

Company announcement from Vestas Wind Systems A/S

Aarhus, 27 January 2023
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Vestas announces preliminary full-year 2022 figures and financial outlook for 2023

The wind power industry's challenging period continued in 2022 due to unexpected geo-political uncertainty, an accelerating energy crisis, and high inflation. In this environment, Vestas' fourth quarter results were negatively impacted by additional challenges. The negative impact in the fourth quarter causes the full-year results to be lower than the outlook, primarily driven by a confined number of project delays, an impairment on our V174-9.5 MW turbine and increased warranty provisions.

In 2022, Vestas made strategic and commercial progress in terms of strengthening operations and substantially raising prices that indicates Vestas will deliver improved financial results in 2023. Activity levels in 2023 are expected to be lower than in 2022 followed by a step up in 2024 where installations in key markets are projected to increase.

Preliminary results for full year 2022

Vestas' preliminary and unaudited 2022 results show a total revenue of EUR 14,486m, (outlook: EUR 14.5-15.5bn). The Service business accounted for EUR 3,155m of the total revenue, corresponding to a year-on-year growth of 27 percent (outlook: min. 20 percent). The higher-than-expected revenue growth in Service thereby partially offsets the lower-than-expected Power Solutions revenue, which has been impacted by delays in execution.

Based on the preliminary numbers, the EBIT margin before special items was (8.0) percent (outlook: approx. (5) percent), primarily driven by isolated events in the fourth quarter of 2022 as well as delays in a confined number of projects by the end of the fourth quarter. In the fourth quarter, additional warranty provisions of EUR 210m have been made. The higher warranties primarily relate to increased repair and upgrade costs and a few select cases. As a result of an expected challenged profitability and lower order intake for offshore projects utilising the V174 turbine, an impairment of EUR 95m has been made on that platform in the quarter. The EBIT margin for the Service business is expected to amount to 21.4 percent compared to an outlook of approx. 22 percent.

Total investments*) are expected to amount to EUR 758m (2021: EUR 773m) which is lower than the outlook of approx. EUR 850m.

Preliminary 2022 results

	Preliminary results	Guidance updated 02.11.22	Initial guidance
Revenue (bnEUR)	14.5	14.5-15.5	15-16.5
EBIT margin (%) before special items	(8.0)	approx. (5)	0-4
Total investments* (mEUR)	758	approx. 850	approx. 1,000

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

Increasing the price on wind turbines is and has been a necessity to address the external cost inflation and ensure the industry's long-term value creation. Our focus on protecting the value of our products and solutions requires strong discipline to address the increased cost of raw materials and components in customer dialogues. Order intake in the fourth quarter was 4.2 GW with an average selling price of EUR 1.15m per MW, a sequential increase of 8 percent. For the full year 2022 this resulted in an average selling price of EUR 1.07m per MW (onshore only: EUR 1.04m per MW).

Wind turbine order intake, 2022

MW

	EMEA	Americas	Asia Pacific	Total
Total order intake	4,568	4,547	2,074	11,189

Free cash flow amounted to EUR 1,283m in the fourth quarter but was negative EUR 953m for the full year compared to EUR 183m in 2021. This development was primarily a reflection of the lower profitability and resulted in a net debt position of EUR (46)m.

Outlook 2023

In 2023, we expect high inflation levels throughout the supply chain and reduced wind power installations to impact revenue and profitability negatively. The lower level of installations is caused by slow permitting processes in Europe as well as dampened activity levels in the USA due to a steep ramp-up ahead of a busy 2024 driven by the Inflation Reduction Act. Increasing prices on our order intake is an offsetting factor, but still leaves Vestas challenged on profitability in 2023. We remain adamant that to improve industry profitability we must continue to strengthen our commercial discipline and the value chain together with our partners. Based on these circumstances, Vestas present its 2023 outlook.

Revenue for full year 2023 is expected to range between EUR 14.0bn and 15.5bn. Vestas expects to achieve an EBIT margin before special items of (2)-3 percent. Total investments^{*)} are expected to amount to approx. EUR 1bn in 2023. It should be emphasised that, similar to the preceding years, there is greater uncertainty than usual around forecasts related to execution in 2023, and the outlook seeks to include the current situation and challenges.

The outlook for 2023 includes the impact of the sale of Vestas' converter factories announced on 10 August 2022 with an expected impact on EBIT before special items of approx. EUR 150m.

Vestas' Development business continues to grow and to reflect the business area's increasing financial and strategic importance, all income related to sale of Development projects is included as part of normal operations from 1 January 2023. The impact on EBIT before special items from this change is expected to reach a lower double-digit mEUR amount in 2023.

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 thus cause delays that could affect Vestas' financial results for 2023. Further, the full-year results may also be impacted by movements in exchange rates from current levels.

Outlook 2023

Revenue (bnEUR)	14.0-15.5
EBIT margin (%) before special items	(2)-3
Total investments [*] (bnEUR)	approx. 1

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

Vestas will disclose its Annual Report 2022 on 8 February 2023.

Information meeting (conference call)

Friday 27 January 2023 at 11 a.m. CET (10 a.m. GMT), Vestas will host an information meeting and Q&A via a conference call. To listen in and/or ask questions at the conference call, the following numbers should be used:

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Conference PIN code:	31844852#

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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 vestas.com/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.