

**Vestas**

Wind. It means the world to us.

# SECOND QUARTER 2020

Copenhagen, 11 August 2020

Vestas Wind Systems A/S



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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 Q2 2020

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## **Strong performance in a challenging environment without state aid**

Revenue of EUR 3.5bn; up 67 percent compared to Q2 2019

## **Order intake continues at high level with stable prices**

Firm order intake of 4.1 GW; all-time high combined order backlog of more than EUR 35bn

## **Underlying EBIT margin of 5.9 percent**

Impacted by extraordinary warranty provisions of EUR 175m; reported EBIT margin of 1.0 percent

## **Solid performance in Service**

Organic growth of 6 percent in Service compared to Q2 2019; EBIT margin of 28.5 percent

## **CO<sub>2</sub> targets scientifically approved and verified as Paris Agreement compliant**

Carbon emission reduction targets approved by the Science Based Targets initiative



# AGENDA

Orders and markets

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Financials

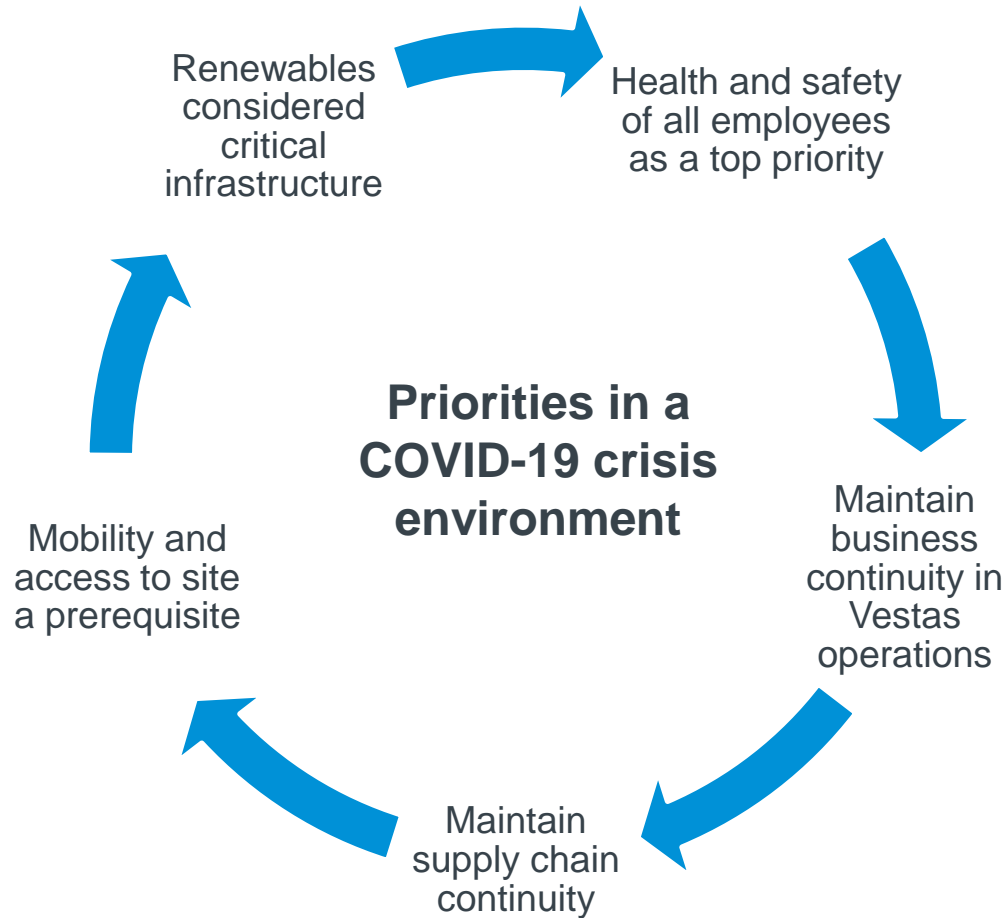
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Outlook & Q&A

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# IMPACT OF THE COVID-19 CRISIS

Vestas performs strongly in a challenging market without state aid



## Global situation and business environment

- COVID-19 epi-centres are now **Americas**, **India** and **South Africa**; all important markets for Vestas
- Suppliers **generally running** and many have caught up with production plans; increased focus on suppliers based in exposed markets
- Most markets allow construction and service; reduced mobility still impact the value chain, causing project delays

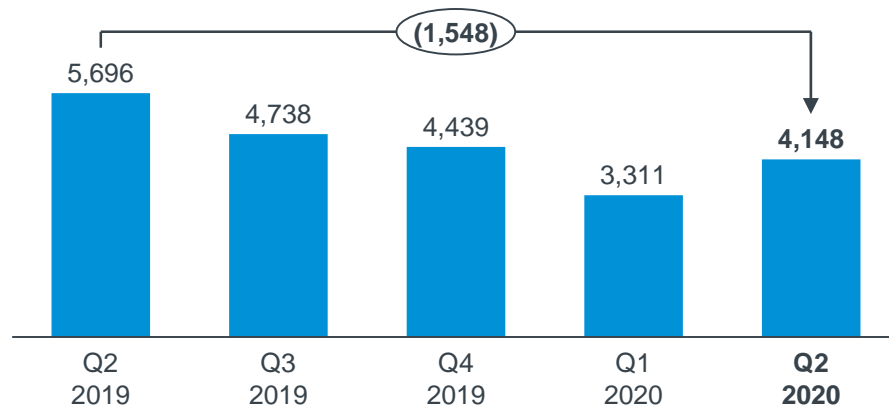
## Relentless focus on our business continuity and safety

- Comprehensive **safety measures** implemented to prevent spread; also during re-opening
- **All Vestas manufacturing running**, though factories in epi-centres are constantly monitored
- **9.6 GW produced and shipped** so far in 2020; up close to **60 percent** compared to 2019

# SECOND QUARTER ORDER INTAKE

Order intake at 4.1 GW, with an average selling price of EUR 0.78m per MW

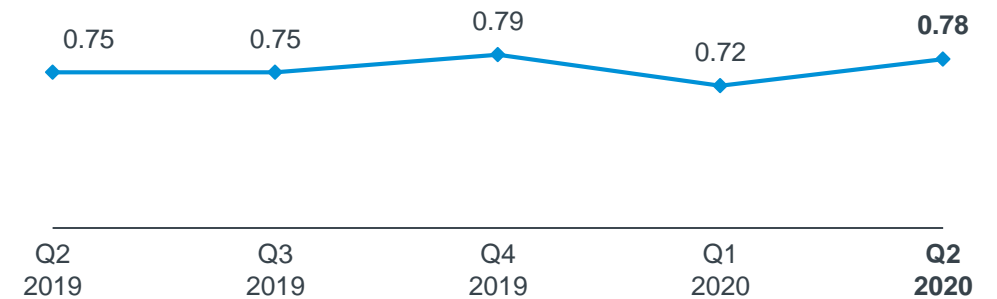
Order intake  
MW



## Key highlights

- Q2 2020 order intake decreased 27 percent compared to highest ever level in Q2 2019
- USA, Vietnam, Netherlands, and Poland were the main contributors to the order intake in Q2 2020

Average selling price of order intake  
mEUR per MW



## Key highlights

- Price per MW remained underlying stable in Q2 2020
- Geography, turbine type, scope, and uniqueness of the offering still a factor

# ALL-TIME HIGH ORDER BACKLOG OF MORE THAN EUR 35BN

Combined backlog increased by EUR 3.6bn YoY, a growth of 11 percent



EUR +0.3bn\*



EUR +3.3bn\*

\* Compared to Q2 2019.

# POWER SOLUTIONS

Leveraging our global leadership position

118

GW of installed turbines globally

81

Countries with installed turbines

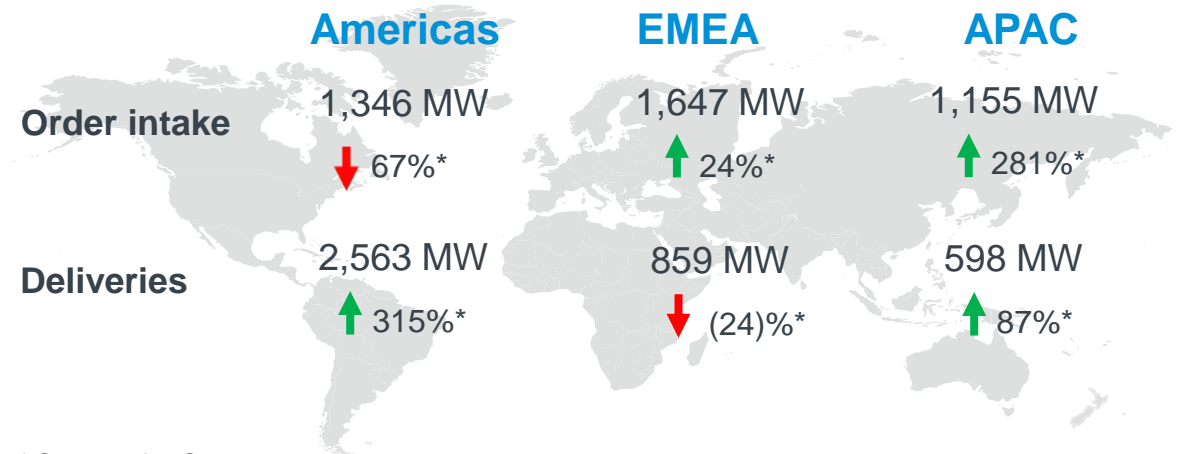
158

Million tonnes of displaced CO<sub>2</sub> emissions – every year

Source: Wood Mackenzie

## Q2 2020 highlights

- Strong efforts globally to secure **business continuity** despite the COVID-19 situation
- Broad-based **increase in orders in EMEA**; EU Green Deal and stimulus packages becoming more tangible and can accelerate investments
- Pipeline starts to build for **US 2021 deliveries** with more than **1 GW order intake**
- **Increasing activity levels** in Asia Pacific; strong orders secured in **Vietnam** and **China**



\* Compared to Q2 2019

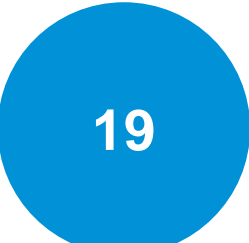


# SERVICE BUSINESS

100 GW milestone highlights leadership



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



**19** Years of average duration on new contracts signed

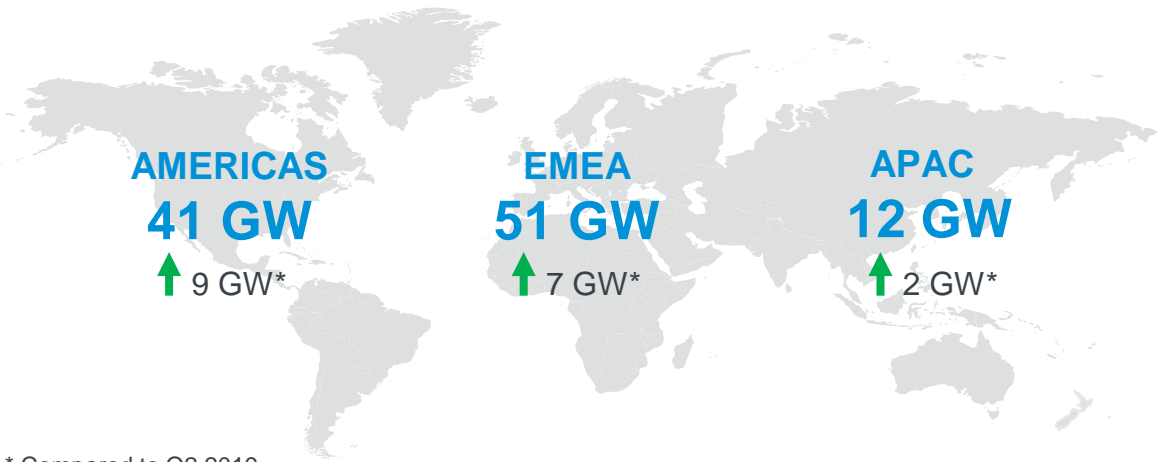


**74** Countries with active service contracts

## Q2 2020 highlights

- Signed a **30-year** AOM 5000 service contract in the US for the new V162-5.6 MW EnVentus™ turbine
- Long-term commitment to **Multibrand** demonstrated in Asia Pacific through the closure of four contracts on Servion turbines with a duration of **up to 20 years**
- **Approx. 70 percent** of service order intake with duration **over 20 years**; duration in the service backlog increased to **nine years**

## Service fleet



\* Compared to Q2 2019

# MHI VESTAS OFFSHORE WIND

## Scotland's largest offshore wind project secured

5.2

**GW installed; more than 1,230 turbines**

4.2

**GW under installation/ unconditional orders**

1.3

**GW of conditional orders/ preferred supplier agreements**

### Q2 2020 highlights

- Firm order signed for the **1,140MW Seagreen project** (114 V164-10 MW<sup>TM</sup> turbines), MVOW's 4<sup>th</sup> project in Scotland, with a **15-year service** agreement
- **Northwester 2** installation complete with 23 V164-9.5 MW<sup>TM</sup>; installation started for the 732 MW **Borssele III/IV** project
- 3<sup>rd</sup> and final **floating** turbine towed to site in WindFloat Atlantic project

### Projects in progress



**Borssele III/IV (NL)**  
731.5 MW  
V164-9.5 MW<sup>TM</sup>

**WindFloat Atlantic (PT)**  
25 MW  
V164-8.4 MW<sup>TM</sup>

**Northwester 2 (BE)**  
219 MW  
V164-9.5 MW<sup>TM</sup>

**Moray East (UK)**  
950 MW  
V164-9.5 MW<sup>TM</sup>

**Borssele V (NL)**  
19 MW  
V164-9.5 MW<sup>TM</sup>

**Kincardine (UK)**  
50 MW  
V164-9.5 MW<sup>TM</sup>

**Triton Knoll (UK)**  
860 MW  
V164-9.5 MW<sup>TM</sup>

# VESTAS' AMBITIOUS SUSTAINABILITY JOURNEY CONTINUES

The first wind turbine manufacturer with validated strategy in line with 1.5°C global warming scenario



*"The 1.5°C target classification is **the most ambitious designation** available through the SBTi validation process and covers **Vestas' targets to reduce emissions from direct operations** (scope 1 and 2 emissions) **by 100 percent by 2030 from a 2019 base year.**"*



Around 100 electric service vehicles introduced in Vestas in 2020 – **all new service and benefit cars to be EVs by 2025**



# AGENDA

Orders and markets

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**Financials**

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Outlook & Q&A

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# INCOME STATEMENT

Strong activity levels in Power solutions albeit lower profitability

mEUR	Q2 2020	Q2 2019	% change
Revenue	3,541	2,121	67%
Production costs	(3,313)	(1,820)	82%
Gross profit	228	301	(24)%
SG&A costs*	(194)	(173)	12%
EBIT before special items	34	128	(73)%
Special items	(0)	-	-
EBIT after special items	34	128	(73)%
Income from investments in joint ventures and associates	(6)	9	(167)%
Net profit	(5)	90	(105)%
<hr/>			
Gross margin	6.4%	14.2%	(7.8)%-pts
EBITDA margin before special items	5.3%	12.0%	(6.7)%-pts
EBIT margin before special items	1.0%	6.0%	(5.0)%-pts

\*R&D, administration, and distribution.

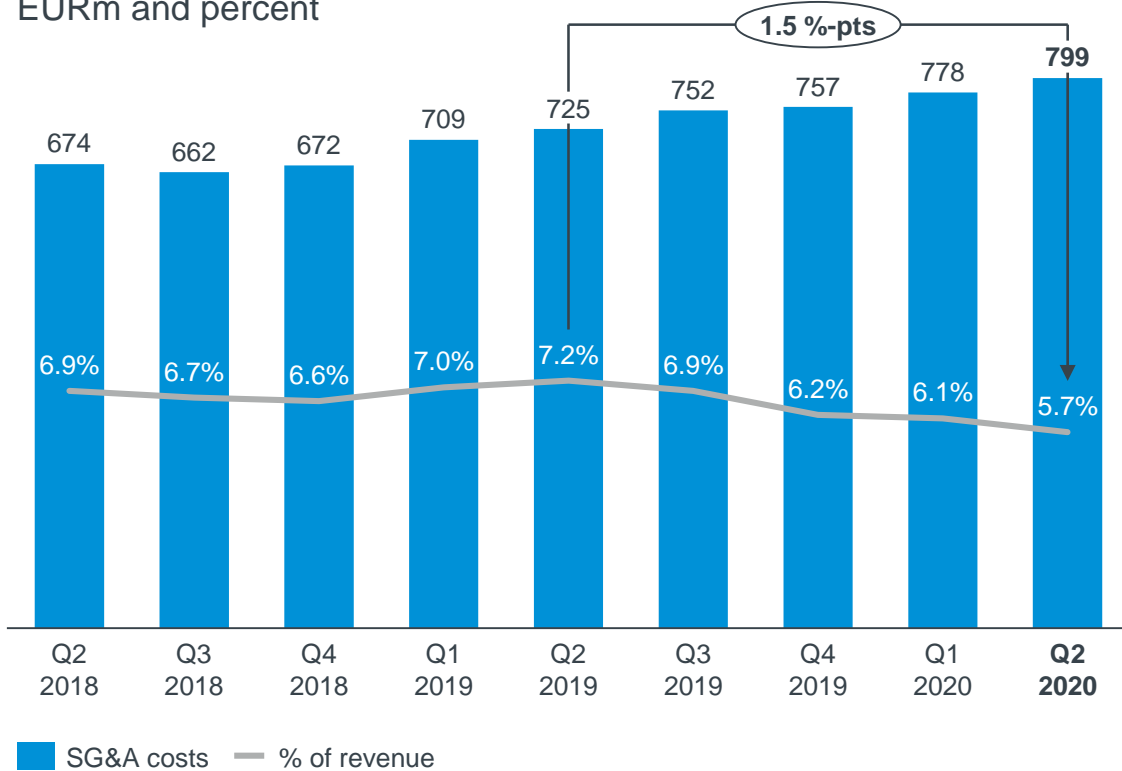
## Key highlights

- Revenue increased 67 percent mainly driven by high activity levels in Power solutions
- Gross margin down by 7.8 percentage points mainly driven by increased warranty provisions and negative impact from COVID-19; higher share of Power solutions revenue also a factor
- EBIT margin before special items decreased by 5 percentage points, mainly driven by lower gross profit
- Underlying EBIT margin before special items of 5.9 percent when adjusting for extraordinary provisions

# SG&A COSTS

## SG&A costs under control

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



### Key highlights

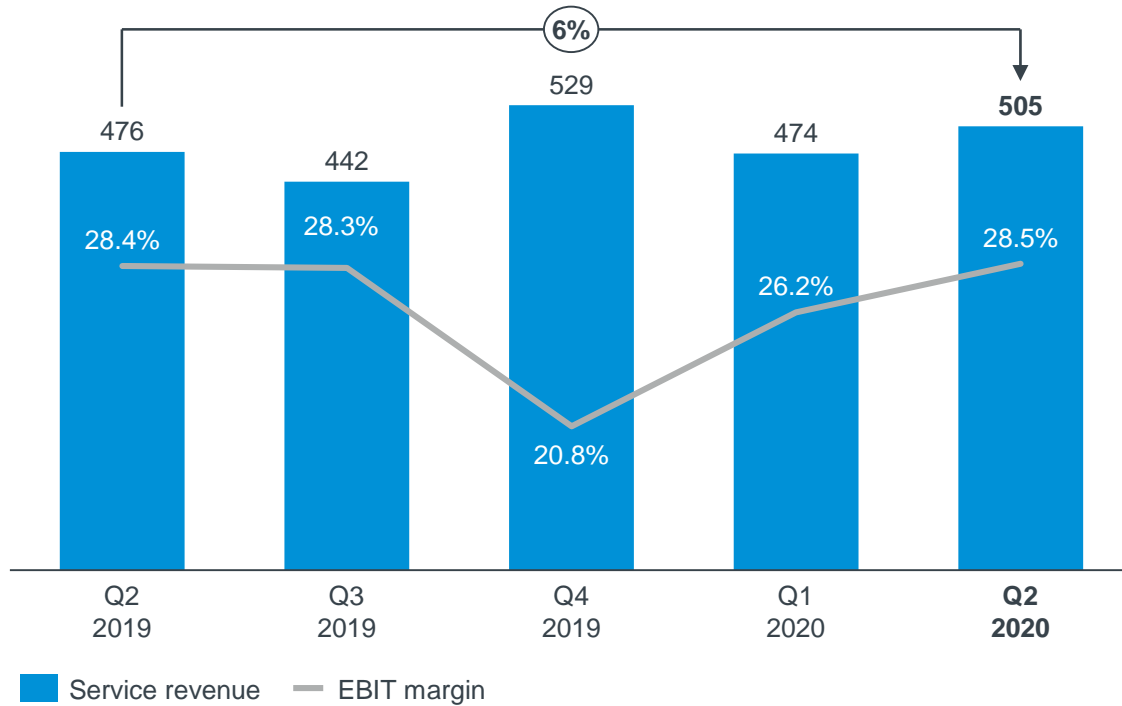
- Continuing to leverage on SG&A costs
- Depreciation and amortisation (excluding impairments) increased EUR 27m YoY primarily due to introduction of new products
- Relative to activity levels, SG&A costs amounted to 5.7 percent – a decrease of 1.5 percentage points compared to Q2 2019

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

# SERVICE BUSINESS

## Strong service performance

Service revenue and EBIT margin, onshore  
mEUR and percent



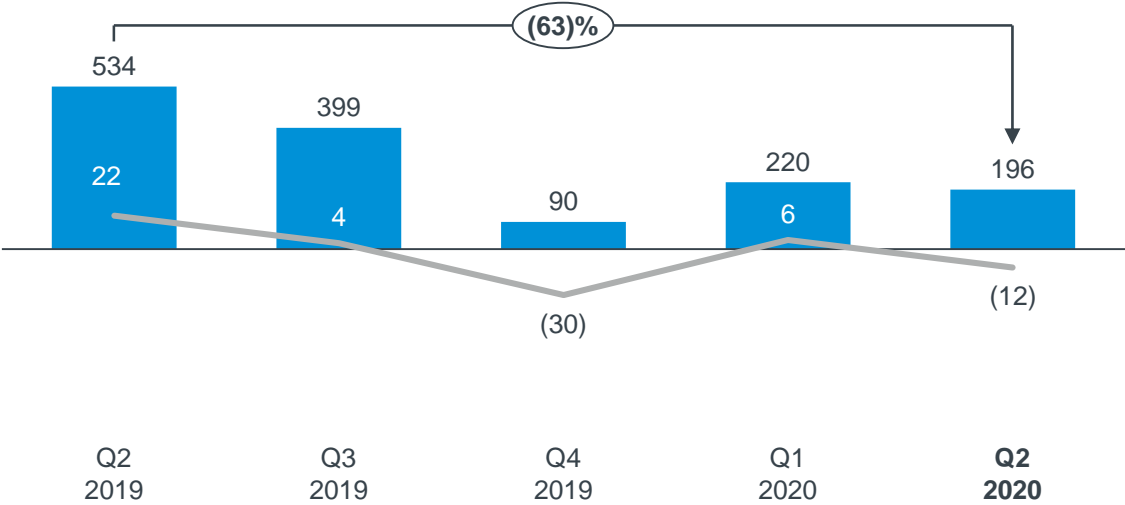
### Key highlights

- Service revenue increased by 6 percent compared to Q2 2019, mainly driven by higher activity levels
- 2020 Q2 EBIT before special items: EUR 144m  
2020 Q2 EBIT margin before special items: 28.5 percent

# MHI VESTAS OFFSHORE WIND

Activity levels down as expected YoY

Revenue and net result\*  
EURm



■ Revenue — Net profit

## Key highlights

- Revenue in the JV of EUR 196m; down 63 percent from Q2 2019 as 2020 expectedly will see lower activity levels
- Net profit of negative EUR 12m

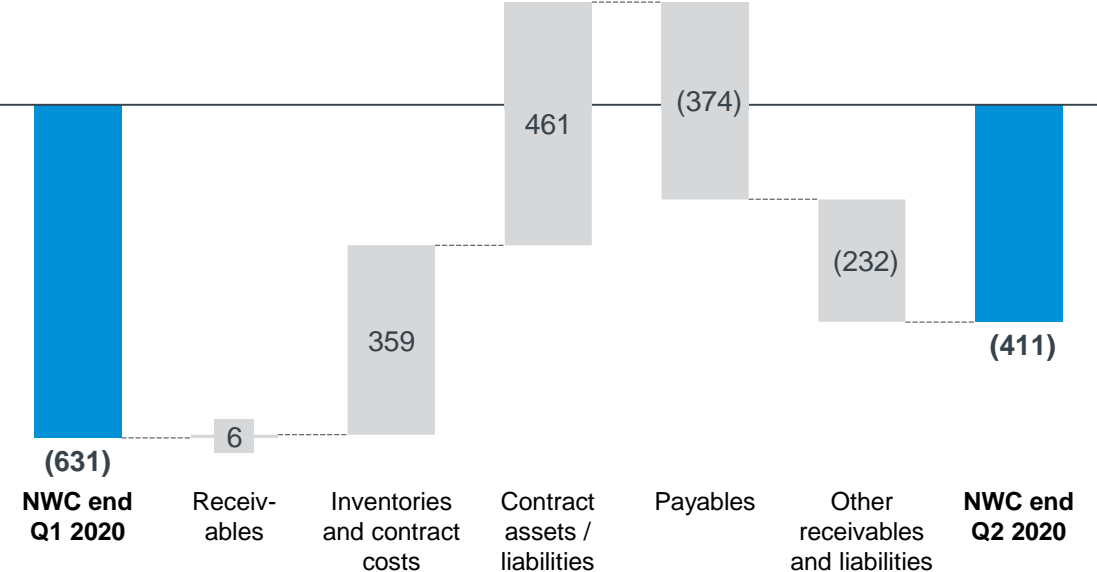
\* Vestas accounting for MHI Vestas Offshore Wind: The joint venture is accounted for using the equity method.



# CHANGE IN NET WORKING CAPITAL

Inventory increased to cater for increasing activity levels

**NWC change over the quarter**  
mEUR



**Key highlights**

- Net working capital negatively impacted by **increased level of inventory and contract assets** to cater for high activity levels; partly offset by **higher payables and other liabilities**

# CASH FLOW STATEMENT

Positive cash flow from operating activities in the quarter

mEUR	Q2 2020	Q2 2019	Abs. Change
Cash flow from operating activities before change in net working capital	296	178	118
Change in net working capital*	(245)	(78)	(167)
Cash flow from operating activities	51	100	(49)
Cash flow from investing activities**	(129)	(175)	46
Free cash flow before financial investments**	(78)	(75)	(3)
Free cash flow	96	120	(24)
Cash flow from financing activities	(190)	(175)	(15)
Net interest-bearing position	1,145	1,679	(534)

## Key highlights

- Free cash flow before financial investments of EUR (78)m compared to EUR (75)m in 2019; positively impacted by cash flow from EBITDA but offset by change in net working capital
- Net interest-bearing position of EUR 1.1bn; constant focus on cash discipline

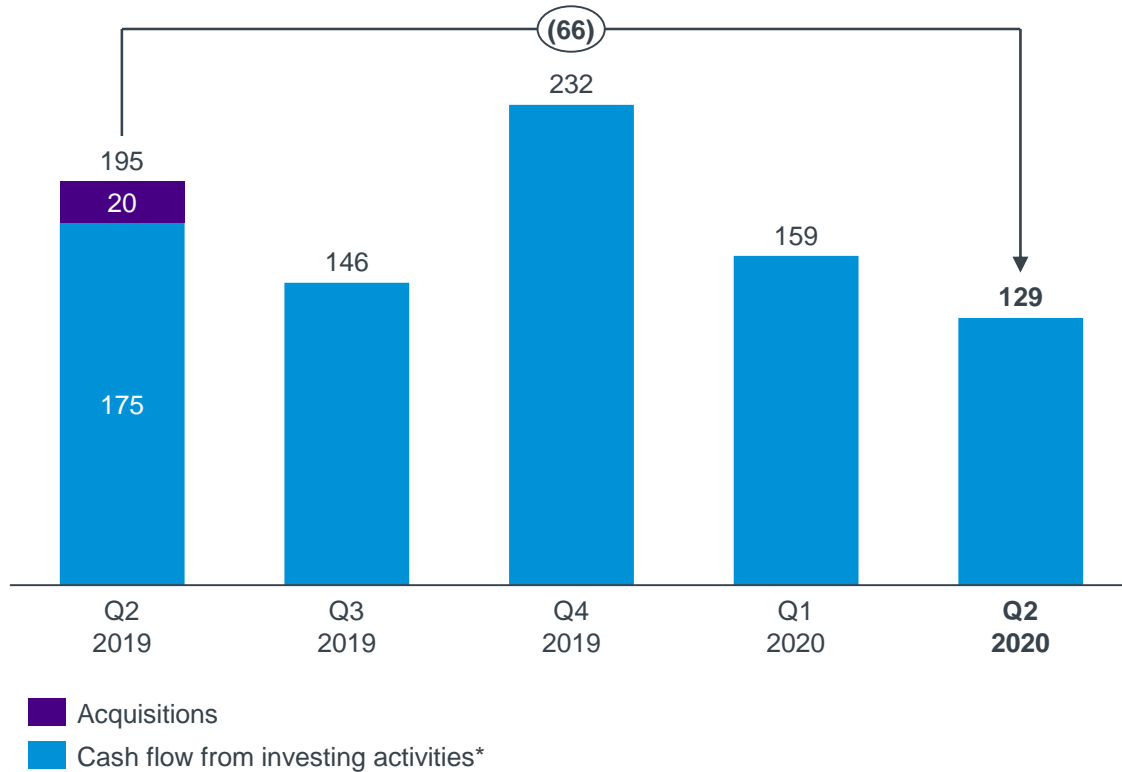
\* Change in net working capital impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (25)m.

\*\* Excl. investments in marketable securities and short-term financial investments.

# TOTAL INVESTMENTS

Investments stable year-over-year

Total net investments\*  
EURm



\* Excl. any investments in marketable securities and short-term financial investments.

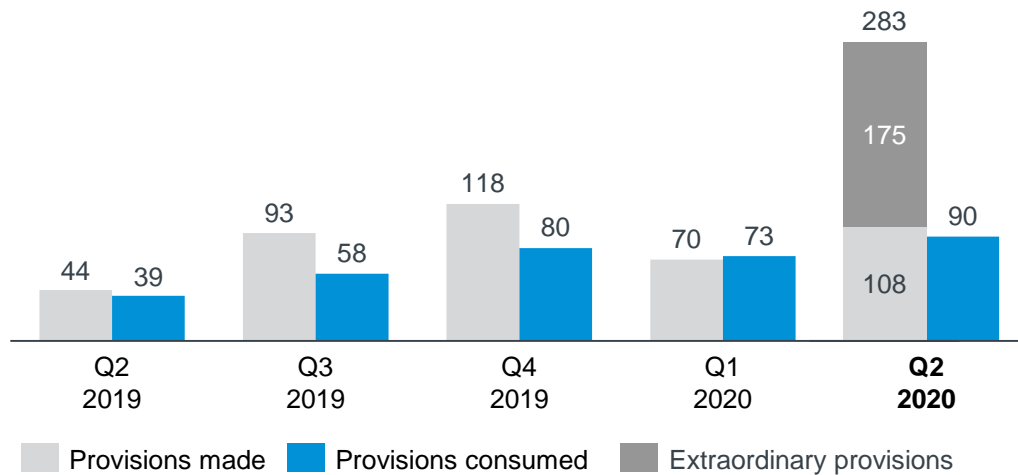
## Key highlights

- Investments of **EUR 129m** in Q2 2020; down from underlying EUR 175m in Q2 2019
- Optimisation of product portfolio to **reduce total investment need**; focus on 2020 execution and long-term competitiveness remains

# WARRANTY PROVISIONS AND LOST PRODUCTION FACTOR

Warranty provisions increased in the quarter

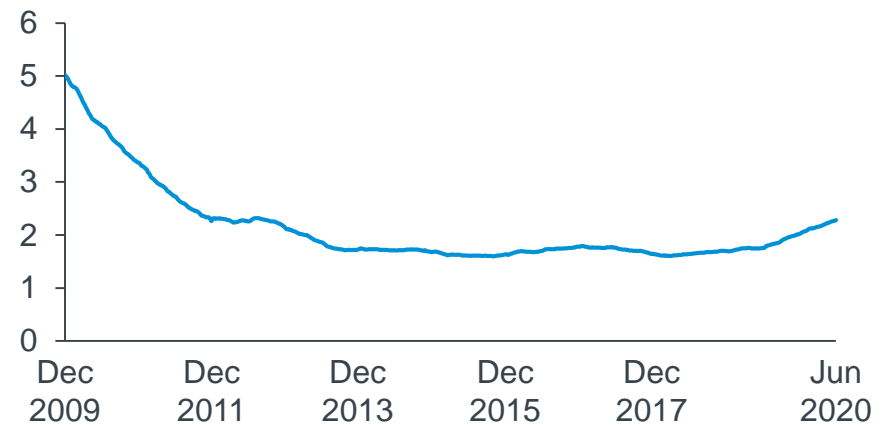
Warranty provisions made and consumed  
mEUR



## Key highlights

- Warranty provisions made increased to **EUR 283m**; **extraordinary provisions of EUR 175m** to cover a specific blade repair and upgrade
- Warranty provisions made expected to decline to **3.1 percent of revenue** for the second half of 2020

Lost Production Factor (LPF)  
Percent



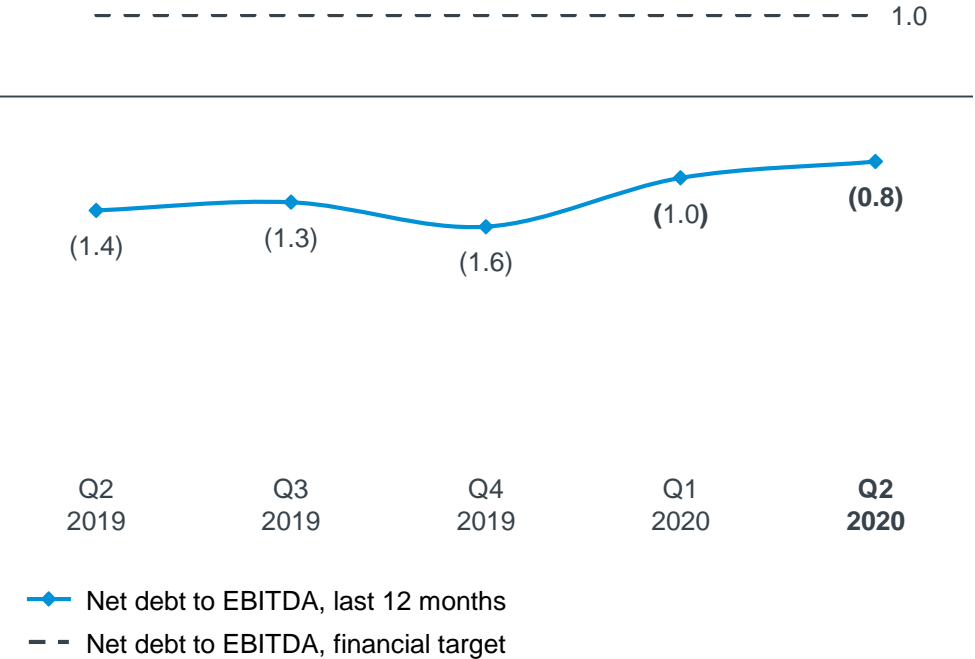
## Key highlights

- LPF increased in the quarter as a consequence of the extraordinary repair and upgrade level; overall, the LPF continues at a **low level** for the wind power plants where Vestas guarantees the performance
- 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 (0.8) in Q2 2020
- Liquidity position remains strong with close to EUR 2bn cash at hand



# AGENDA

Orders and markets

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# OUTLOOK 2020

	Outlook	Initial outlook
<b>Revenue (bnEUR)</b> - Service is expected to grow approx. 7 percent	14 – 15	14 - 15
<b>EBIT margin before special items (%)</b> - Service margin is expected to be approx. 25 percent	5 – 7	7 - 9
<b>Total investments (mEUR)</b> Excl. investments in marketable securities and short-term financial investments.	Below 700	Approx. 700

- EBIT margin before special items includes [extraordinary warranty provisions](#) of EUR 175m recognised in Q2 2020. For the second half of the year, warranty provisions are expected to be in line with past quarters corresponding to 3.1 percent of revenue.
- Important to note that basic assumptions behind the guidance are more uncertain than normal

*The 2020 outlook is based on current foreign exchange rates*



Q&A

## Financial calendar 2020:

- Disclosure of Q3 2020 (4 November)



A detailed, semi-transparent blue rendering of a wind turbine nacelle, showing internal mechanical components like gears and shafts. It is positioned in the center of the frame, with a large, curved blade extending from its side towards the right edge of the image. The background is a dark, gradient blue.

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