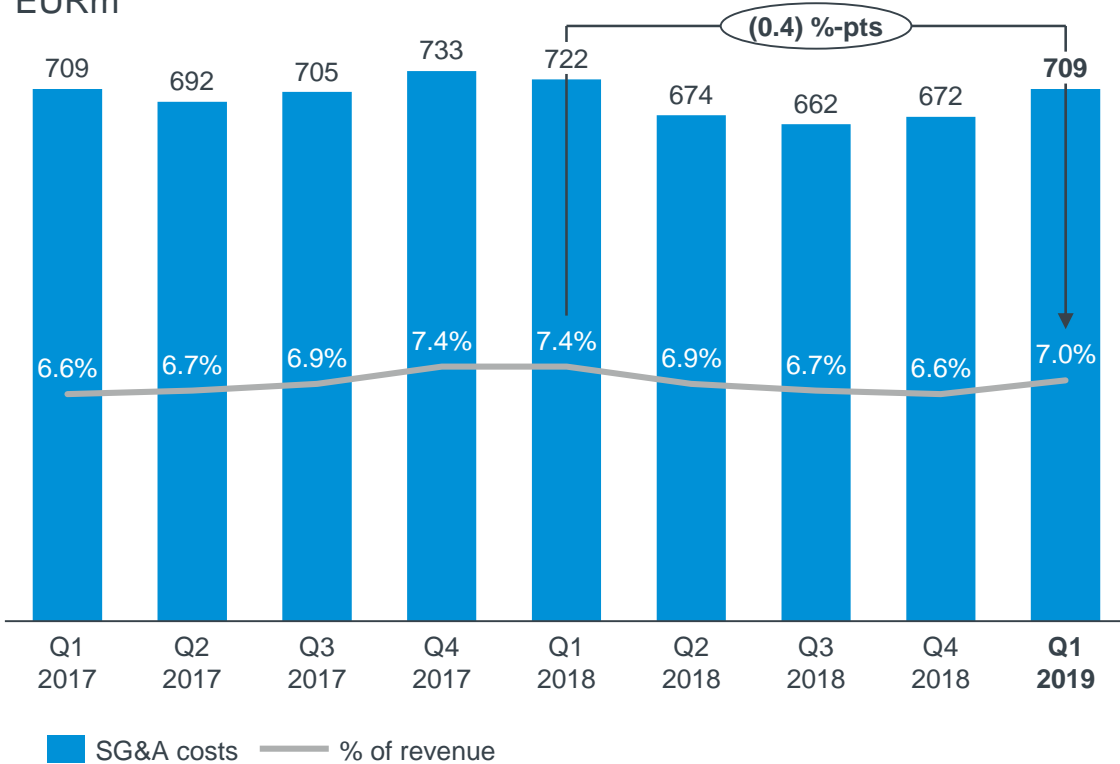
### Key highlights

- Revenue increased **2 percent** driven by positive FX impact of EUR 46m
- Power solutions expectedly impacted by **back-end loaded activity profile**, while **Service revenue increased YoY**
- **Gross margin down by 3.0 percentage points**, negatively impacted by orders received during the price decline in 2017. Furthermore, external factors such as **tariffs and raw material prices** increased cost as projected in the quarter
- **EBIT margin down by 4.9 percentage points**, mainly driven by lower gross profit and increased SG&A costs

# SG&A COSTS

## SG&A costs under control

SG&A costs (TTM)\*  
EURm



### Key highlights

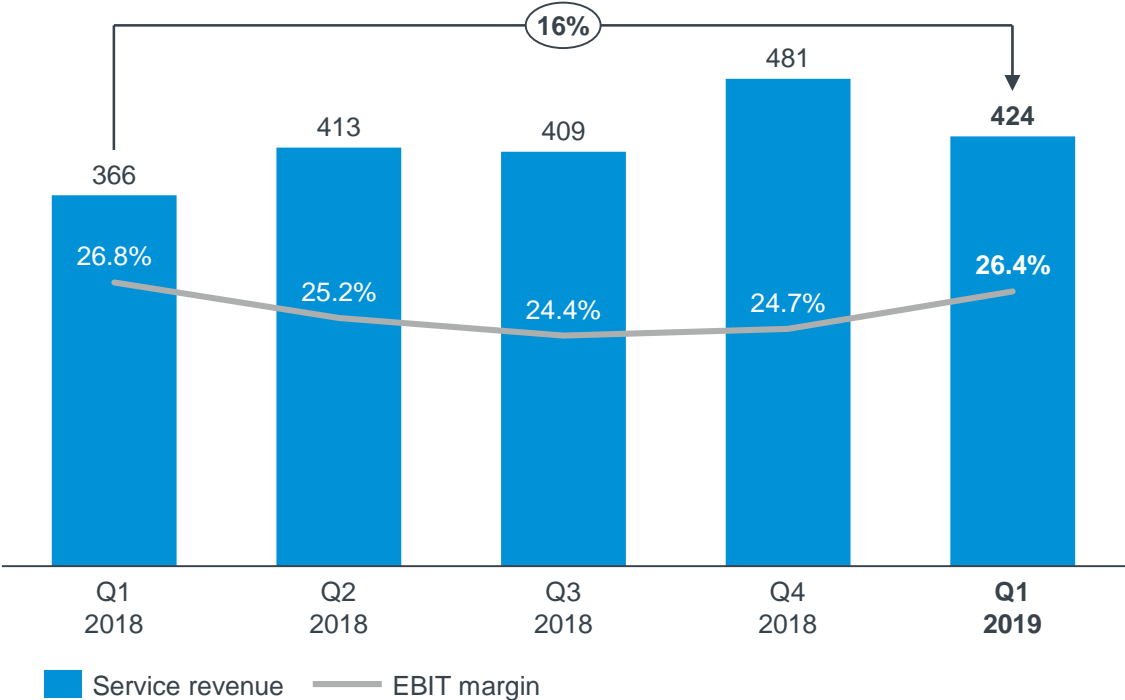
- SG&A costs down YoY (12m rolling) but increased compared to Q1 2018 to cater for higher activity levels in 2019
- Depreciation and amortisation increased EUR 27m primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 7.0 percent – a decrease of 0.4 percentage points compared to Q1 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

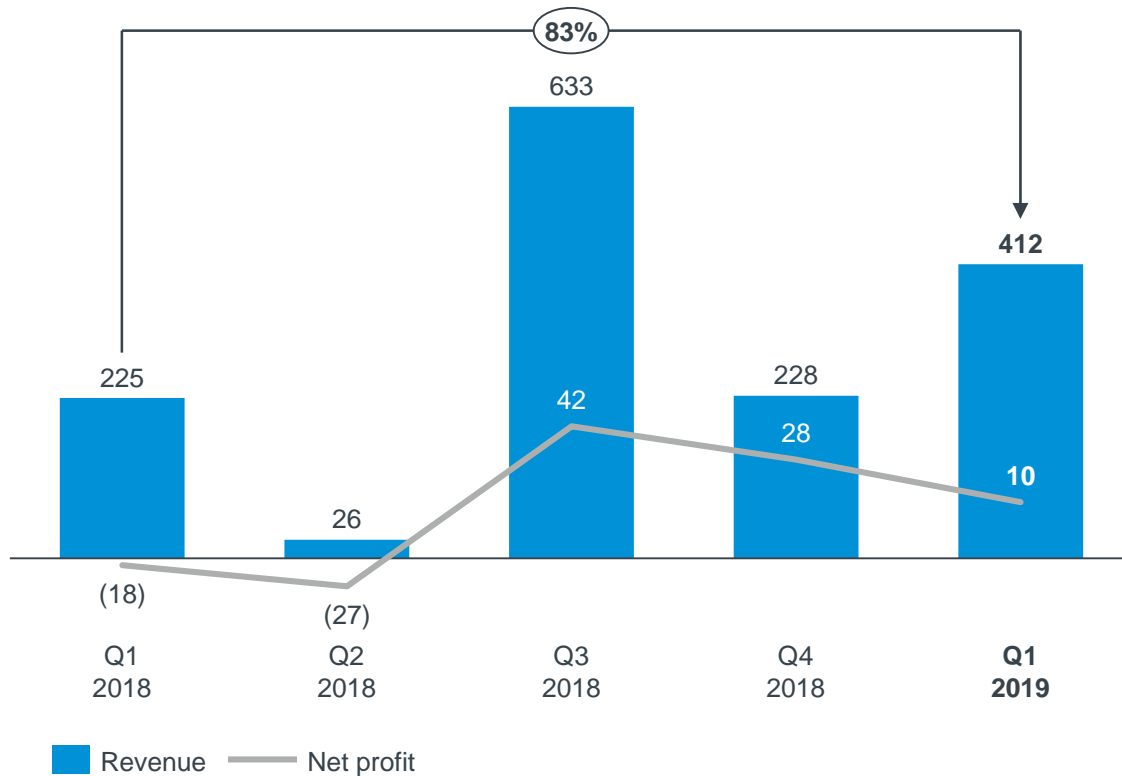
- Service revenue increased by 16 percent compared to Q1 2018, mainly driven by higher activity levels
- 2019 Q1 EBIT: EUR 112m  
2019 Q1 EBIT margin: 26.4 percent



# MHI VESTAS OFFSHORE

## Continued positive contribution from offshore JV

### Revenue and net profit\* EURm



### Key highlights

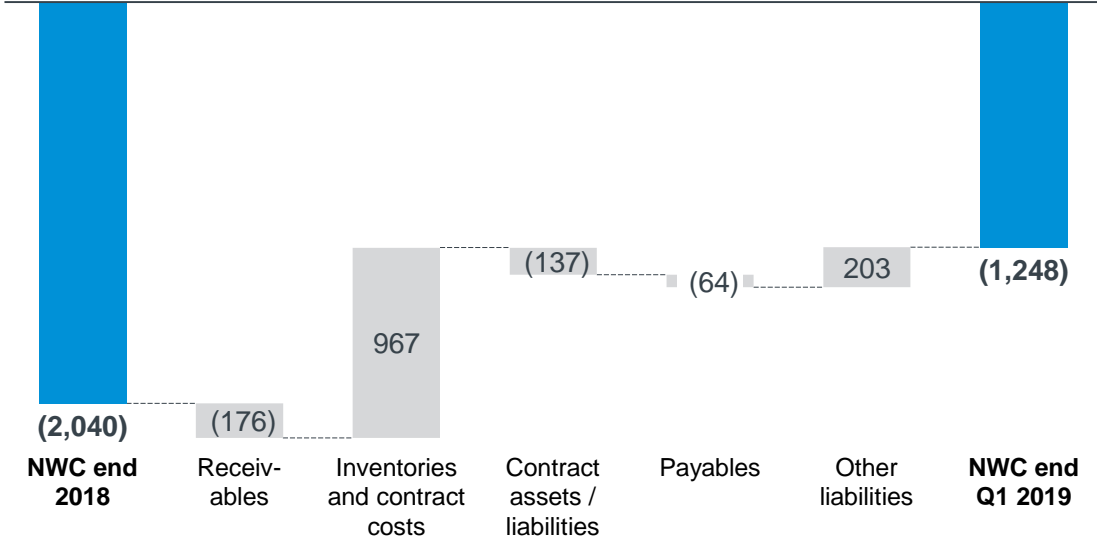
- Revenue in the JV increased by 83 percent compared to Q1 2018, mainly driven by deliveries for Horns Reef III and the Norther project
- Improved profitability is a result of higher activity level for the V164 turbine

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

# CHANGE IN NET WORKING CAPITAL

Build-up of net working capital to cater for high activity levels

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



**Key highlights**

- Net working capital in the quarter negatively impacted by **increased inventory**, only partly offset by **lower receivables** and higher **down- and milestone payments**

# CASH FLOW STATEMENT

Ramp-up for a busy second half impacts free cash flow in the first quarter

mEUR	Q1 2019	Q1 2018	Abs. change
Cash flow from operating activities before change in net working capital	156	17	139
Change in net working capital*	(856)	(485)	(371)
Cash flow from operating activities	(700)	(468)	(232)
Cash flow from investing activities**	(176)	(119)	(57)
Free cash flow before financial investments**	(876)	(587)	(289)
Free cash flow	(895)	(652)	(243)
Cash flow from financing activities	19	(95)	114
Net interest-bearing position	1,971	2,607	(636)

## Key highlights

- Free cash flow decreased 243m compared to Q1 2018, primarily driven by lower profit and negative change in NWC
- Net interest-bearing position of close to EUR 2bn

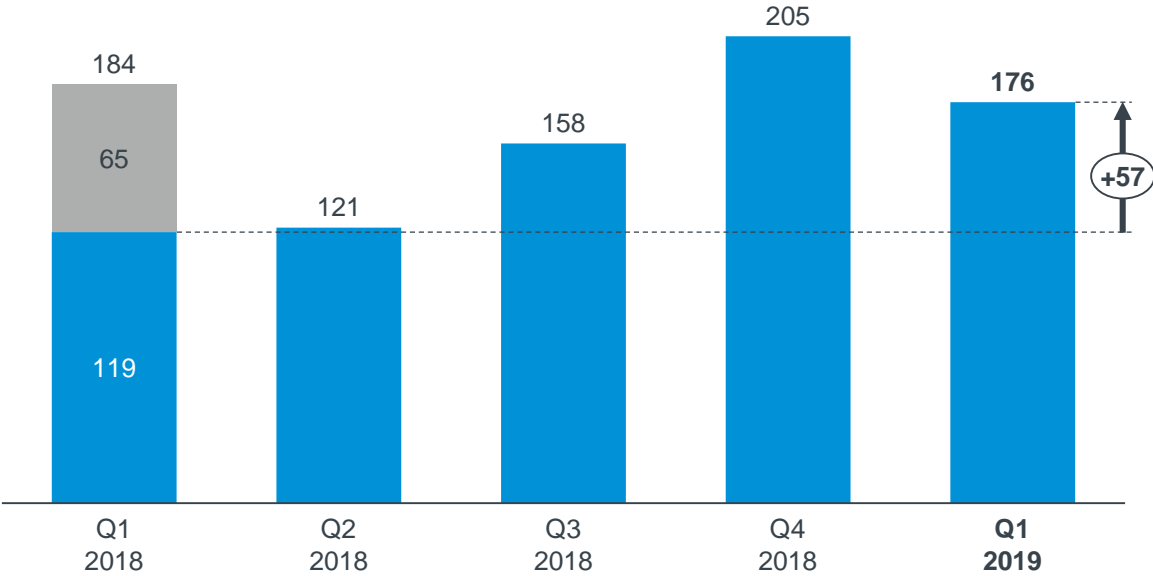
\* Change in net working capital in Q1 2019 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (64)m

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

# TOTAL INVESTMENTS

Increased total investments to meet strong demand

Total investments\*  
EURm



■ Acquisitions and divestments  
■ Cash flow from investing activities

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

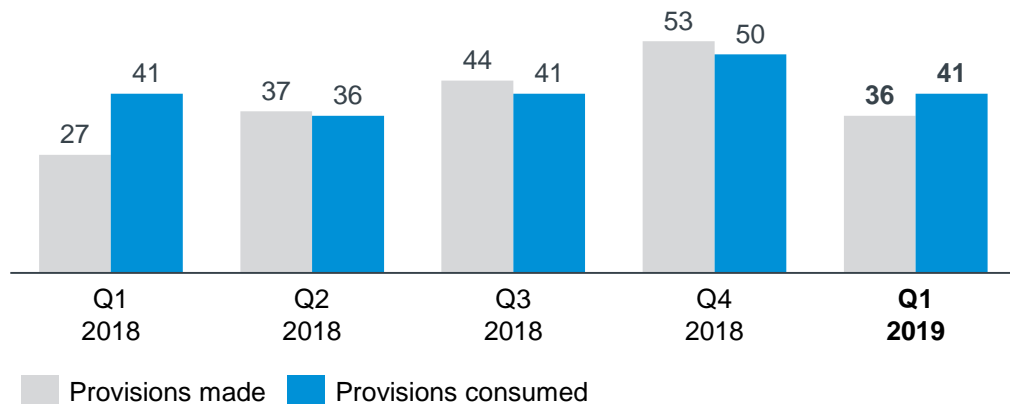
## Key highlights

- Underlying investments increased approx. EUR 57m in order to meet strong demand and new product launches

# WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty consumption and LPF continue at a low level

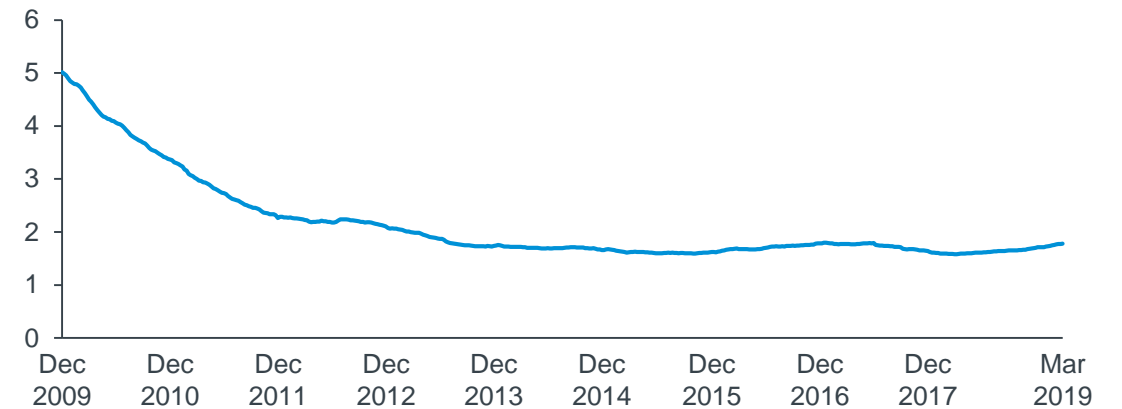
Warranty provisions made and consumed  
mEUR



## Key highlights

- Warranty provisions consumed remain stable
- Warranty provisions made corresponds to **2.1 percent of revenue in Q1 2019** to cater for introduction of **new products**

Lost Production Factor (LPF)  
Percent



## Key highlights

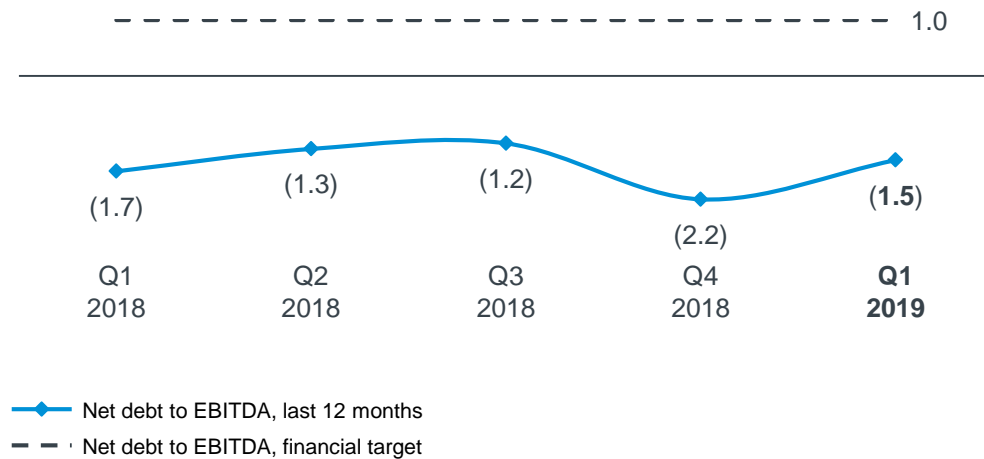
- LPF continues at a low level – **below 2.0**
- LPF measures potential energy production not captured by Vestas' wind turbines

# CAPITAL STRUCTURE

## Net debt to EBITDA well below threshold

### Net debt to EBITDA before special items

mEUR

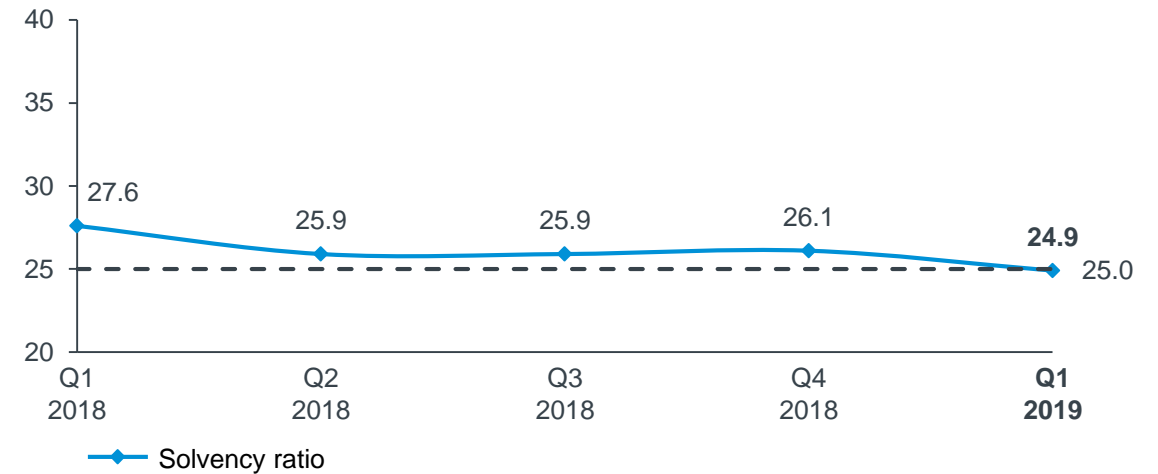


### Key highlights

- Net debt to EBITDA remains at low level of **(1.5) in Q1 2019**

### Solvency ratio

Percent



### Key highlights

- Solvency ratio of **24.9 percent in Q4 2018**
- 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

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### Revenue (bnEUR)

- Service is expected to grow approx. 10 percent

**10.75 - 12.25**

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### EBIT margin before special items (%)

- Service margin is expected to be approx. 24 percent

**8 - 10**

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### Total investments (mEUR)

(\*Excl. the acquisition of SOWITEC, any investments in marketable securities, and short-term financial investments.)

**approx. 700**

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



# Q&A

## Financial calendar 2019:

- Disclosure of Q2 2019 (15 August)
- Disclosure of Q3 2019 (7 November)

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