Second quarter 2018

Vestas Wind Systems A/S

Copenhagen, 15 August 2018

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Key highlights

Quarterly performance

Strong order intake

Order intake of 3.8 GW; an increase of 43 percent YoY leading to all-time high order backlog

EBIT of EUR 259m

EBIT margin at 11.5 percent

Good service performance

Organic revenue growth of 17 percent, and EBIT margin of 25 percent

Free cash flow

Free cash flow negative as a result of a back-end loaded activity level in the year

Share buy-back programme

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

Outlook 2018

Guidance for 2018 narrowed for revenue and EBIT margin based on improved visibility

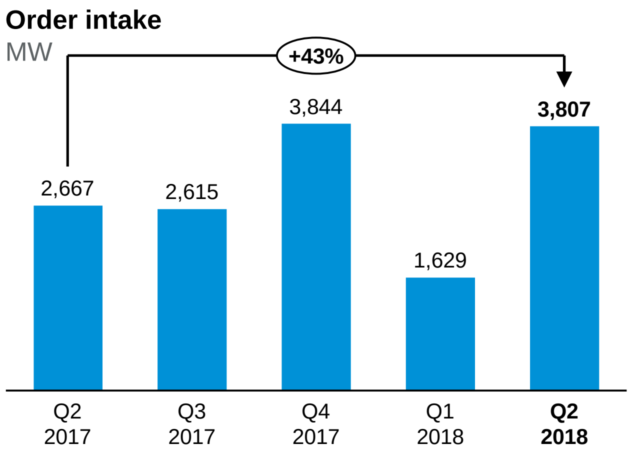
Agenda

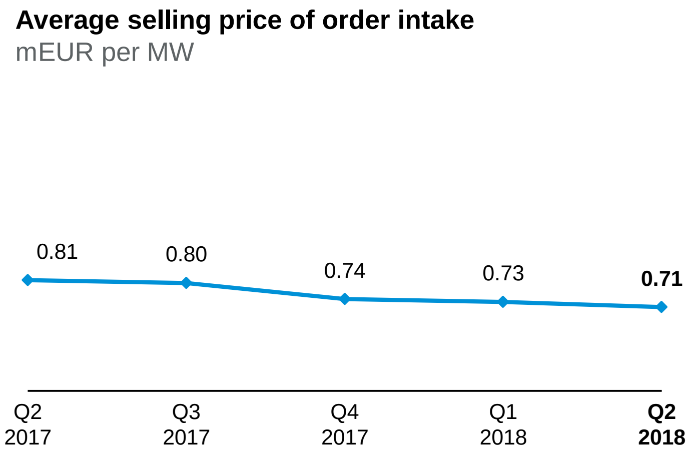
Q2 Vestas
Interim financial report, second quarter 2018

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

Q2 order intake

Order intake at 3,807 MW, with an average selling price of EUR 0.71m per MW





Key highlights

- Q2 2018 order intake was 1,140 MW higher than in Q2 2017, representing an increase of 43 percent
- Broad based order intake across 21 countries led by the US

Key highlights

- Price per MW remains at overall stable levels observed in recent quarters
- Geography, scope, turbine type, and uniqueness of the offering still a factor

Vestas

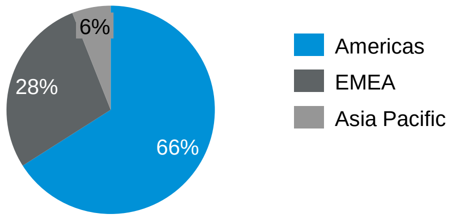
Further strengthening our two competitive platforms

Demand shifting towards 4 MW platform as more markets move to low wind sites

2 MW platform

Order intake by region, H1 2018

MW



Total 2 MW
1,313 MW

- *V90-2.0 MW*
- *V100-2.0 MW*
- *V110-2.0 MW*
- *V116-2.0/2.1 MW*
- *V120-2.0/2.2 MW*

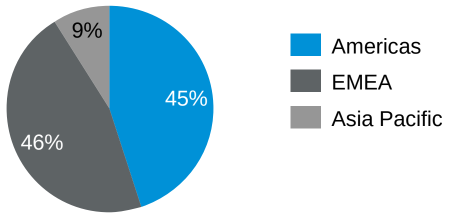
Demand for proven performance remains strong:

- V120 turbine upgraded to a nominal rating of 2.2 MW, expanding the 2 MW platform into medium to low wind conditions with high turbulence
- Prototype of V120-2.0 MW turbine installed

4 MW platform

Order intake by region, H1 2018

MW



Total 4 MW
4,123 MW

- *V105-3.45 MW*
- *V112-3.45 MW*
- *V117-3.45 MW*
- *V117-4.0/4.2 MW*
- *V126-3.45 MW*
- *V136-3.45 MW*
- *V136-4.0/4.2 MW*
- *V150-4.0/4.2 MW*

Largest onshore rotor in the market unlocks new opportunities:

- First order received for the V150-4.2MW turbine, offering a potential to increase AEP by more than 20 percent
- Suitable for weather conditions ranging from typhoon to ultra-low wind

Americas

Strong order intake in the US and Latin America

Market highlights

PTC and trade tariffs in the USA…

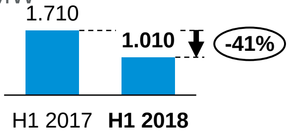
- Continued strong US demand
- Tariffs impacting cost of wind energy projects. Vestas working on range of mitigation strategies utilising our global footprint and full value chain

Latin America auctions…

- Argentina, Brazil, and Columbia expected to conduct auctions in second half of 2018

Deliveries

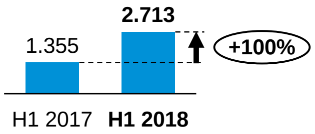
MW



- Decline in US deliveries as a result of PTC component deliveries in H1 2017
- Low level of activity in Latin American countries

Order intake

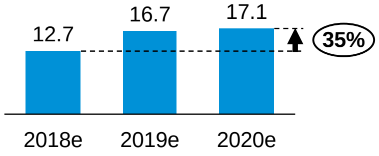
MW



- Continued high level of order intake in the US and Argentina in the first half of 2018
- Increase mainly driven by Mexico, Bolivia, and Panama

Mid term volume outlook

GW



- Growth primarily driven by the US market
- Stable development in Latin America

Source: MAKE Consulting

Europe, Middle East, and Africa

Continued high activity levels in EMEA as EU increases RE target

Market highlights

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

- New energy agreement in Denmark with 250MW p.a. expected
- Market for wind power restarting in Poland as new auctions are being planned

Russia expanding wind energy market…

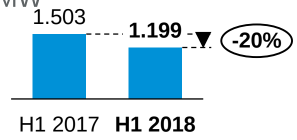
- 900 MW onshore wind auction completed
- Localisation of production continues after successful auctions

MEA moving forward…

- New auction of 1.8 GW expected in South Africa

Deliveries

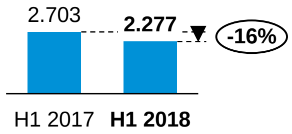
MW



- 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 H1 2017

Order intake

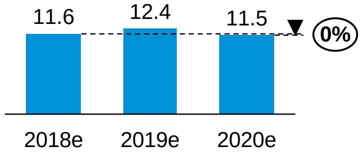
MW



- Lower order intake impacted by Germany, where recent auction volume has not yet materialised as orders
- Good order intake in Sweden and Italy

Mid term volume outlook

GW



- Flat development towards 2020
- Broader EMEA region offsets declines in Germany and UK

Source: MAKE Consulting

Asia Pacific

Strong deliveries across the region’s markets

Market highlights

China to introduce auctions…

- Wind volume to be awarded in auctions starting in 2019 as China moves away from feed-in tariffs

India auction volume increased…

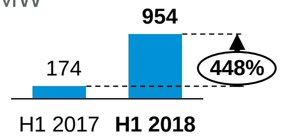
- Auction schedules ramped up to meet increased target for installations: from 60 GW onshore wind to 80 GW by 2022 – execution still uncertain

Positive signals in broader APAC…

- Power planning development in Indonesia, Philippines, and Thailand
- Good outlook for Australia – 650 MW auction expected in Q4

Deliveries

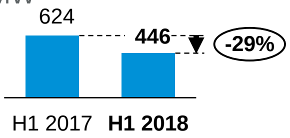
MW



- Diversified deliveries secures high level of activity
- Strong development in India, Australia, and Thailand

Order intake

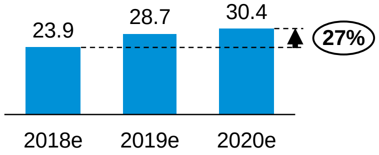
MW



- Strong order intake in China in Q1 2017 resulting in negative development
- Continued success in Thailand, Australia and Japan partly offsets decline

Mid term volume outlook

GW



- High activity levels in Australia, Japan, and Korea
- Growth expected mainly to come from India and China

Source: MAKE Consulting

Vestas

All-time high order backlog of EUR 23bn

Combined backlog increased sequentially by EUR 1.4bn*

Wind turbines:

EUR 10.2bn

EUR +0.9bn*

Service:

EUR 12.8bn

EUR +0.5bn*

* Compared to Q1 2018

First firm order for the V164-9.5 MW; Borssele III/IV

V164-9.5 MW adds to legacy as world's most powerful available wind turbine

Track record…

~3.3 GW — **> 1.000 turbines installed across 28 projects**

Pipeline…

~2.2 GW — **Under installation/ unconditional orders**

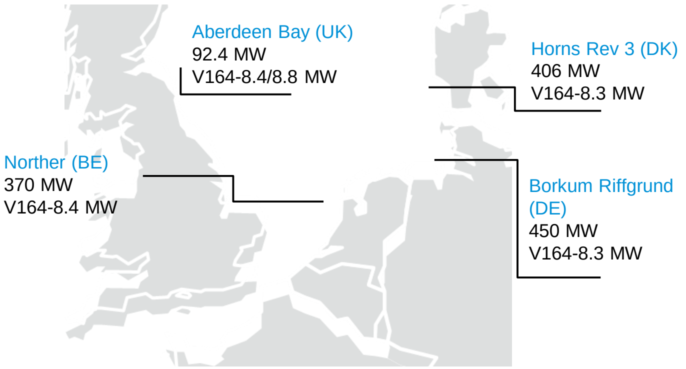
~2.9 GW — **Conditional orders/ preferred supplier**

Key highlights

- Preferred supplier announcement for 900 MW in the first round of awarded projects in Taiwan
- Firm and unconditional order of 732 MW signed to deliver 77 V164-9.5 MW turbines for the Borssele III/IV project
- Final certification received for the V164-9.5 MW turbine

Near-term project execution

Projects currently in progress



Agenda

Q2 Vestas®
Interim financial report, second quarter 2018

1. Orders and markets

2. **Financials**

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Income statement

Revenue on par with last year but with lower profitability

mEUR	Q2 2018	Q2 2017*	% change
Revenue	2,260	2,206	2%
Production costs	(1,844)	(1,722)	(7)%
Gross profit	416	484	(14)%
SG&A costs**	(157)	(205)	23%
EBIT	259	279	(7)%
Income from investments in joint ventures and associates	(13)	(21)	38%
Net profit	184	186	(1)%
Gross margins	18.4%	21.9%	(3.5)%-pts
EBITDA margin	16.3%	18.0%	(1.7)%-pts
EBIT margin	11.5%	12.6%	(1.1)%-pts

Key highlights

- Revenue on par with Q2 2017, primarily driven by higher activity in Service
- Gross profit down by 3.5 percentage points, driven by lower average project margins in Power solutions
- EBIT down by 1.1 percentage points driven by lower gross profit

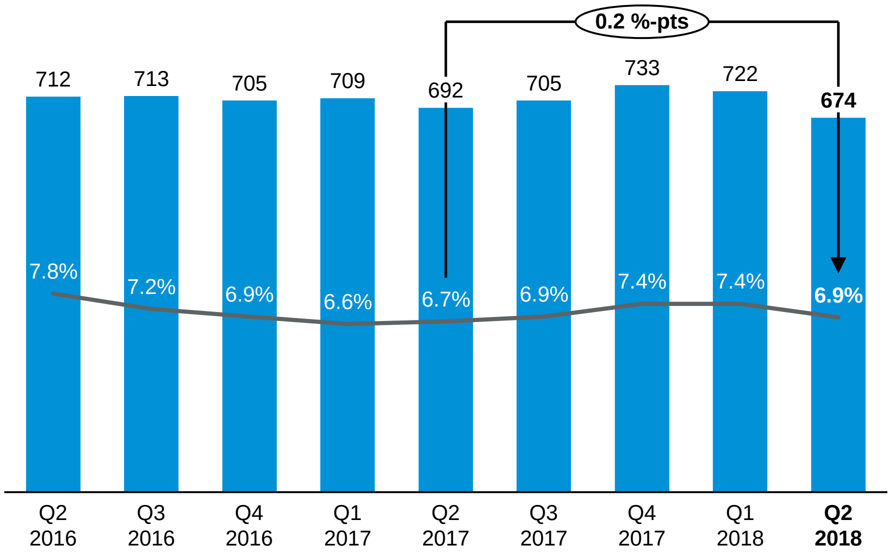
* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q2 2018
** R&D, administration, and distribution

Vestas

Leveraging on SG&A

Continued control of SG&A costs

SG&A costs (TTM)*
mEUR and percent of revenue



Key highlights

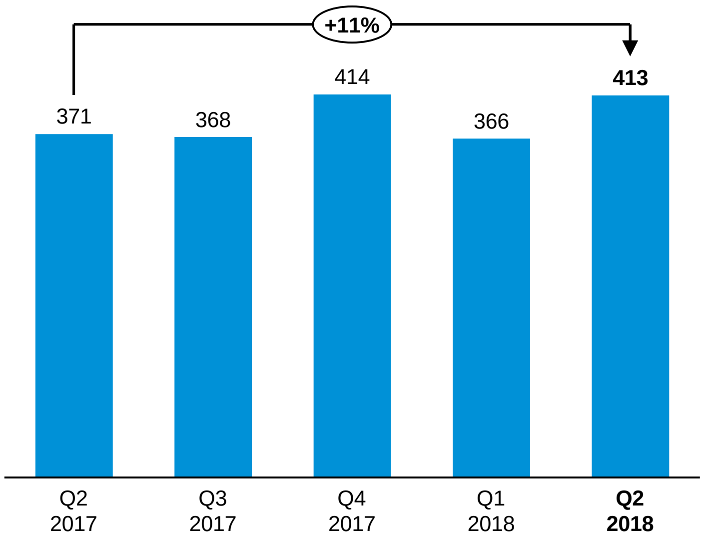
- SG&A costs slightly down YoY
- Relative to activity levels, SG&A costs amounted to 6.9 percent – an increase of 0.2 percentage points compared to Q2 2017, primarily driven by higher depreciation and lower revenue

* 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 Q2 2017; negative FX impact of approx. EUR 20m resulting in 17 percent organic growth
- EBIT of EUR 104m (25.2 percent margin) as a result of reliable turbine performance and efficient cost management

Vestas

Balance sheet

Balance sheet remains strong and provides flexibility

Assets (mEUR)	Q2 2018	Q2 2017*	Abs. change	% change
Non-current assets	3,069	2,799	270	10%
Current assets	8,201	7,399	801	11%
Total assets	11,270	10,198	1,072	11%
Liabilities (mEUR)				
Equity	2,919	3,142	(223)	(7)%
Non-currents liabilities	1,173	1,150	23	2%
Current liabilities	7,178	5,906	1,272	22%
Total equity and liabilities	11,270	10,198	1,072	11%
Key figures (mEUR)				
Interest bearing position (net)	2,070	2,636	(566)	(21%)
Net working capital	(1,143)	(1,225)	82	7%
Solvency ratio (%)	25.9%	30.8%	-	(4.9)%-pts
ROIC (%)	346%	401%	-	(55)%-pts

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q2 2018

Key highlights

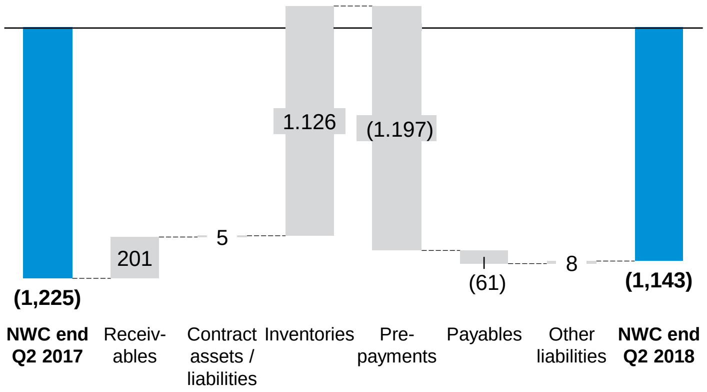
- Net interest bearing position of EUR 2,070m, negatively impacted by net working capital development and cash flow from financing activities
- Net working capital increased by EUR 82m

Change in net working capital

Continued ramp-up for deliveries expected in coming quarters

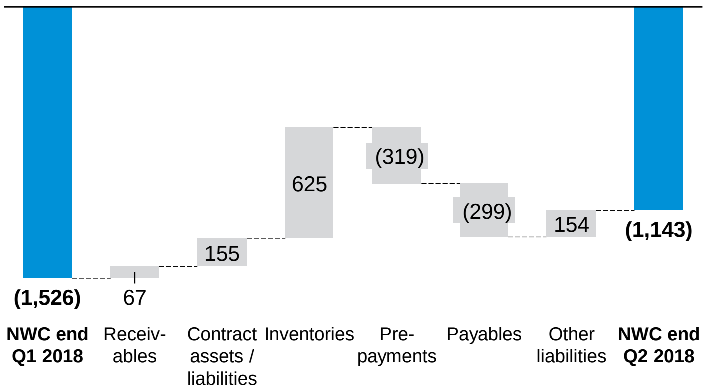
NWC change over the last 12 months*

mEUR



NWC change over the last 3 months*

mEUR



Key highlights

- Negative development mainly driven by higher inventories and receivables, mainly offset by prepayments

Key highlights

- Net working capital in the quarter negatively impacted by increased inventory, partly offset by higher prepayments and payables

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q2 2018

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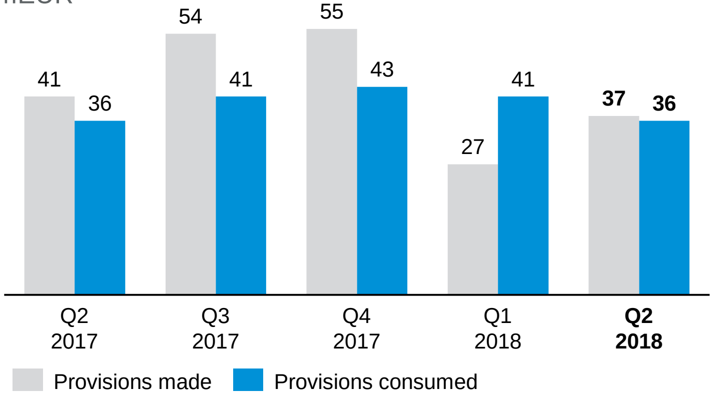
Warranty provisions and Lost Production Factor

Warranty consumption and LPF continue at a low levels

Warranty provisions made and consumed

mEUR

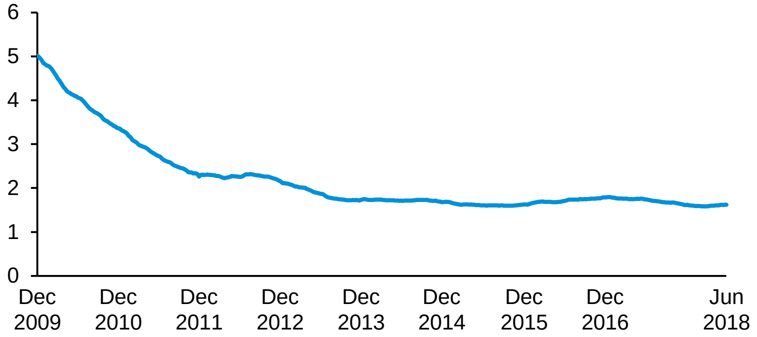


Key highlights

- 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 Q2 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

Vestas

Cash flow statement

Negative free cash flow in the second quarter

mEUR	Q2 2018	Q2 2017*	Abs. change
Cash flow from operating activities before change in net working capital	377	411	(34)
Change in net working capital**	(429)	(453)	24
Cash flow from operating activities	(52)	(42)	(10)
Cash flow from investing activities***	(121)	(116)	(5)
Free cash flow before financial investments***	(173)	(158)	(15)
Purchase of financial investments	(265)	-	(265)
Free cash flow	(438)	(158)	(280)
Cash flow from financing activities	(352)	(320)	(32)
Net decrease in cash and cash equivalents	(790)	(478)	(312)

Key highlights

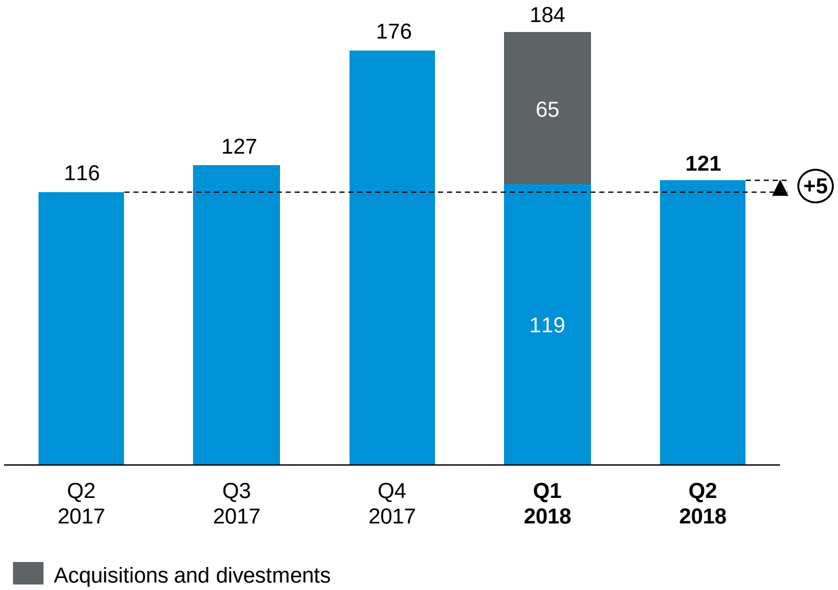
- Free cash flow before financial investments in line with Q2 2017
- Purchase of financial investments of EUR 265m attributable to cash placed in short-term financial investments
- Cash flow from financing activities driven by dividend payment and share buy-back programme launched at FY 2017

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q2 2018
** Change in net working capital in Q2 2018 impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR (46)m
*** Before investments in marketable securities and short-term financial investments

Total investments

Underlying investments in line with Q2 2017

Total investments*
mEUR



Key highlights

- Underlying investments increased by EUR 5m compared to Q2 2017, primarily driven by capitalised R&D as well as tangible blade investments

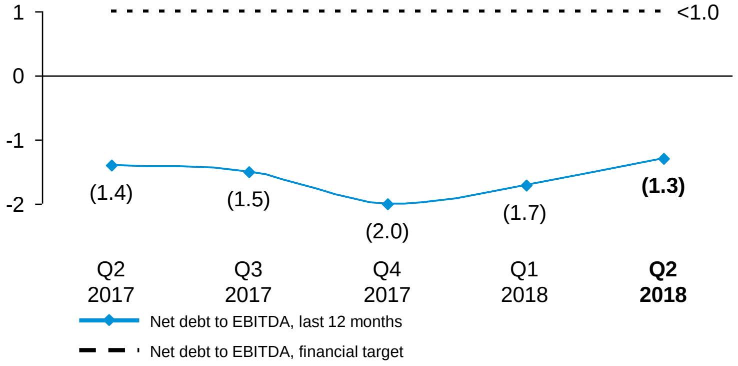
* Before investments in marketable securities and short-term financial investments, but incl. acquisition of Utopus Insights, Inc.

Capital structure

Net debt to EBITDA well below threshold; solvency ratio declined due to share buy-back

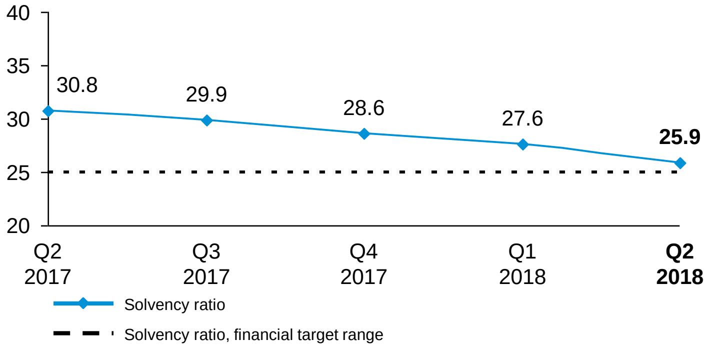
Net debt to EBITDA*

xEBITDA



Solvency ratio*

Percent



Key highlights

- Net debt to EBITDA remains at low level of (1.3) in Q2 2018
- Development driven by a decreased EBITDA

Key highlights

- Solvency ratio of 25.9 percent in Q2 2018
- Decline driven by share buy-back

* Refer to note 5.3, Changes in accounting policies and disclosures, Interim financial report, Q2 2018

Vestas

Share buy-back programme of up to EUR 200m launched

Adjusting capital structure to address strong cash position, total EUR ~400m buy-backs in 2018

Size and timing

Share buy-back programme of up to DKK 1,500m (EUR 200m) in accordance with the safe harbour rules. Programme launched on 15 August 2018 and running until 28 December 2018

Rationale and purpose

The main purpose of the share buy-back is to adjust the capital structure

Dividend policy

Dividend policy of 25-30 percent of net profit will remain and not be affected by this share buy-back programme

Priorities for capital allocation unchanged

Focus on organic growth and potentially bolt-on acquisitions. Dividend payment during H1 given AGM approval and share buy-backs in H2 if relevant

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Outlook 2018

	New outlook	Previous outlook
Revenue (bnEUR) - Service business is expected to grow	**10.0 - 10.5**	10 - 11
EBIT margin (%) - Service margin expected to increase compared to 2017	**9.5 - 10.5**	9 – 11
Total investments (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments)	**approx. 500**	approx. 500
Free cash flow (mEUR) (Excl. the acquisition of Utopus Insights, Inc., any investments in marketable securities, and short-term financial investments)	**min. 400**	min. 400

The 2018 outlook is based on current foreign exchange rates

Vestas

Q&A

Financial calendar 2018:

- Disclosure of Q3 2018 (7 November)
- Capital Markets Day (29 November)

Thank you for your attention