

## Company announcement from Vestas Wind Systems A/S

Aarhus, 10 February 2021  
Company announcement no. 01/2021  
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### **Vestas Annual Report 2020 – Continued leadership in a challenging year**

*Summary: For the year 2020, Vestas' revenue amounted to EUR 14.8bn, with an EBIT margin before special items of 5.1 percent, and total investments\*) of EUR 659m, all in line with expectations. Compared to 2019, revenue increased while earnings decreased, and free cash flow\*) stayed at around the same level. The value of the combined order backlog increased from EUR 34bn to 43bn as the offshore business is now included.*

For 2021, Vestas expects revenue to range between EUR 16bn and 17bn, including service revenue, which is expected to grow by approx. 15 percent. Vestas expects to achieve an EBIT margin before special items of 6-8 percent, with a service EBIT margin of approx. 24 percent. Total investments\*\*) are expected to amount to approx. EUR 1,000m in 2021.

Vestas expects warranty provisions around 3 percent of revenue in 2021 and special items to amount to approx. EUR 100m related to the integration of the offshore business into Vestas' organisation.

As a result of the performance in 2020, the Board of Directors of Vestas Wind Systems A/S proposes to the Annual General Meeting that a dividend of DKK 8.45 per share be distributed to the shareholders, compared to DKK 7.93 last year, and equivalent to 30.0 percent of the net profit for the year.

Henrik Andersen, Group President & CEO says: *“Renewable energy took another large step forward in 2020 by improving its competitiveness, showing great resilience during a global pandemic, and proving renewables can serve as the backbone of our societies in the future. In 2020, Vestas continued to play a key role in the fight against climate crisis, and we met our revised guidance on all parameters, leading the industry on revenue, order intake, and profitability despite COVID-19 affecting all parts of our value chain. In this environment, we achieved more than 17 GW of deliveries and bolstered our total order backlog to an all-time high of EUR 43bn through strong order intake, service growth, and the re-integration of offshore wind. Service performance was once again very strong with a 10 percent increase in revenue year-over-year and record EBIT margin of 28 percent. Group profitability was negatively impacted by warranty provisions and increased execution costs. In addition to acquiring MHI Vestas Offshore Wind, Vestas also made strategic strides to increase our presence across the value chain, including establishing a dedicated development business unit, launching the largest turbine in offshore wind and underlining our leading position within sustainability by reducing our own carbon emissions by 33 percent and reaching 186m tonnes of CO<sub>2</sub> avoided on a yearly basis through our installed base. To position Vestas strongly for future growth and profitability, our focus in 2021 will be to fully integrate offshore and address executional challenges.”*

\*) Excl. acquisitions of subsidiaries and any financial investments.

\*\*) Excl. acquisitions of subsidiaries, any financial investments, and the investment in Copenhagen Infrastructure Partners P/S.

**Vestas Wind Systems A/S**

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Company Reg. No.: 10 40 37 82  
Company Reg. Name: Vestas Wind Systems A/S

## Financial and operational key highlights

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***FY 2020 guidance met on all parameters***

***Deliveries of more than 17 GW in a challenging COVID-19 environment; up 34 percent compared to 2019 and 59 percent compared to 2018***

***EBIT margin before special items of 5.1 percent impacted by higher warranty provisions and execution costs due to COVID-19***

***10 percent revenue growth in Service and 28 percent EBIT margin***

***Strong safety performance; Total Recordable Injury Rate down 15 percent***

***33 percent reduction in own CO<sub>2</sub> emissions; Vestas continues as leader in displacing CO<sub>2</sub> emissions from the atmosphere with 186m tonnes avoided in 2020***

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## Strategic key highlights

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***Acquiring full control of offshore wind activities and launch of new platform***

***Expanding development activities and entering into strategic partnership with CIP***

***Sustainability strategy on track with first steps taken***

***Assigned Baa1 long-term issuer credit rating with Moody's as a result of long-term outlook and market leadership***

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## Communication policy

As of 10 February 2021, Vestas adjusts its Investor Relations Communication Policy in relation to firm and unconditional orders to the effect that, going forward, onshore wind turbine orders will be disclosed to the market as inside information when they have a capacity of 1 GW or more (previously 500 MW), in line with offshore wind turbine orders; and the threshold for service contracts will be adjusted to a value of EUR 1bn (previously EUR 500m). Orders below the mentioned thresholds may be communicated via news releases at Vestas' discretion.

## Information meeting (audiocast)

On Wednesday 10 February 2021 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

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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](http://www.vestas.com/en/investor), together with the link to the audiocast.

### **Contact details**

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## Condensed full-year and Q4 key figures

mEUR	2020	2019	Change	Q4 2020	Q4 2019	Change
<b>Financial figures</b>						
Revenue	14,819	12,147	22%	4,273	4,650	(8)%
- of which service revenue	2,055	1,871	10%	573	529	8%
Gross profit	1,538	1,761	(13)%	539	610	(12)%
Gross margin (%)	10.4	14.5	(4.1)pp	12.6	13.1	(0.5)pp
Operating profit (EBIT) before special items	750	1,004	(25)%	358	404	(11)%
EBIT margin (%) before special items	5.1	8.3	(3.2)pp	8.4	8.7	(0.3)pp
Profit for the period	771	700	10%	566	282	101%
Total net investments*	659	729	(10)%	229	232	(1)%
Net working capital	(1,127)	(1,583)	(29)%	(1,127)	(1,583)	(29)%
Free cash flow*	84	94	(11)%	535	840	(36)%
<b>Operational figures**</b>						
Order intake (bnEUR)	12.7	13.8	(8)%	4.0	3.5	14%
Order intake (MW)	17,249	17,877	(4)%	5,558	4,439	25%
Order backlog – wind turbines (bnEUR)	19.0	16.0	19%	19.0	16.0	19%
Order backlog – service (bnEUR)	23.9	17.8	34%	23.9	17.8	34%
Produced and shipped wind turbines (MW)	17,055	12,618	35%	3,142	2,100	50%
Deliveries (MW)	17,212	12,884	34%	4,973	5,064	(2)%
<b>Sustainability figures</b>						
Share of renewable energy in consumption (%)	48	40	8 pp	48	40	8 pp
Total Recordable Injury Rate (TRIR)	3.3	3.9	(15)%	2.6	3.6	(28)%
Women in Board and ExM (%)	27	23	4 pp	27	23	4 pp

## Outlook

### Outlook 2021

Revenue for full-year 2021 is expected to range between EUR 16bn and 17bn, including service revenue, which is expected to grow approx. 15 percent. Vestas expects to achieve an EBIT margin before special items of 6-8 percent with a service EBIT margin of approx. 24 percent. Total investments\*\*\*) are expected to amount to approx. EUR 1,000m in 2021.

Vestas expects warranty provisions at a level of around 3 percent of revenue. Special items are expected to amount to approx. EUR 100m relating to the integration of MHI Vestas Offshore Wind A/S.

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 2021. Further, movements in exchange rates from current levels may also impact Vestas' financial results for 2021.

### Outlook 2021

Revenue (bnEUR)	16-17
EBIT margin (%) before special items	6-8
Total investments***) (mEUR)	approx. 1,000

\*) Excl. acquisitions of subsidiaries and any financial investments.

\*\*\*) Order backlog includes offshore as at 31 December 2020. The remaining operational key figures include offshore wind turbines for the period 14 December to 31 December.

\*\*\*\*) Excl. acquisitions of subsidiaries, any financial investments, and investment in Copenhagen Infrastructure Partners P/S.

### 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 of wind power capacity of 8 percent towards 2030.<sup>\*)</sup>

At the same time, the wind power industry has seen consolidation, giving way for a more stable competitive environment. The profitability, however, is still not at a satisfactory level, and hence this needs to be a focus area for wind turbine manufacturers in the coming years.

### Ambitions for the three business areas

#### Onshore

The demand for onshore wind power globally is expected to remain stable or grow slightly from the current high level the next two-to-three-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.

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' newly acquired offshore segment. Based on the order backlog Vestas will see a couple of years with high activity levels and solid financial performance. Then, from 2023, the company expects to see a decline in activity towards 2025. These first two phases will be under the influence of heavy investments both in the organisation, supply chain, and technology. By 2025, when a steep increase in annual offshore installations is expected, and Vestas' new platform will be 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 segment of EUR +3bn by 2025, with an EBIT margin on par with the Group's overall margin.

#### Service

The wind power service market is expected to continue growth at the current 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, accounting for the integration of the offshore business, which currently generates lower margins than onshore.

### Ambitions on Group level

Vestas maintains its ambition on an overall level to grow faster than the market and be market leader in revenue. Even with the integration of the offshore business, the company remains optimistic about reaching a 10 percent EBIT margin based on the current market conditions and projections. The introduction of a new offshore wind power platform will impact free cash flow, but Vestas nevertheless expects to generate a 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	At least 10 percent
Free cash flow	Positive each year
ROCE	Minimum 20 percent over the cycle

<sup>\*)</sup> Source: Wood Mackenzie: Market Outlook Update Q4/2020. December 2020.

**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 2020 (available at [www.vestas.com/en/investor](http://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.