

Company announcement from Vestas Wind Systems A/S

Aarhus, 7 February 2024
Company announcement no. 01/2024
Page 1 of 5

Vestas Annual Report 2023 – A return to profitability

Summary: For the year 2023, Vestas achieved revenue of EUR 15,382m (outlook: EUR 14.5-15.5bn), with an EBIT margin before special items of 1.5 percent (outlook: 0-2 percent), and total investments¹ of EUR 823m (outlook: approx. EUR 0.8bn). The value of the combined order backlog across Power Solutions and Service increased to EUR 60.1bn.

Our financial outlook for 2024 is as follows: Revenue is expected to range between EUR 16bn and 18bn, including Service revenue. Vestas expects to achieve an EBIT margin before special items of 4-6 percent, and total investments¹ are expected to amount to approx. EUR 1.2bn in 2024.

The Service segment is expected to generate EBIT before special items in 2024 in the range of EUR 800m to 880m.

The Board of Directors of Vestas Wind Systems A/S proposes to the Annual General Meeting that no dividend payment will be distributed to the shareholders in 2024.

Henrik Andersen, Group President & CEO said: *“Vestas’ performance improved throughout 2023, and we are pleased that Vestas returned to profitability and achieved the upper end of our guidance. Our order intake set a record of 18.4 GW for the full year, which was driven by a record-setting fourth quarter that underlines our strong momentum at the end of the year. We continued to progress on our strategic priorities and strengthen our commercial and operational discipline, which together with growth in our Service business helped us achieve a revenue of EUR 15.4bn. Our performance in 2023 was helped by the improving business environment, but continued geopolitical volatility as well as slow permitting and insufficient grid build-out across markets are expected to cause uncertainty in 2024. Our strategic path towards our long-term ambitions is clear, and our focus remains to stay disciplined to continue building our momentum and execute as strongly as possible. We want to thank our customers, partners and especially shareholders for their continued support, as well as everyone at Vestas for their great efforts in 2023 and continued contribution to Vestas and the energy transition.”*

Key highlights

Vestas returned to profitability and achieved upper end of guidance

EBIT margin b.s.i. of 1.5 percent enables Vestas to pay employee bonus for the first time in four years.

Record order intake of 18.4 GW

Order intake driven by strong growth in both Offshore and Onshore, especially in the USA.

Revenue of EUR 15.4bn

The increase in revenue was driven by higher pricing, as well as continued growth in Service.

Low-emission steel towers announced in partnership with ArcelorMittal

New tower offering is a big step towards fully circular wind turbines and for customers and Vestas to achieve emission targets.

Strategic path unchanged

Vestas will sustain strong commercial discipline and 'value over volume' attitude to reach long-term ambitions.

Outlook for 2024

Revenue expected to range between EUR 16-18bn, EBIT margin b.s.i. expected to range between 4-6 percent.

Information meeting (audiocast)

On Wednesday 7 February 2024 at 10 am CET (9 am GMT), Vestas will host a conference call with a presentation on the results. The presentation will be audiocast and can be viewed live or replayed via vestas.com.

The presentation will be held in English and will conclude with a Q&A. Details on how to register for the Q&A are to be found at vestas.com/en/investor.

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Condensed full-year and Q4 key figures

mEUR	2023	2022	Change	Q4 2023	Q4 2022	Change
Financial figures						
Revenue	15,382	14,486	6%	4,771	4,783	0%
- of which service revenue	3,568	3,155	13%	920	1,015	(9)%
Gross profit	1,283	118	987%	523	(162)	423%
Gross margin (%)	8.3	0.8	7.5pp	11.0	(3.4)	14.4pp
Operating profit (EBIT) before special items	231	(1,152)	120%	191	(514)	137%
EBIT margin (%) before special items	1.5	(8.0)	9.5pp	4.0	(10.7)	14.7pp
Profit for the period	78	(1,572)	105%	149	(541)	128%
Total net investments ¹	(823)	(758)	(9)%	(308)	(253)	(22)%
Net working capital	(1,507)	(1,349)	12%	(1,507)	(1,349)	12%
Free cash flow ¹	204	(953)	121%	1,676	1,282	31%
Operational figures						
Order intake (bnEUR)	18.5	11.9	55%	8.2	4.8	71%
Order intake (MW)	18,386	11,189	64%	8,248	4,193	97%
Order backlog – wind turbines (bnEUR)	26.0	19.1	36%	26.0	19.1	36%
Order backlog – Service (bnEUR)	34.1	30.4	12%	34.1	30.4	12%
Produced and shipped wind turbines (MW)	11,666	13,106	(11)%	2,308	2,938	(21)%
Deliveries (MW)	12,685	13,328	(5)%	3,896	4,383	(11)%
Sustainability figures (Last Twelve Months)						
Carbon emissions from own operations (scope 1 & 2) (1,000 t)	109	100	9.0%			
Expected CO ₂ e avoided over the lifetime of the capacity produced and shipped during the period (million t)	396	408	(2.9)%			
Total Recordable Injury Rate (TRIR)	3.0	3.3	(9.1)%			

Fourth quarter 2023

In the fourth quarter of 2023, Vestas generated revenue of EUR 4,771m – unchanged compared to the year-earlier period. EBIT before special items amounted to EUR 191m, resulting in an EBIT margin before special items of 4.0 percent, compared to (10.7) percent in the fourth quarter of 2022.

Free cash flow¹ amounted to EUR 1,676m compared to EUR 1,282m in the fourth quarter of 2022.

The quarterly intake of firm and unconditional wind turbine orders amounted to 8,248 MW, a considerable increase from fourth quarter 2022. The value of the wind turbine order backlog was EUR 26.0bn as at 31 December 2023.

In addition to the wind turbine order backlog, at the end of the quarter, Vestas had service agreements with expected contractual future revenue of EUR 34.1bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 60.1bn – an increase of EUR 10.6bn compared to the year-earlier period.

Outlook 2024

In 2024, continued geopolitical volatility is expected to cause uncertainty. Nonetheless, we expect a combination of higher installations and increased pricing to drive growth in revenue. Our profitability should also continue to improve gradually but will still be held back by execution and completion of low-margin projects from the backlog.

Revenue is expected to range between EUR 16bn and 18bn, including Service revenue. Vestas expects to achieve an EBIT margin before special items of 4-6 percent, and total investments¹ are expected to amount to approx. EUR 1.2bn in 2024.

The Service segment is expected to generate EBIT before special items in 2024 in the range of EUR 800m to 880m.

In relation to forecasts on financials from Vestas in general, it should be noted 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 cause delays that could affect Vestas' financial results for 2024. Further, the full-year results may also be impacted by movements in exchange rates from current levels.

Outlook 2024

Revenue (bnEUR)	16-18
EBIT margin (%) before special items	4-6
Total investments ¹ (bnEUR)	approx. 1.2

Long-term financial ambitions

Wind power has outcompeted fossil fuel alternatives in most parts of the world, and the prospects for the coming years are promising, with wind power's increasingly central role as critical infrastructure. Consequently, Vestas' addressable market is expected to grow significantly in the years ahead. More information about the market outlook can be found in the Annual Report 2023 on pages 16 and 20-21.

In 2023, Vestas managed to get 'back in black' as our commercial and operational discipline is paying off. The year underlined that Vestas is on the right strategic path to improve the industry structurally and continue to build the commercial and operational maturity to achieve our financial ambitions. In that context, a 10 percent EBIT margin remains achievable in the mid-term.

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
Free cash flow ¹	Positive
ROCE	20 percent over the cycle

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

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 2023 (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.