

Vestas[®]

THIRD QUARTER 2021

Vestas Wind Systems A/S

Copenhagen, November 2021

Wind. It means the world to us.[™]

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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 Q3 2021

Organisational update

Marika Fredriksson to step down as CFO effective 1 March 2022; Hans Martin Smith, CFO of Vestas Northern and Central Europe, to succeed.

Vestas' largest preferred supplier agreement to date secured

Vestas as preferred supplier for the 2.1 GW Empire Wind project in the USA; onshore order intake of 3.7 GW.

Revenue of EUR 5.5bn

Highest ever quarterly revenue secured despite continued supply chain challenges.

EBIT margin of 5.9 percent

EBIT impacted by further cost inflation and higher level of warranty provisions.

Circularity roadmap launched, raising the bar

New targets introduced to achieve full circularity by 2040, and targets to increase rotor recyclability accelerated.

Outlook for full year updated

Guidance on EBIT margin updated to reflect accelerated cost inflation and supply chain challenges.



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GLOBAL BUSINESS ENVIRONMENT

Employee health and safety top priority



Renewables critical infrastructure

Mobility and site access a prerequisite

Maintain business continuity

Maintain supply chain continuity

Challenging global business environment and supply chain instability expected to last throughout 2022

- Wind power is increasingly critical as short-term electricity demand increase around the world, supporting business continuity.
- Supply chain disruptions and instability continue to impact timelines and increase costs
- Cost inflation continues to accelerate within transportation and raw materials
- Mobility for construction workers as well as service technicians remains challenging

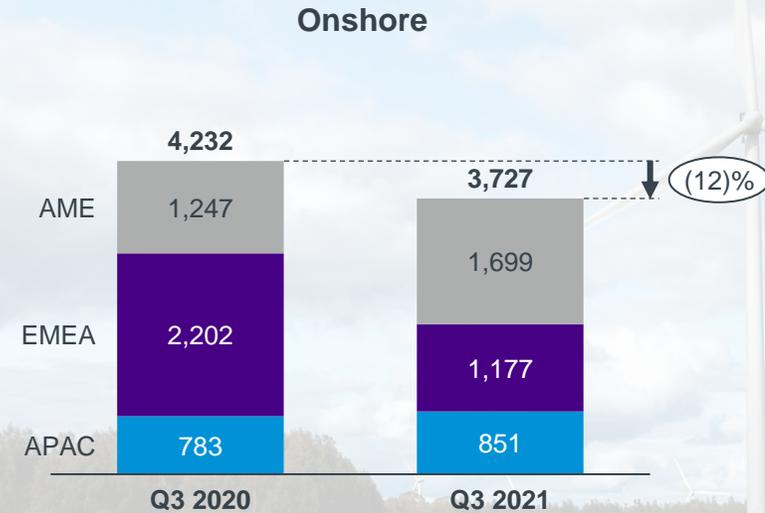
POWER SOLUTIONS

Increased pricing level while lower orders

Highlights

- Power prices continues to be **record high yet smaller increases in PPA levels**
- **Fully subscribed auction Germany**; non allocated 2021 volume to come on top in 2022 making total auctions expected to **exceed 5 GW**
- **2.1 GW preferred supplier agreement** on the new 15 MW platform adding to 3.7 GW onshore order intake
- **Onshore ASP** increased in the quarter to partially mitigate cost inflation

--o Firm and unconditional order intake, MW



--o Average selling price of order intake, mEUR per MW



SERVICE BUSINESS

Well positioned for further growth

Highlights

- Introduction of **Covento**, a digital platform to build and leverage scale for renewable aftermarket
- **396 MW** Service contract signed in **Australia** for **30 years** on the **EnVentus™** platform
- Focus on full scope multibrand service contracts



Service order backlog
+EUR 9bn comp. to Q3 2020



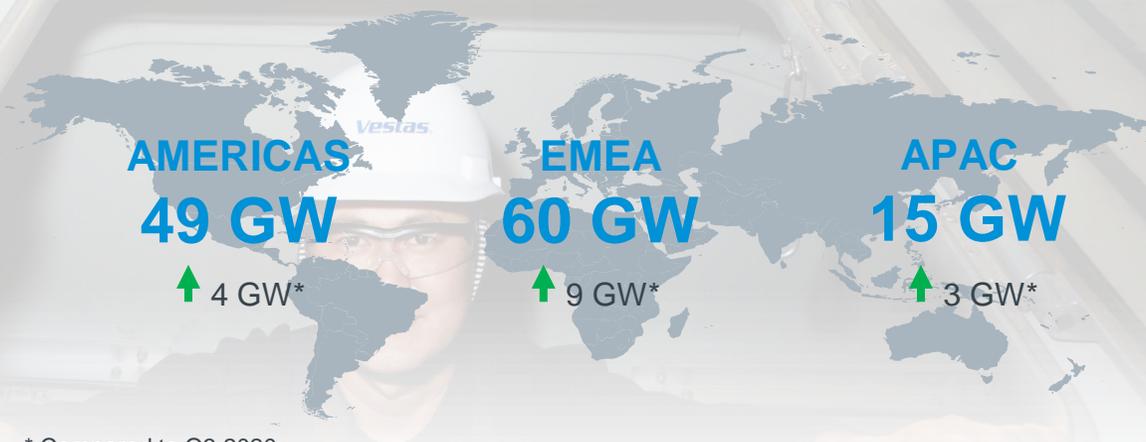
GW under active service contracts



Average years contract duration



Service fleet



* Compared to Q3 2020.

SUSTAINABILITY STRATEGY

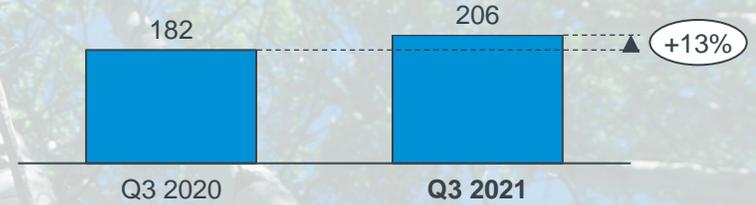
Sustainability in everything we do

Highlights

- **Roadmap** launched to secure **full circularity by 2040** and **accelerating targets** for full rotor recyclability by 2030
- Launch of an updated and strengthened **Employee and Supplier Codes of Conduct**
- **Increase in carbon emissions** driven by offshore activities, while the added installations displaced an even higher amount of CO₂

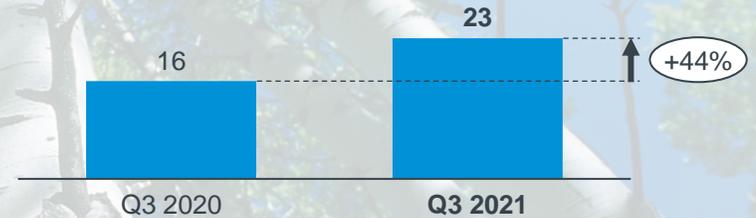
Displaced CO₂e

Annual CO₂e avoided by the total aggregated installed fleet (million t)



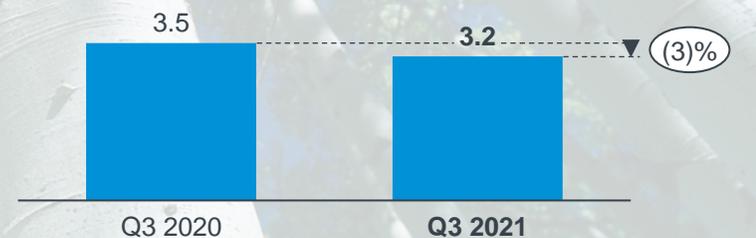
Carbon emissions

Direct and indirect emissions of CO₂e (scope 1&2)(1,000 t)



Safety

Total recordable injuries per 1 million working hours (TRIR)





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INCOME STATEMENT

Strong activity levels but challenged profitability

Highlights

- Revenue increased 16 percent YoY, mainly driven by increased service activity and offshore
- Gross margin decreased by 2 percentage points YoY, driven by both Power Solutions and Service and as well additional need for warranty provisions
- EBIT margin before special items decreased by 2.7 percentage points YoY, mainly driven by the lower gross profit and higher SG&A costs as a result of offshore integration
- Special items of EUR 119m related to the alignment of the manufacturing footprint as part of the integration of MHI Vestas Offshore Wind

mEUR	Q3 2021	Q3 2020	% change
Revenue	5,538	4,770	16.1%
Production costs	(4,938)	(4,158)	18.8%
Gross profit	600	612	(2.0)%
SG&A costs*	(277)	(200)	38.5%
EBIT before special items	325	412	(21.1)%
Special items	(119)	6	(2,083)%
EBIT after special items	206	418	(50.7)%
Income from investments in joint ventures and associates	4	1	300%
Net profit	123	290	(57.6)%
Gross margin	10.8%	12.8%	(2.0)%-pts
EBITDA margin before special items	10.2%	12.1%	(1.9)%-pts
EBIT margin before special items	5.9%	8.6%	(2.7)%-pts

*R&D, administration, and distribution.

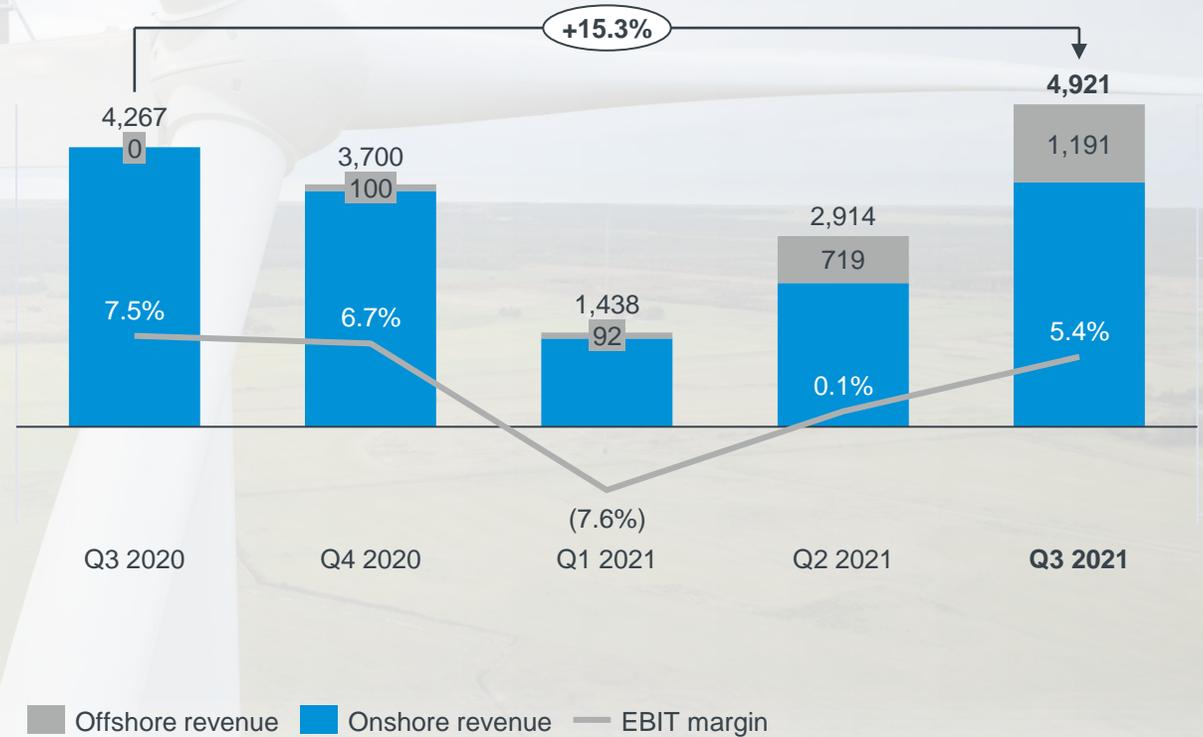
POWER SOLUTIONS

Profitability continuously challenged

Highlights

- Revenue increased by 15 percent YoY, driven by offshore offsetting a decrease in the onshore activity level impacted by continued supply chain challenges
- EBIT margin before special items decreased by 2.1 percentage points YoY driven by higher warranty provisions as well as continued increase in external cost inflation

Power Solutions revenue and EBIT margin, mEUR



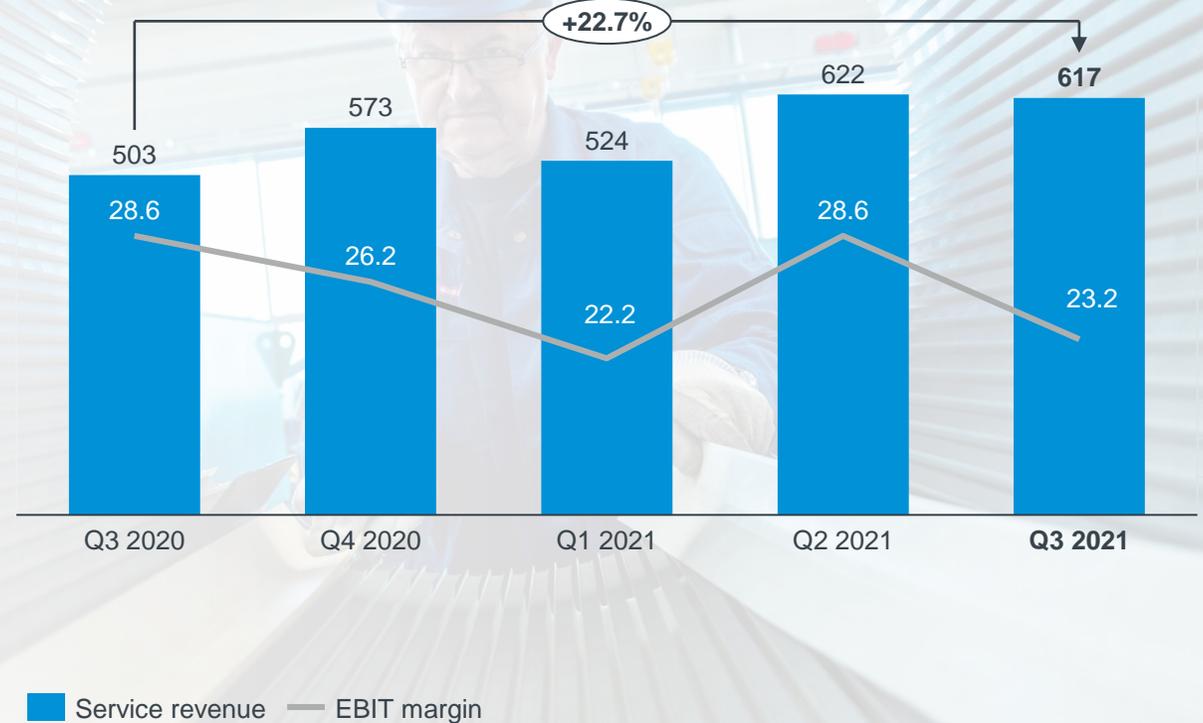
SERVICE BUSINESS

Continued positive service performance

→ Service revenue and EBIT margin, mEUR and percent

Highlights

- Service revenue increased 23 percent compared to Q3 2020 driven by higher activity both onshore and offshore
- 2021 Q3 EBIT before special items: EUR 143m
- 2021 Q3 EBIT margin before special items: 23.2 percent



SG&A COSTS

SG&A costs under control

Highlights

- Depreciation and amortisation (excluding impairments) **increased by EUR 79m YOY** primarily related to offshore
- Relative to activity levels, SG&A costs amounted to **6.5 percent** – an increase of **1.1 percentage points** compared to Q3 2020

→ SG&A costs (TTM)*, mEUR and percent



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

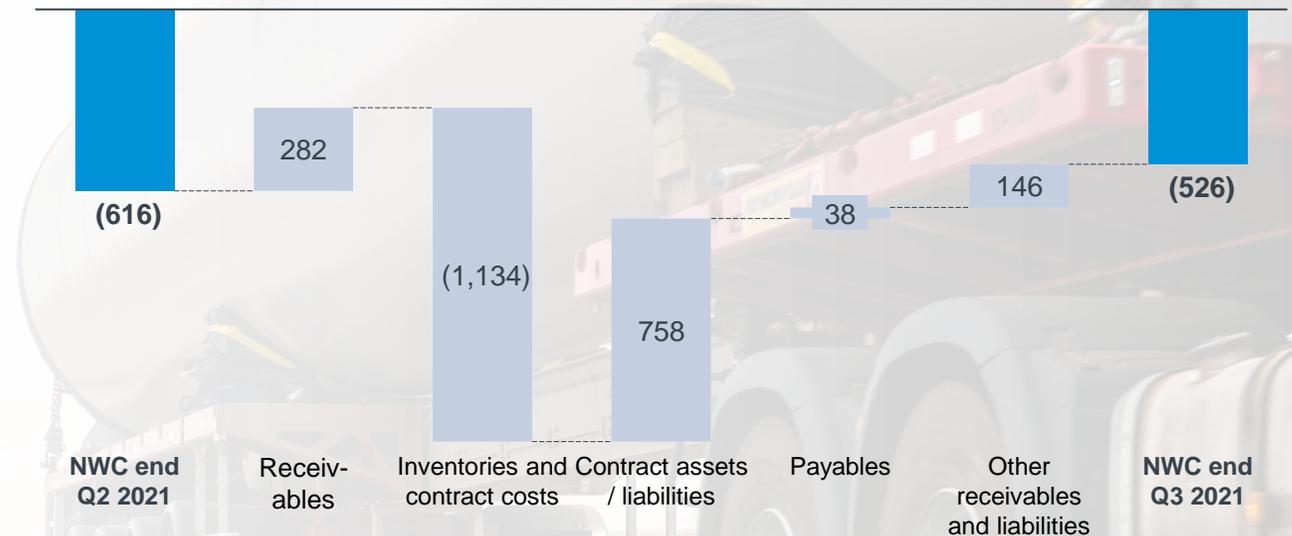
NET WORKING CAPITAL

Stable NWC development

Highlights

- Net working capital **positively impacted** by a **significant decrease in the level of inventory** more than offset by down and milestone payments as well as receivables

--> NWC change over the quarter, mEUR



CASH FLOW STATEMENT

Positive cash flow from operating activities

Highlights

- **Positive free cash flow before financial investments of EUR 300m;** decrease compared Q3 2020 driven by lower operating cash flow and higher investments
- Decline in net interest-bearing mainly driven by investment in CIP but remains at high level as **focus on cash discipline continues**

mEUR	Q3 2021	Q3 2020	Abs. Change
Cash flow from operating activities before change in net working capital	531	611	(80)
Change in net working capital*	(8)	77	(85)
Cash flow from operating activities	523	688	(165)
Cash flow from investing activities**	(223)	(141)	(82)
Free cash flow before financial investments**	300	547	(247)
Free cash flow	385	546	(161)
Cash flow from financing activities	(103)	(38)	(65)
Net interest-bearing position	692	1,615	(923)

* Change in net working capital impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR 85m.

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

TOTAL INVESTMENTS

Higher investments year-over-year

Highlights

- Investments of **EUR 223m in Q3 2021**, increase from Q3 2020 mainly driven by investments in construction equipment and transport tools and investments in the V236 offshore turbine

--• Total net investments*, mEUR



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

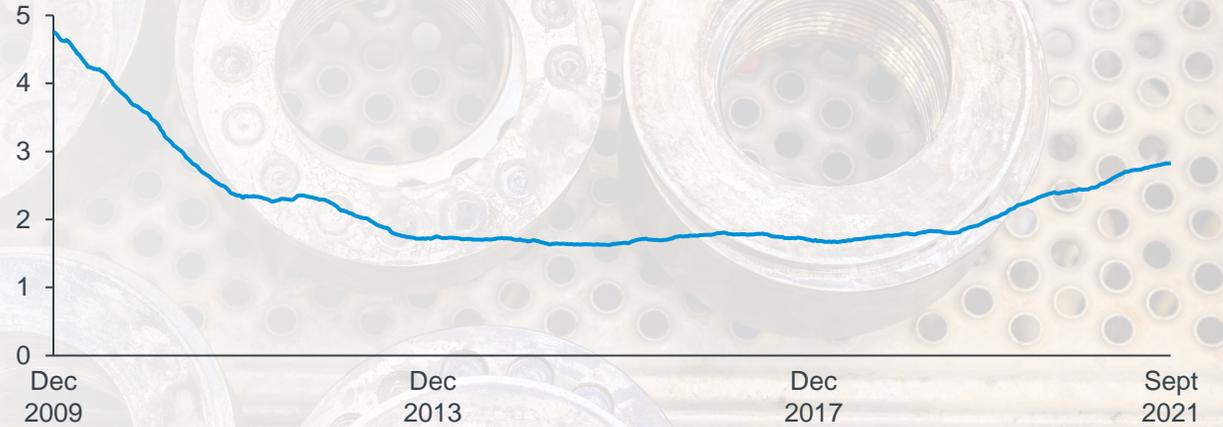
PROVISIONS & LPF

Focus on warranty provisions and LPF

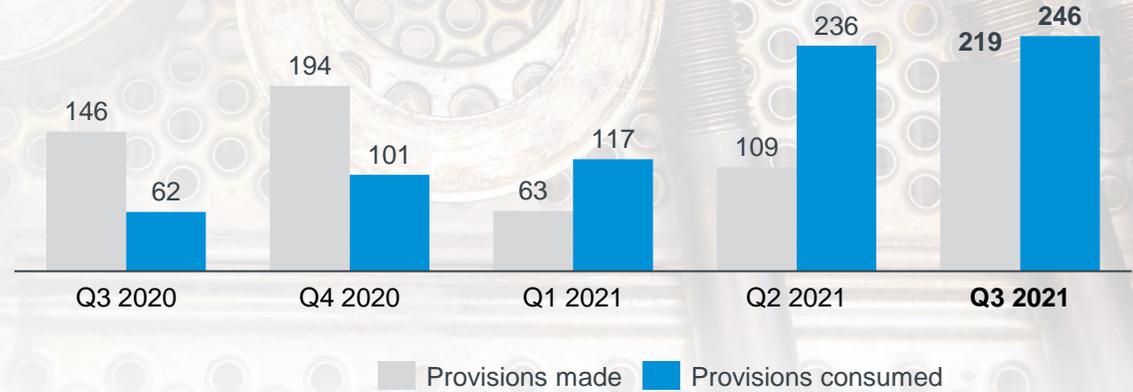
Highlights

- LPF* increasing further during Q3 2021 as a consequence of the **extraordinary repair and upgrade level**
- Additional provision of EUR 50m related to cost inflation in components and transport
- Warranty provisions made corresponding to **4.0 percent of revenue**

--> Lost Production Factor (LPF), Percent



--> Warranty provisions made and consumed, mEUR



* LPF measures potential energy production not captured by Vestas' onshore and offshore wind turbines.

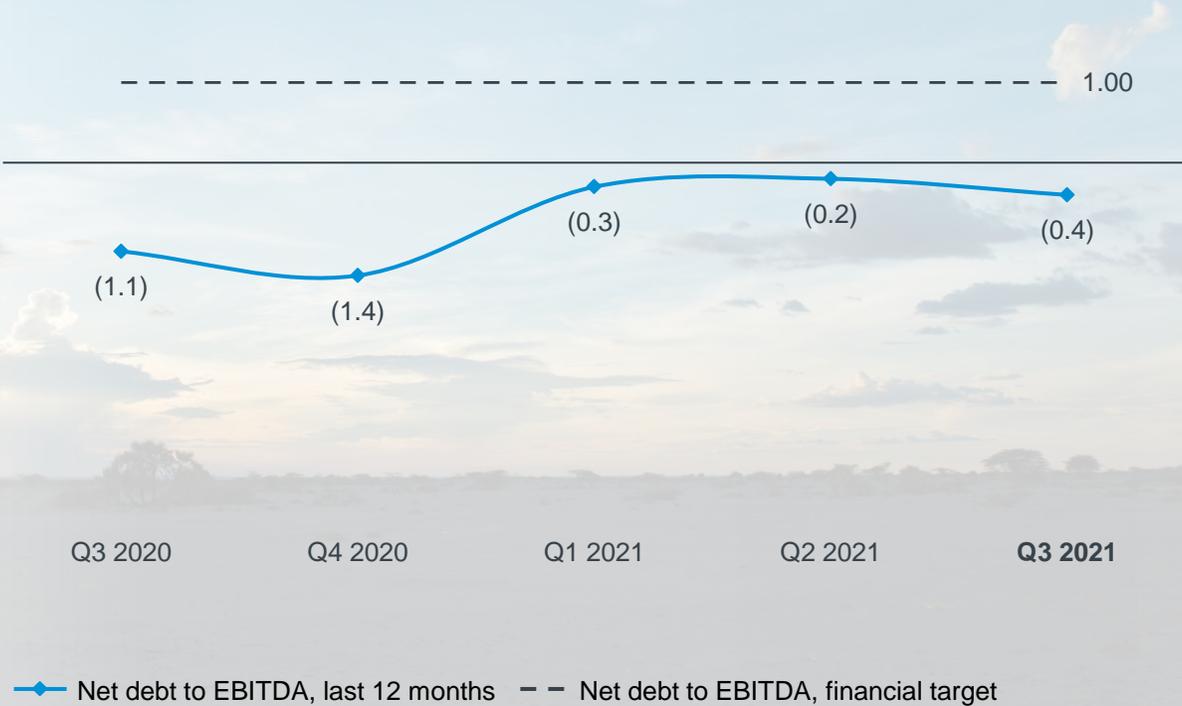
CAPITAL STRUCTURE

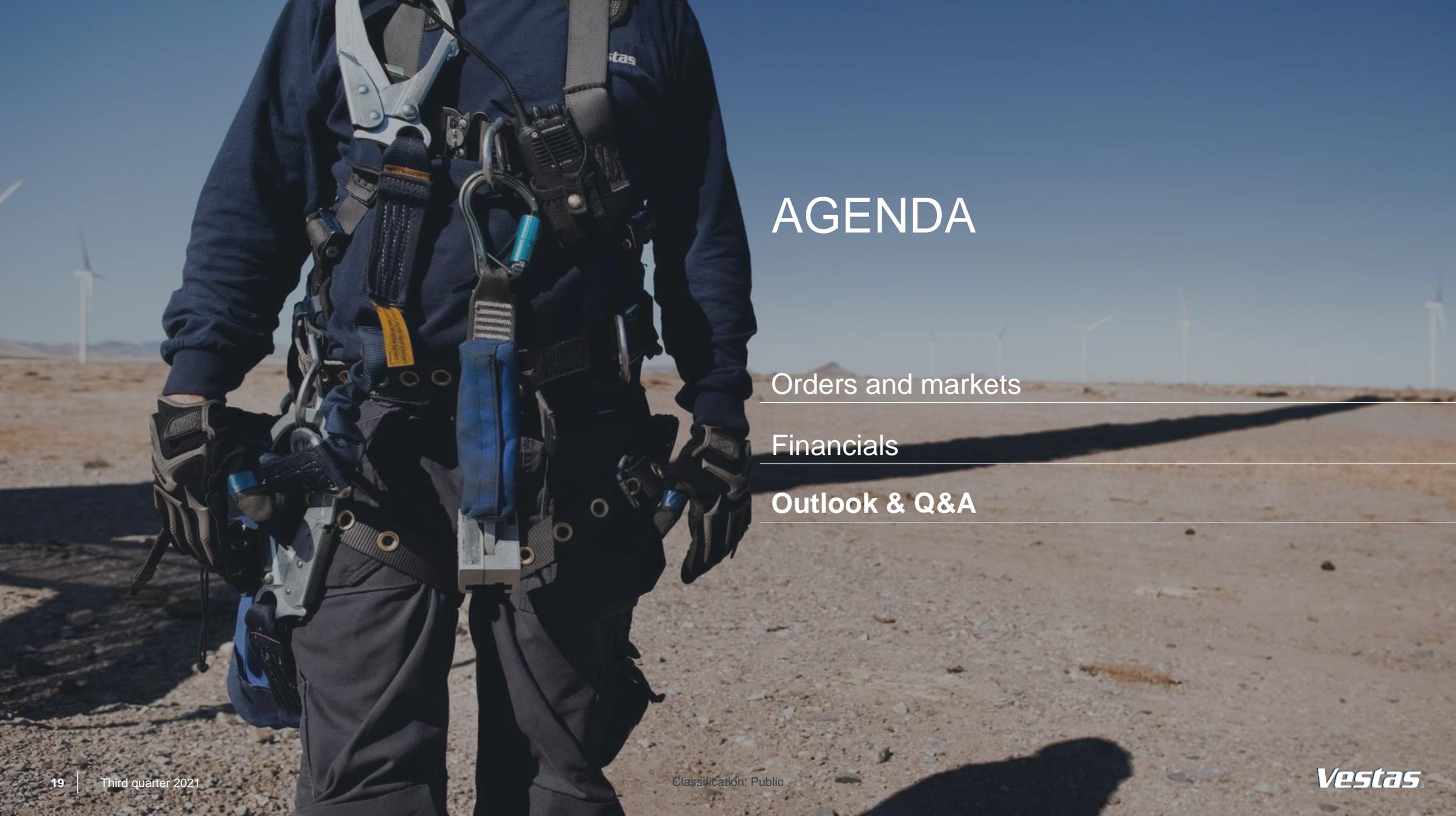
Net debt to EBITDA well below threshold

Highlights

- Net debt to EBITDA at low level of (0.4) in Q3 2021

Net debt to EBITDA before special items





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OUTLOOK 2021

	Outlook	Previous Outlook	Initial guidance
Revenue (bnEUR) - Service is expected to grow approx. 15 percent	15.5 – 16.5	15.5 – 16.5	16 – 17
EBIT margin before special items (%) - Service margin is expected to be approx. 24 percent	Around 4	5 – 7	6 – 8
Total investments (mEUR) Excl. acquisitions of subsidiaries, joint ventures, associates and financial investments	Below 1,000	Below 1,000	approx. 1,000

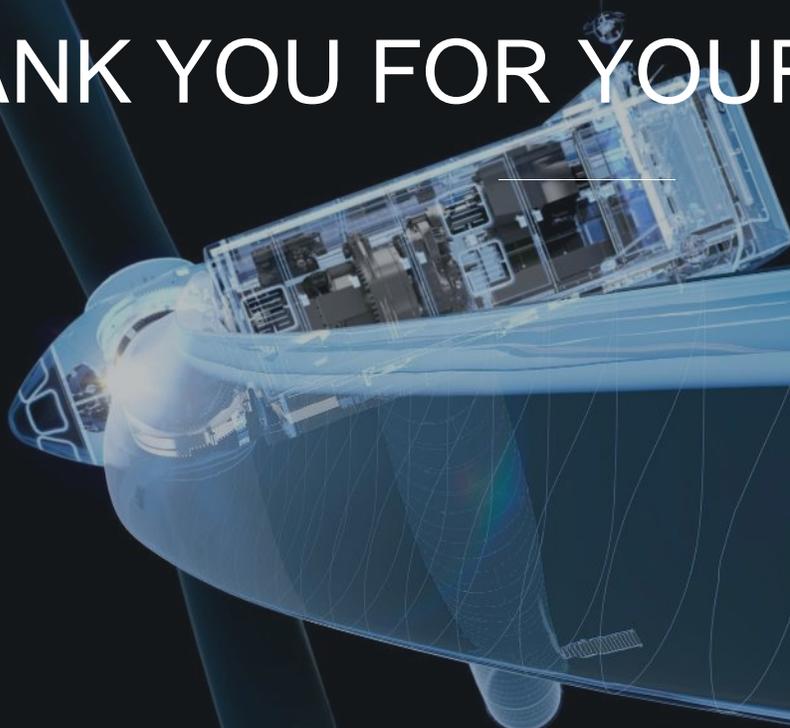
- In 2021, warranty provisions are expected to be at a level above 3 percent of revenue as a consequence of increased costs stemming from the supply chain instability and accelerated cost inflation from raw materials, transport, and turbine components.
- Special items are expected to amount to approx. EUR 100m relating to the integration of MHI Vestas Offshore Wind
- Important to note that basic assumptions behind the guidance are more uncertain than normal

The 2021 outlook is based on current foreign exchange rates.

Q&A

Financial calendar 2022:

- Capital Markets Day (15th December)
- Disclosure of Annual Report 2021 (10th February)
- Disclosure of Q1 2022 (4th May)
- Disclosure of Q2 2022 (10th August)
- Disclosure of Q3 2022 (2nd November)

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

THANK YOU FOR YOUR ATTENTION

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