

Company announcement from Vestas Wind Systems A/S

Aarhus, 10 February 2022
Company announcement no. 02/2022
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Vestas Annual Report 2021 – Resilience and determination in challenging market conditions

Summary: For the year 2021, Vestas' revenue amounted to EUR 15.6bn (outlook: EUR 15.5-16.5bn), with an EBIT margin before special items of 3 percent (below outlook of around 4 percent), and total investments) of EUR 813m (outlook: below 1,000m). Compared to 2020, revenue and free cash flow*) increased while earnings decreased. The value of the combined order backlog increased from EUR 43bn to 47bn across Power Solutions and Service.*

As announced on 26 January 2022, Vestas' outlook for 2022 is as follows: Revenue is expected to range between EUR 15.0bn and 16.5bn, including Service revenue. Vestas expects to achieve an EBIT margin before special items of 0-4 percent, and total investments*) are expected to amount to approx. EUR 1,000m in 2022.

In addition to what has already been communicated, revenue in the Service segment is expected to grow by approx. 5 percent in 2022, with a service EBIT margin of approx. 25 percent.

As a result of the performance in 2021, the Board of Directors of Vestas Wind Systems A/S proposes to the Annual General Meeting that a total dividend payment of EUR 50m (corresponding to DKK 0.37 per share) be distributed to the shareholders in 2022, compared to a total of EUR 230m last year, and equivalent to 30 percent of the net profit for the year.

Henrik Andersen, Group President & CEO said: *"In 2021, Vestas made strong strategic progress to strengthen our foundation and customer focus. In a challenging environment, everyone at Vestas did an outstanding job to ensure record-high revenue and deliveries of 16.6 GW without compromising on safety or quality. Together with rising energy prices, the supply chain disruptions and accelerated cost inflation from raw materials, transport, and turbine components, continued to amplify costs throughout the year, which severely impacted profitability. Under these circumstances, we achieved revenue of EUR 15.6bn, an EBIT margin before special items of 3 percent, and free cash flow of EUR 183m. By exercising a high degree of discipline, we achieved an order intake of 13.9 GW with an average selling price of EUR 0.83m per MW, 3 GW of preferred supplier agreements on our V236-15.0 MW offshore turbine as well as a 21 percent increase in revenue in Service. We remain focused on strengthening the industry's discipline to protect profitability and improve value creation in the long term as well as executing our strategy to drive the energy transition forward with our customers. With supply chain disruptions expected to continue throughout the year, 2022 will be challenging for the industry, and on behalf of the Executive Management team, I want to extend a huge thank you to our colleagues, customers, and other partners for their continued support."*

*) Excl. acquisitions of subsidiaries, joint ventures, and associates, and financial investments.

Key highlights

Revenue of EUR 15.6bn

Year on year revenue growth despite increasing supply chain challenges. High level of deliveries at 16.6 GW.

EBIT margin of 3 percent

EBIT hampered by supply chain disruptions, causing cost inflation, delays, and high warranty provisions.

Total order intake of 13.9 GW and increasing pricing throughout the year

Wind turbine order backlog remains strong at EUR 18bn; +3 GW preferred supplier agreements signed for new offshore platform.

The most sustainable company

Vestas ranked number one in the world by Corporate Knights in their 18th annual Global 100 ranking.

Strategic progress to become the global leader in sustainable energy solutions

Full integration of offshore, expanded development business, and two investments through Vestas Ventures.

Information meeting (audiocast)

On Thursday 10 February 2022 at 10 am CET (9 am GMT), Vestas will host an information meeting via an audiocast.

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: 82270986#

The presentation used at the information meeting will be available approximately one hour before the meeting and can be found at www.vestas.com/en/investor, together with the link to the audiocast.

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Condensed full-year and Q4 key figures

mEUR	2021	2020	Change	Q4 2021	Q4 2020	Change
Financial figures						
Revenue	15,587	14,819	5%	4,551	4,273	7%
- of which service revenue	2,484	2,055	21%	721	573	26%
Gross profit	1,560	1,538	1%	395	539	(27)%
Gross margin (%)	10.0	10.4	(0.4)pp	8.7	12.6	(3.9)pp
Operating profit (EBIT) before special items	461	750	(39)%	106	358	(70)%
EBIT margin (%) before special items	3.0	5.1	(2.1)pp	2.3	8.4	(6.1)pp
Profit for the period	176	771	(77)%	20	566	(96)%
Total net investments ¹	813	687 ²	18%	261	229	14%
Net working capital	(1,049)	(1,127)	(7)%	(1,049)	(1,127)	(7)%
Free cash flow ¹	183	56 ²	227%	596	535	12%
Operational figures						
Order intake (bnEUR)	11.6	12.7	(9)%	2.5	4.0	(38)%
Order intake (MW)	13,896	17,249	(19)%	2,863	5,558	(48)%
Order backlog – wind turbines (bnEUR)	18.1	19.0	(5)%	18.1	19.0	(5)%
Order backlog – Service (bnEUR)	29.2	23.9	22%	29.2	23.9	22%
Produced and shipped wind turbines (MW)	17,845	17,055	5%	3,595	3,142	14%
Deliveries (MW)	16,594	17,212	(4)%	4,882	4,973	(2)%
Sustainability figures						
Carbon emissions from own operations (scope 1 & 2) (1,000 t) ³	102	97	5%	25	26	(1)%
Expected CO ₂ e avoided over the lifetime of the capacity produced and shipped during the period (million t)	532	493	8%	107	80	34%
Total Recordable Injury Rate (TRIR)	3.1	3.3	(6)%	2.7	2.6	4%

¹ Excl. acquisitions of subsidiaries, joint ventures, and associates, and financial investments.

² The comparative figures have been restated to reflect a change in classifications of investments.

³ Carbon emissions have been restated to account for acquisitions and divestments, see Notes to Sustainability key figures in the Vestas Annual Report 2021, page 142.

Outlook 2022

Revenue for full-year 2022 is expected to range between EUR 15.0bn and 16.5bn, including Service revenue, which is expected to grow approx. 5 percent. Vestas expects to achieve an EBIT margin before special items of 0-4 percent with a Service EBIT margin of approx. 25 percent. Total investments¹ are expected to amount to approx. EUR 1,000m in 2022.

It should be noted that Vestas has not yet determined the effect of the new agenda decision by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding cloud computing arrangements and the 2022 guidance excludes the impact from this change in accounting policy.

It should also 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 2022. Further, movements in exchange rates from current levels may also impact the same results.

Outlook 2022

Revenue (bnEUR)	15.0-16.5
EBIT margin (%) before special items	0-4
Total investments ¹ (mEUR)	approx. 1,000

¹ Excl. acquisitions of subsidiaries, joint ventures, and associates, and financial investments.

Long-term financial ambitions

Wind power has outcompeted fossil fuel alternatives in most parts of the world, volumes in the global wind turbine market are good, and the prospects for the coming years promising, with wind power's expected central role in the electrification of societies, industries and mobility systems and forecasts of average annual growth in total wind power capacity of 9 percent towards 2030.^{*)}

At the same time, the wind power industry has seen consolidation, giving way for a more stable competitive environment. The profitability, however, is not at a satisfactory level, and hence this needs to be a focus area for OEMs in the coming years. Severe supply chain instability and cost inflation has only made this more important.

Onshore

The demand for onshore wind power globally is expected to remain relatively stable at the current high level the next couple of years. After that, a new phase of growth is expected, driven by new policies, increased electrification, and corporate ambitions and activities. Adding to that, Vestas expects to see increasing contributions from its development activities, as well as growing capabilities within the fast-developing market for Power-to-X and hybrid solutions. On this background, Vestas maintains its long-term ambition for the onshore wind power segment to grow faster than the market and be market leader in revenue.

Offshore

The projections for the offshore market suggest a development in three phases for Vestas' acquired offshore business. Based on the order backlog, Vestas will see a good activity level in the coming year. Following that, the company expects to see a decline in activity towards 2025, while necessitating to invest heavily both in the organisation, supply chain, and technology. By 2025, upon the steep increase in annual offshore installations and Vestas' new platform gaining traction in the market, Vestas aims to be a leading player in offshore wind power.

Based on these assumptions, Vestas has an ambition to achieve revenue in the offshore business area of EUR +3bn by 2025, with an EBIT margin before special items on par with the Group's overall margin.

Service

The wind power service market is expected to grow at high single digit rate, and Vestas maintains its ambitions for the long-term for the Service revenue to grow faster than the market. The Service EBIT margin is expected at a level of around 25 percent in the coming years, taking into account the integration of the offshore business, which currently generates lower margins than onshore.

General ambitions

Despite supply chain instability and a high degree of cost inflation, causing volatility in the demand for wind power, Vestas maintains its ambition on an overall level to grow faster than the market and be market leader in revenue. The company also remains optimistic about reaching a 10 percent EBIT margin before special items. Based on the current market conditions and projections, we now envision this to be achieved by 2025. The introduction of our new offshore turbine platform will impact free cash flow, but Vestas nevertheless expects to generate positive cash flow each year. The ambition is still to achieve a long-term ROCE of minimum 20 percent over the cycle.

Long-term financial ambitions

Revenue	Grow faster than the market and be market leader in revenue
EBIT margin before special items	At least 10 percent by 2025
Free cash flow	Positive each year
ROCE	Minimum 20 percent over the cycle

^{*)} Source: Wood Mackenzie: Global wind power market outlook update, Q4 2021. November 2021.

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 2021 (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.