

Company announcement from Vestas Wind Systems A/S

Aarhus, 5 February 2020
Company announcement No. 01/2020
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Annual report 2019 – Delivered best-in-class results and record high order intake

Summary: For full year 2019, revenue amounted to EUR 12.1bn, the EBIT margin before special items was 8.3 percent, and total investments were EUR 729m, all in line with the expectations. Compared to 2018, revenue and earnings increased while free cash flow decreased. Order intake increased in 2019 compared to 2018, and the value of the combined order backlog increased to EUR 34bn.*

The wind turbine order intake increased year-on-year by 3,663 MW to 17,877 MW in 2019 and the value of the service order backlog increased by EUR 3.5bn to EUR 17.8bn.

For 2020, Vestas expects revenue to range between EUR 14bn and 15bn, including service revenue, which is expected to grow by approx. 7 percent. Vestas expects to achieve an EBIT margin before special items of 7-9 percent, with a service EBIT margin of approx. 25 percent. Total investments** are expected to amount to approx. EUR 700m in 2020.

As a result of the performance during the year, the Board of Directors of Vestas Wind Systems A/S proposes to the Annual General Meeting that a dividend of DKK 7.93 per share be distributed to the shareholders, compared to DKK 7.44 last year, and equivalent to 30.0 percent of the net profit for the year.

“Wind energy manifested its position as a leading global energy source in 2019, driving Vestas’ order intake to a record 17.9 GW, 20 percent growth in revenue and expected high activity levels in the coming years. In an extraordinarily busy year, Vestas extended its industry leadership, met its guidance on all parameters and scaled the company to deliver on our highest-ever order backlog of EUR 34bn. Once again, our Service business delivered year-on-year growth and improved profitability, underlining its strategic importance in a tough market. In 2019, the industry thus faced challenges from trade wars and tariffs, causing execution costs to increase, which we expect to continue in an even busier 2020. Together with our customers and partners, everyone at Vestas worked vigorously to create the momentum to finish 2019 strongly, and we must continue this momentum to achieve our goals for 2020. As we continue to lead the transition towards a world powered by sustainable energy, we remain focused on executing our strategy and pushing the industry to higher levels on technology, profitability and sustainability,” says Henrik Andersen, Group President & CEO.

*) Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments.
**) Excl. any investments in marketable securities and short-term financial investments.

Information meeting (audiocast)

On Wednesday 5 February 2020 at 10 am CET (9 am GMT), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com/en/investor.

The meeting will be held in English and questions may be asked through a conference call. The telephone numbers for the conference call are:

Europe: +44 3333 000 804
USA: +1 6319 131 422
Denmark: +45 3544 5577

PIN code: 42794799#

Further details at vestas.com/en/investor.

The presentation used at the information meeting will be available approx. one hour before the meeting at the corporate website.

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Highlights, fourth quarter 2019

mEUR	Q4 2019	Q4 2018	Change
Financial figures			
Revenue	4,650	3,369	38%
- of which service revenue	529	481	10%
Gross profit	610	499	22%
Gross margin (%)	13.1	14.8	(1.7) pp
EBITDA before special items	561	414	36%
EBITDA margin (%) before special items	12.1	12.3	(0.2) pp
Operating profit (EBIT) before special items	404	298	36%
EBIT margin (%) before special items	8.7	8.8	(0.1) pp
Profit before tax	366	290	26%
Total net investments*	232	205	13%
Net working capital	(1,583)	(2,040)	(22)%
Free cash flow*	840	1,401	(40)%
Operational figures (onshore)			
Order intake (bnEUR)	3.5	4.2	(17)%
Order intake (MW)	4,439	5,517	(20)%
Produced and shipped – wind turbines (MW)	2,100	2,478	(15)%
Produced and shipped – wind turbines (number)	744	862	(14)%
Deliveries (MW)	5,064	4,593	10%
Social and environmental figures			
Employees at the end of the period (number)	25,541	24,648	4%
Incidence of total recordable injuries per one million working hours	3.6	3.2	12.5%
Renewable energy (%)	39	33	6 pp

Vestas generated revenue of EUR 4,650m – an increase of 38 percent

- As expected, the fourth quarter was characterised by high levels of activity, and with revenue of EUR 4,650m, the quarter proved to be the largest ever in terms of revenue in the history of Vestas. The high activity levels were a result of higher delivery volumes driven by the strong order intake observed in recent years and further supplemented by growth in the service business.

Gross profit amounted to EUR 610m – an increase of EUR 111m

- The gross profit increase was mainly driven by higher volumes in the Power solutions segment due to increased activity. The increase was also supported by improved profitability within the Service segment.

EBIT margin before special items amounted to 8.7 percent – a decrease of 0.1 percentage points

- The decreased EBIT margin in the quarter was mainly driven by lower gross margins and higher depreciations. EBIT margin for the Service segment ended at 20.8 percent in fourth quarter.

Total net investments* amounted to EUR 232m – an increase of EUR 27m

- Investments in the quarter were mainly driven by capitalised research and development projects as well as tangible investments related to blades and transport equipment.

Vestas reported a free cash flow* of EUR 840m – a decrease of EUR 561m

- The decrease in the free cash flow was mainly driven by net working capital movements.

*) Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments.

Highlights, full year 2019

mEUR	2019	2018	Change
Financial figures			
Revenue	12,147	10,134	20%
- of which service revenue	1,871	1,669	12%
Gross profit	1,761	1,631	8%
Gross margin (%)	14.5	16.1	(1.6) pp
EBITDA before special items	1,550	1,394	11%
EBITDA margin (%) before special items	12.8	13.8	(1.0) pp
Operating profit (EBIT) before special items	1,004	959	5%
EBIT margin (%) before special items	8.3	9.5	(1.2) pp
Profit before tax	909	910	(0)%
Total net investments*	729	603	21%
Net working capital	(1,583)	(2,040)	(22)%
Free cash flow*	94	418	(78)%
Operational figures			
Order intake (bnEUR)	13.8	10.6	30%
Order intake (MW)	17,877	14,214	26%
Order backlog – wind turbines (MW)	20,974	15,646	34%
Order backlog – wind turbines (bnEUR)	16.0	11.9	34%
Order backlog – service (bnEUR)	17.8	14.3	24%
Produced and shipped – wind turbines (MW)	12,618	10,676	18%
Deliveries (MW)	12,884	10,847	19%
Social and environmental figures			
Employees at the end of the period (number)	25,541	24,648	4%
Incidence of total recordable injuries per one million working hours	3.9	4.0	(3)%
Renewable energy (%)	40	34	6 pp

Vestas generated revenue of EUR 12,147m – an increase of 20 percent

- Revenue for the full year was realised within the outlook interval of EUR 11.0bn-12.25bn. Power solutions and Service both contributed to the increase.

Gross profit amounted to EUR 1.761m – an increase of EUR 130m

- The gross profit increase was mainly driven by improved profitability within the Service segment as well as a reversal of write-downs on inventory related to the sale of assets in Romania.

EBIT margin before special items amounted to 8.3 percent – a decrease of 1.2 percentage points

- The decreased EBIT margin was mainly driven by lower gross profit margins as well as higher capacity costs.

Total net investments* amounted to EUR 729m – an increase of EUR 126m

- Total net investments were in line with the outlook of approx. EUR 800m. Investments were mainly driven by capitalised research and development projects as well as tangible investments related to blades and transport equipment.

Vestas reported a free cash flow* of EUR 94m – a decrease of EUR 324m

- The decrease in the free cash flow was mainly driven by net working capital movements. At the end of 2019, the net interest-bearing position was positive of EUR 2,452m, a decline of EUR 594m compared to the end of 2018.

The order intake was 17,877 MW – an increase of 3,663 MW

- A record-breaking onshore order intake in 2019, corresponding to a value of EUR 13.8bn.

The incidence of total recordable injuries per one million working hours was 3.9

- A 3 percent reduction compared to 2018, but above the target rate of max. 3.6 in 2019.

*) Excl. the acquisition of SoWiTec Group GmbH, any investments in marketable securities, and short-term financial investments.

Outlook

Outlook 2020

Revenue is expected to range between EUR 14bn and 15bn, including service revenue, which is expected to grow by approx. 7 percent. Vestas expects to achieve an EBIT margin before special items of 7-9 percent with a service EBIT margin of approx. 25 percent.

Total investments* are expected to amount to approx. EUR 700m in 2020.

It should be emphasised that Vestas' accounting policies only allow the recognition of revenue when the control has passed to the customer, either at a point in time or over time. Disruptions in production and challenges in relation to shipment of wind turbines and installation hereof, for example bad weather, lack of grid connections, and similar matters, may thus cause delays that could affect Vestas' financial results for 2020. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2020.

Outlook 2020

Revenue (bnEUR)	14-15
EBIT margin (%) before special items	7-9
Total investments* (mEUR)	approx. 700

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

Long-term financial ambitions

The wind power industry is maturing into a commercially viable, unsubsidised industry. On the global agenda is now an acute call for renewable energy to replace fossil fuels in the energy mix, and hence the growth potential is immense. There is furthermore a strong demand for technology that can improve energy efficiency and displace CO₂ emissions created by conventional sources of electricity. With its global reach, scale, and leading technology, Vestas is well positioned to explore the unprecedented opportunities that the great growth potential and demand for innovation create.

The company observes an industry, that despite moving towards the end of the transition period, still is highly competitive and impacted from current trade restrictions.

Vestas' long-term financial ambitions reflect the projected market conditions as well as the company's strategy and priorities.

In the coming years, revenue in the Service segment is expected to grow faster than the market with an EBIT margin of approx. 24 percent.

Long-term financial ambitions

Revenue	Grow faster than the market and be market leader in revenue
EBIT margin	At least 10 percent
Free cash flow	Positive each year
ROCE	Minimum 20 percent over the cycle

Highlights

mEUR	2019	2018	2017	2016	2015
FINANCIAL HIGHLIGHTS					
INCOME STATEMENT					
Revenue	12,147	10,134	9,953	10,237	8,423
Gross profit	1,761	1,631	1,963	2,126	1,505
Operating profit before amortisation, depreciation and impairment losses (EBITDA) before special items	1,550	1,394	1,651	1,826	1,212
Operating profit (EBIT) before special items	1,004	959	1,230	1,421	860
Operating profit before amortisation, depreciation and impairment losses (EBITDA)	1,550	1,379	1,651	1,826	1,258
Operating profit (EBIT)	1,004	921	1,230	1,421	906
Operating profit (EBIT) before special items adjusted for tax	773	719	923	1,066	636
Net financial items	(98)	(51)	2	(33)	(15)
Profit before tax	909	910	1,192	1,287	925
Profit for the year	700	683	894	965	685
BALANCE SHEET					
Balance sheet total	14,331	11,899	10,871	9,931	8,587
Equity	3,345	3,104	3,112	3,190	2,899
Investments in property, plant and equipment	451	312	268	304	220
Net working capital	(1,583)	(2,040)	(1,984)	(1,941)	(1,383)
Capital employed	4,165	3,602	3,609	3,686	3,394
Interest-bearing position (net), at the end of the period	2,452	3,046	3,359	3,255	2,270
Interest-bearing debt, at the end of the period	820	498	497	496	495
CASH FLOW STATEMENT					
Cash flow from operating activities	823	1,021	1,625	2,181	1,472
Cash flow from investing activities before acquisitions of subsidiaries and financial investments	(729)	(603)	(407)	(617)	(425)
Free cash flow before acquisitions of subsidiaries and financial investments	94	418	1,218	1,564	1,047
Free cash flow	332	(69)	1,218	1,364	1,047
FINANCIAL RATIOS¹⁾					
FINANCIAL RATIOS					
Gross margin (%)	14.5	16.1	19.7	20.8	17.9
EBITDA margin (%) before special items	12.8	13.8	16.6	17.8	14.4
EBIT margin (%) before special items	8.3	9.5	12.4	13.9	10.2
EBITDA margin (%)	12.8	13.6	16.6	17.8	14.9
EBIT margin (%)	8.3	9.1	12.4	13.9	10.8
Return of capital employed (ROCE) (%)	19.7	20.4	25.1	30.8	20.3
Net interest-bearing debt/EBITDA before special items	(1.6)	(2.2)	(2.0)	(1.8)	(1.9)
Solvency ratio (%)	23.3	26.1	28.6	32.1	33.8
Return on equity (%)	22.1	22.6	28.1	32.6	26.2
SHARE RATIOS					
Earnings per share (EUR)	3.6	3.4	4.2	4.4	3.1
Book value per share (EUR)	16.8	15.1	14.4	14.4	12.9
P/E ratio	25.4	19.3	13.6	14.0	21.2
Dividend per share (EUR)	1.06 ²⁾	1.00	1.24	1.31	0.91
Payout ratio (%)	30.0 ²⁾	30.0	29.9	30.0	29.9
Share price at the end of the period (EUR)	90.1	65.9	57.6	61.7	64.8
Number of shares at the end of the period	198,901,963	205,696,003	215,496,947	221,544,727	224,074,513
OPERATIONAL KEY FIGURES (ONSHORE)					
Order intake (bnEUR)	13.8	10.6	8.9	9.5	8.2
Order intake (MW)	17,877	14,214	11,176	10,494	8,943
Order backlog – wind turbines (bnEUR)	16.0	11.9	8.8	8.5	7.9
Order backlog – wind turbines (MW)	20,974	15,646	11,492	9,530	8,732
Order backlog – service (bnEUR)	17.8	14.3	12.1	10.7	8.9
Produced and shipped wind turbines (MW)	12,618	10,676	11,237	9,957	7,948
Produced and shipped wind turbines (number)	4,185	3,729	4,241	4,264	3,330
Deliveries (MW)	12,884	10,847	8,779	9,654	7,486

1) The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios).

2) Based on proposed dividend.

	2019	2018	2017	2016	2015
SOCIAL AND ENVIRONMENTAL KEY FIGURES					
OCCUPATIONAL HEALTH & SAFETY					
Total recordable injuries (number)	213	210	243	303	335
– of which lost time injuries (number)	67	80	92	82	56
– of which fatal injuries (number)	1	0	1	0	1
CONSUMPTION OF RESOURCES					
Consumption of energy (GWh)	638	614	569	567	516
– of which renewable energy (GWh) ¹⁾	258	211	204	215	199
– of which renewable electricity (GWh) ¹⁾	227	178	175	186	173
Consumption of fresh water (1,000 m ³)	473	470	454	428	427
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	85	81	71	75	67
– of which collected for recycling (1,000 tonnes)	43	42	39	37	33
EMISSIONS					
Direct emissions of CO ₂ (1,000 tonnes)	71	69	60	58	49
Indirect emissions of CO ₂ (1,000 tonnes) ¹⁾	38	61	70	66	67
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	0	1	0
EMPLOYEES					
Average number of employees	24,964	24,221	22,504	21,625	18,986
Number of employees at the end of the period	25,542	24,648	23,303	21,824	20,507
SOCIAL AND ENVIRONMENTAL INDICATORS					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of total recordable injuries per one million working hours	3.9	4.0	5.3	6.9	8.7
Incidence of lost time injuries per one million working hours	1.2	1.5	2.0	1.9	1.5
Absence due to illness among hourly-paid employees (%)	2.0	2.1	2.3	2.2	1.9
Absence due to illness among salaried employees (%)	1.0	1.1	1.2	1.2	1.1
PRODUCTS					
CO ₂ savings over the lifetime of the MW produced and shipped (million tonnes of CO ₂)	322	275	317	281	224
UTILISATION OF RESOURCES					
Renewable energy (%) ¹⁾	40	34	36	38	39
Renewable electricity for own activities (%) ¹⁾	82	68	66	70	68
EMPLOYEES					
Women in Board of Directors ²⁾ and Executive Management at the end of the period (%)	23	15	23	23	23
Women in leadership positions at the end of the period (%) ³⁾	19	19	19	19	18

1) Calculation changed to the effect that non-renewable electricity is no longer compensated with Vestas-owned wind power plants.

2) Only Board members elected by the general meeting are included.

3) Employees in leadership positions comprise managers, specialists, project managers, and above.

Disclaimer and cautionary statement

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.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, include (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer-created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' annual report for the year ended 31 December 2019 (available at www.vestas.com/en/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.