

FULL YEAR 2022

Vestas Wind Systems A/S

Copenhagen, February 2023



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 2022 (available at www.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.

KEY HIGHLIGHTS IN 2022

Revenue of EUR 14.5bn

Revenue decline compared with 2021 driven by Russia/Ukraine exit as well as project delays.

EBIT margin of (8) percent

EBIT hampered by supply chain disruptions, inflation, higher warranty provisions, and offshore impairments.

Total order intake of 11.2 GW with ASP of EUR 1.07m/MW

Wind turbine order intake in GW down 19 percent but increased 3 percent in value due to strong price increases

Strong performance in Service

27 percent revenue growth in 2022 at 21.4 percent EBIT margin

Sustainability progress and recognition

Our circularity solution for wind turbine blades creates industry break-through; #2 Corporate Knights ranking

Strategy reaffirmed with progress within core areas and business enablers

Restoring profitability in turbine segment remains the focus while building industry discipline and maturity



AGENDA

Orders and markets

Financials

Strategy and market outlook

Outlook & Q&A

GLOBAL BUSINESS ENVIRONMENT

Employee health and safety top priority



Renewables critical infrastructure

Maintain business continuity

Mobility and site access a prerequisite

Maintain supply chain continuity

Global business environment expected to remain challenging throughout 2023

- High inflation impacts production and execution costs
- Geo-political uncertainty and trade barriers threaten timelines and visibility
- Energy crisis and market design to reduce wind power installations

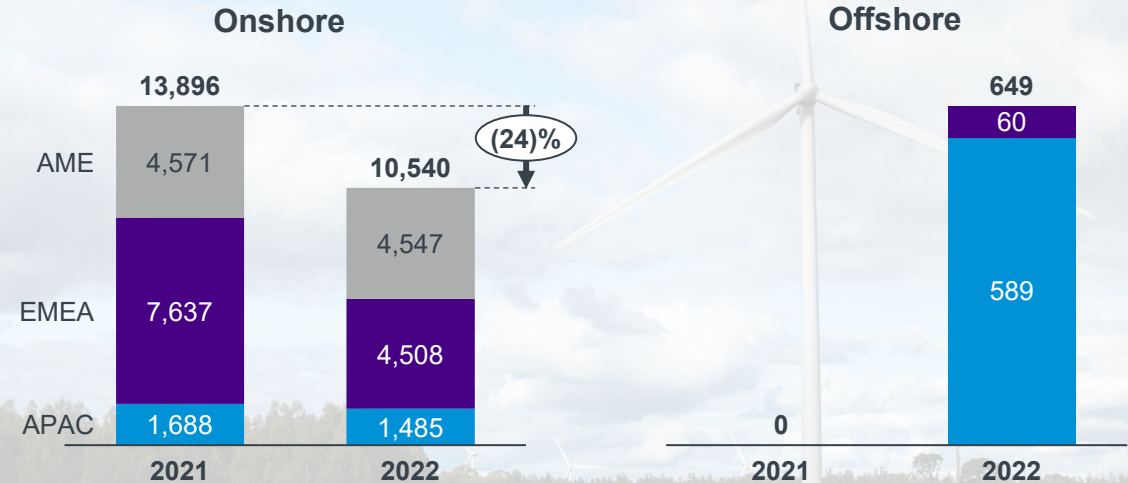
POWER SOLUTIONS

Increased pricing is a key factor for value creation

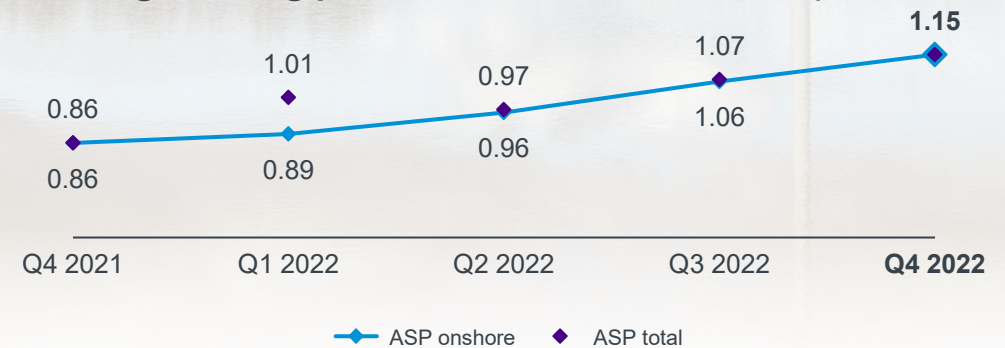
Highlights

- All regions contributing with a strong end to the year, capturing 11.2 GW of order intake and **34 percent increase** in ASP from Q4 2021 to Q4 2022
- Value of our order intake in 2022 was **EUR 11.9bn** vs **EUR 11.6bn** in 2021
- We remain adamant that we must continue to **strengthen our commercial discipline and the value chain** together with our partners
- **Total of +8 GW** preferred supplier agreements for the V236 offshore platform; PPA levels to be assessed generally in offshore
- Wind turbine order backlog remains high at **EUR 19.1bn**

--o Firm and unconditional order intake, MW



--o Average selling price of order intake, mEUR per MW



SERVICE BUSINESS

Well positioned for further growth

Highlights

- Service continues to prove its importance to customers in periods with very **high power prices** – **transactional** sales and **repower** activities at high level
- Service contracts were signed in **44 different countries** in 2022, incl. 25-year AOM 5000 service contract on largest wind project in Latin America (846 MW)
- Increasing focus on **ageing assets and repowering solutions** with multiple agreements signed in 2022



Service order backlog



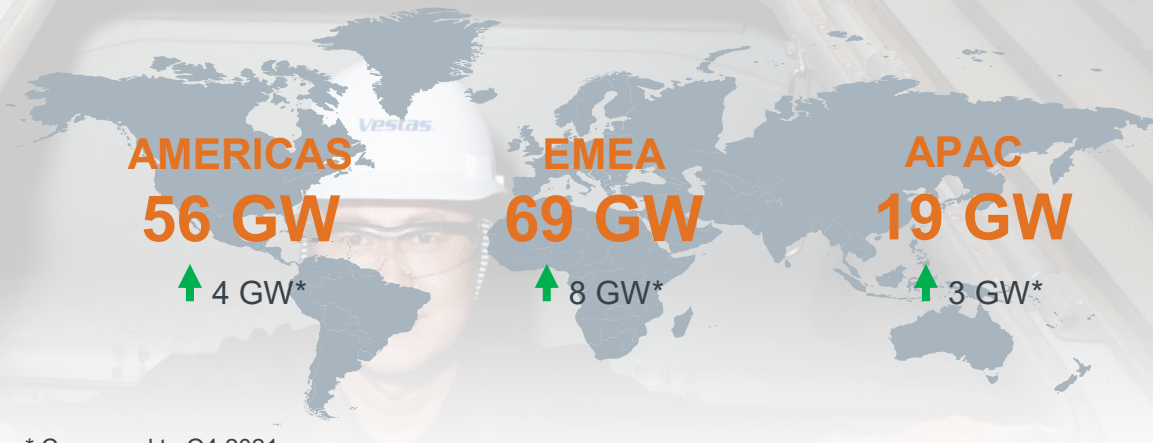
GW under active service contracts



Average years contract duration



Service fleet



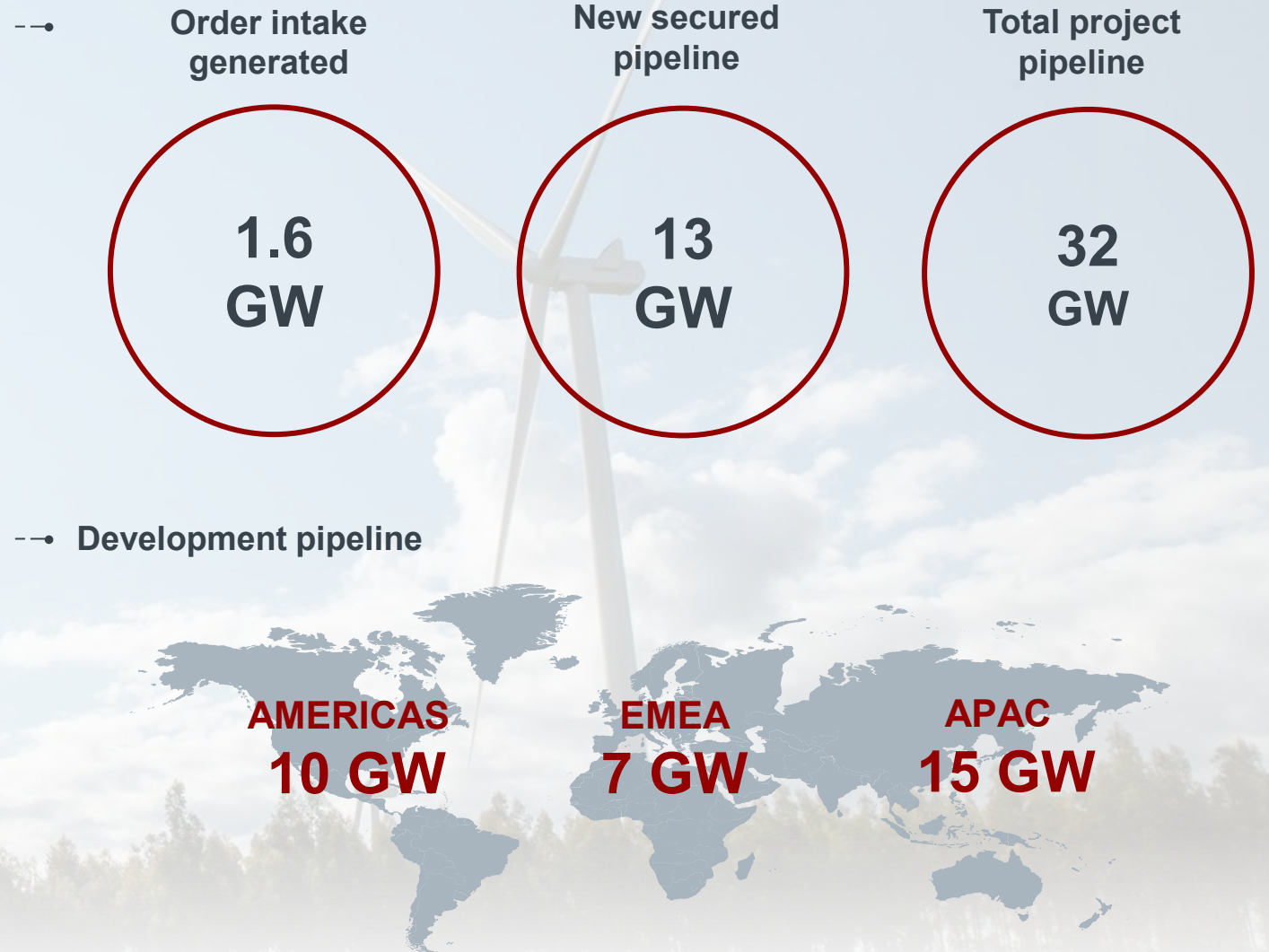
* Compared to Q4 2021.

VESTAS DEVELOPMENT

High level of commercial activities

Highlights

- Commercially busy year with **13 GW** in new secured pipeline and **1.6 GW** order intake generated including side deals
- High activity levels in **major energy markets**
- Development portfolio includes **onshore** and now a few **offshore** and **Power-to-X** projects
- Contributions from CIP of **EUR 30m**



SUSTAINABILITY STRATEGY

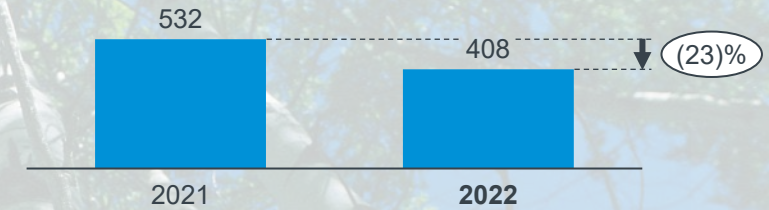
Strong sustainability achievements

Highlights

- Break-through on recycling and circular economy for blades
- Vestas ranked as [the 2nd most sustainable company in the world](#) by Corporate Knights
- Decrease in own carbon emissions and CO₂e avoided due to lower levels of produced and shipped

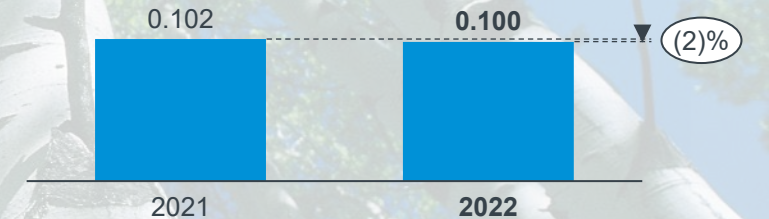
CO₂e avoided

CO₂e avoided over the lifetime of the capacity produced and shipped during the period (million t)



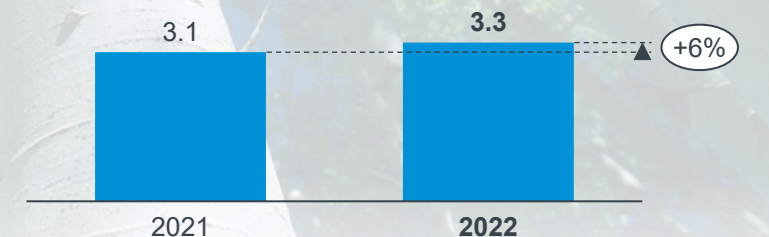
Carbon emissions

Direct and indirect emissions of CO₂e (scope 1&2)(million t)



Safety

Total recordable injuries per million working hours (TRIR)



A person wearing a dark blue long-sleeved shirt and dark pants, equipped with a complex climbing harness and gear, stands in a desert landscape. In the background, several wind turbines are visible against a clear blue sky. The person's shadow is cast on the ground to the right.

AGENDA

Orders and markets

Financials

Strategy and market outlook

Outlook & Q&A

INCOME STATEMENT – FULL YEAR

Challenged revenue and profit in 2022

Highlights

- Revenue decreased 7.1 percent YoY, mainly driven by Russia/Ukraine and project delays partly offset by Service
- Gross margin decreased by 9.2 percentage points YoY, driven by lower Power solutions profitability caused by impairments, warranty provisions and supply chain instability
- EBIT margin before special items decreased by 10.8 percentage points YoY, mainly driven by lower gross margin and V174 impairments
- Special items of EUR 444m related to the alignment of the manufacturing footprint as well as Russia exit

mEUR	2022	2021**	% change
Revenue	14,486	15,587	(7.1)%
Production costs	(14,368)	(14,031)	2.4%
Gross profit	118	1,556	(92.4)%
SG&A costs*	(1,270)	(1,128)	12.6%
EBIT before special items	(1,152)	428	(369.2)%
Special items	(444)	(139)	219.4%
EBIT after special items	(1,596)	289	(652.3)%
Income from investments in joint ventures and associates	10	36	(72.2)%
Net profit	(1,572)	143	(1,199)%
Gross margin	0.8%	10.0%	(9.2)%-pts
EBITDA margin before special items	(0.4)%	8.6%	(9.0)%-pts
EBIT margin before special items	(8.0)%	2.8%	(10.8)%-pts

* R&D, administration, and distribution. Including depreciations and amortisations.

** Comparative figures for 2021 have been adjusted following the accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 7.2 in the Annual Report 2022.

INCOME STATEMENT – Q4 2022

Higher activity but challenged profitability

Highlights

- Revenue increased 5.1 percent YoY
- Gross margin decreased by 12.0 percentage points YoY, driven primarily by impairments, warranty provisions and supply chain instability
- EBIT margin before special items decreased by 12.8 percentage points YoY, mainly driven by the lower gross profit and higher SG&A costs

mEUR	Q4 2022	Q4 2021**	% change
Revenue	4,783	4,551	5.1%
Production costs	(4,945)	(4,158)	18.9%
Gross profit	(162)	393	(141.2)%
SG&A costs*	(352)	(299)	17.7%
EBIT before special items	(514)	94	(646.8)%
Special items	72	(20)	(460.0)%
EBIT after special items	(438)	74	(695.9)%
Income from investments in joint ventures and associates	(11)	(13)	(15.4)%
Net profit	(541)	8	-
Gross margin	(3.4)%	8.6%	(12.0)%-pts
EBITDA margin before special items	(3.9)%	7.5%	(11.4)%-pts
EBIT margin before special items	(10.7)%	2.1%	(12.8)%-pts

*R&D, administration, and distribution. Including depreciations and amortisations.

** Comparative figures for 2021 have been adjusted following the accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 7.2.

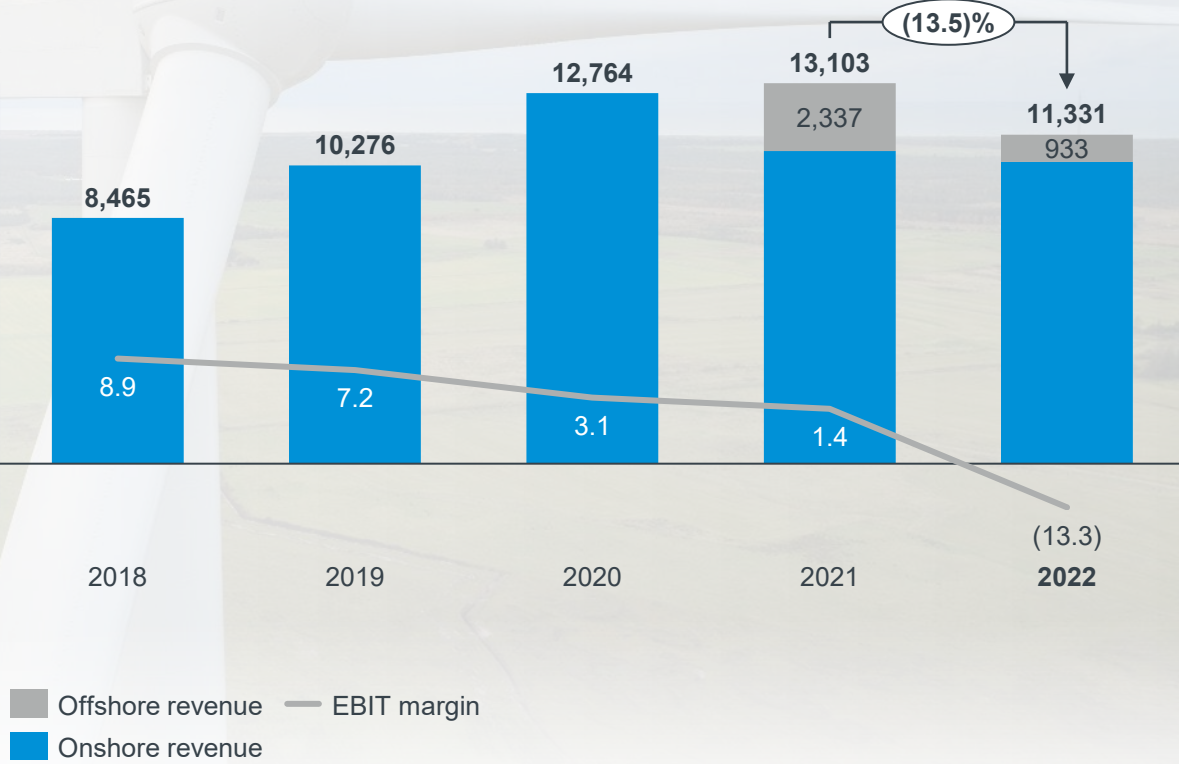
POWER SOLUTIONS – FULL YEAR

Challenges in Power Solutions

Highlights

- Revenue decreased by 14 percent YoY, driven by offshore delays in execution
- EBIT margin before special items decreased by 14.7 percentage points YoY driven by supply chain disruptions, higher warranty provisions and offshore impairments

Power Solutions revenue and EBIT margin, mEUR and percent



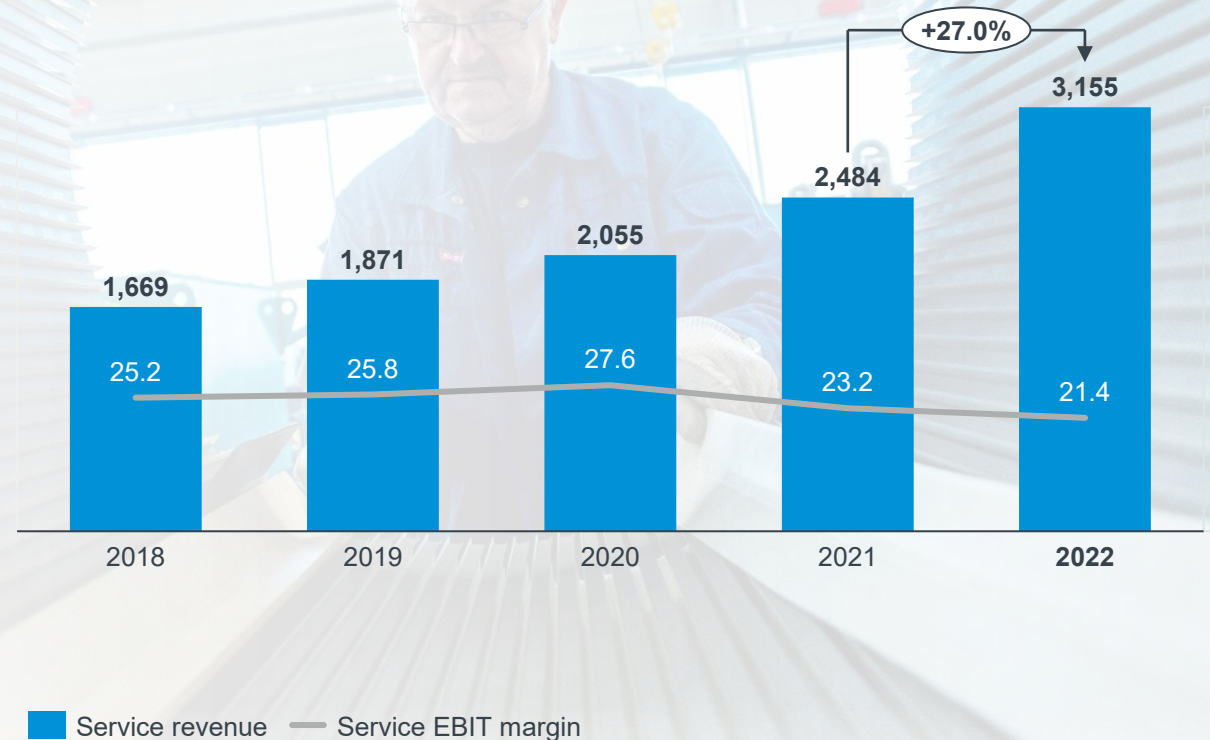
SERVICE BUSINESS – FULL YEAR

Strong Service growth

→ Service revenue and EBIT margin, mEUR and percent

Highlights

- Service revenue increased 27 percent compared to 2021 driven by higher onshore activity including transactional sales and indexation uplifts
- 2022 EBIT before special items of EUR 675m, an increase of 17 percent compared to 2021
- 2022 EBIT margin before special items: 21.4 percent impacted by single projects and higher transactional sales



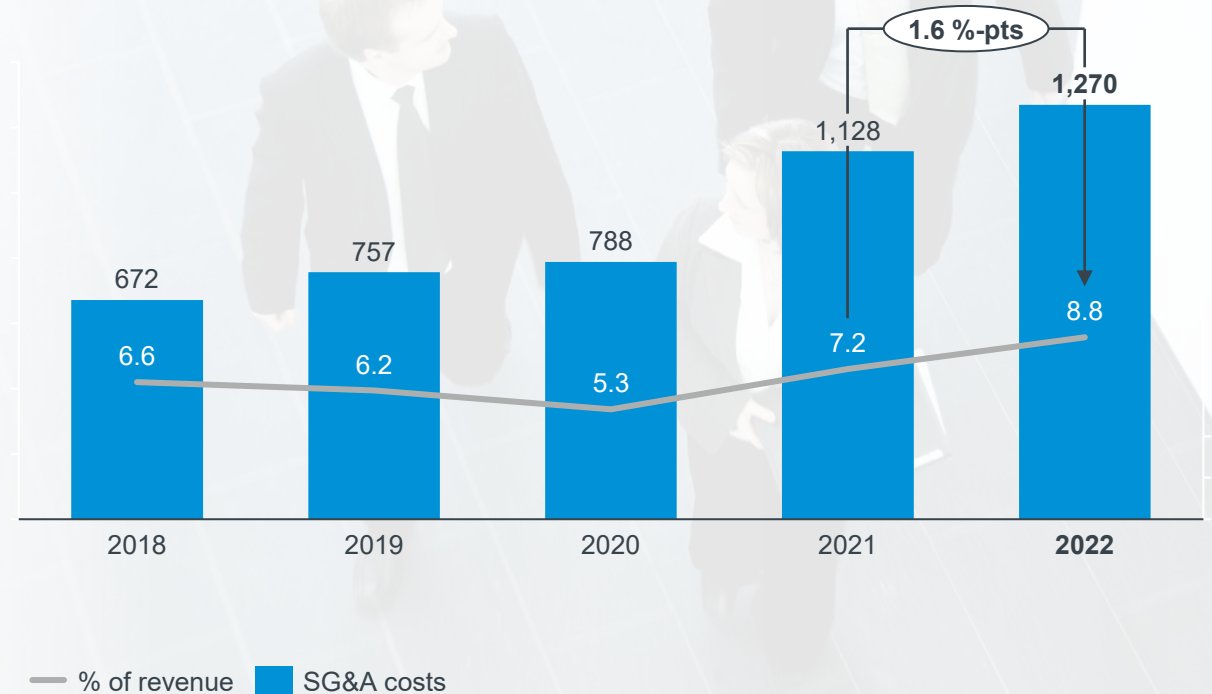
SG&A COSTS

SG&A costs increased in 2022

Highlights

- Higher SG&A costs primarily driven by **impairments** on the V174 platform in Q1 and Q4 2022 (total of EUR 109m in SG&A).
- Relative to activity levels, SG&A costs amounted to **8.8 percent**

→ SG&A costs (TTM)*, mEUR and percent



*R&D, administration, and distribution including depreciation

CASH FLOW STATEMENT

Negative FY free cash flow albeit strong Q4

Highlights

- FY 2022 free cash flow of **EUR (953)m** driven by negative cash flow from operating activities
- Strong Q4 2022 free cash flow of **EUR 1,282m**
- Cash flow from financing activities of **EUR 846m** as a result of EIB loan and sustainability-linked bond

mEUR	2022	2021	Abs. Change
Cash flow from operating activities before change in net working capital	(3)	947	(950)
Change in net working capital*	(192)	9	(201)
Cash flow from operating activities	(195)	956	(1,151)
Cash flow from investing activities**	(758)	(773)	15
Free cash flow before financial investments**	(953)	183	(1,136)
Free cash flow	(874)	57	(931)
Cash flow from financing activities	846	(715)	1,561
Net interest-bearing position	46	1,200	(1,154)

* Change in net working capital impacted by non-cash adjustments and exchange rate adjustments with a total amount of net EUR 492m.

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

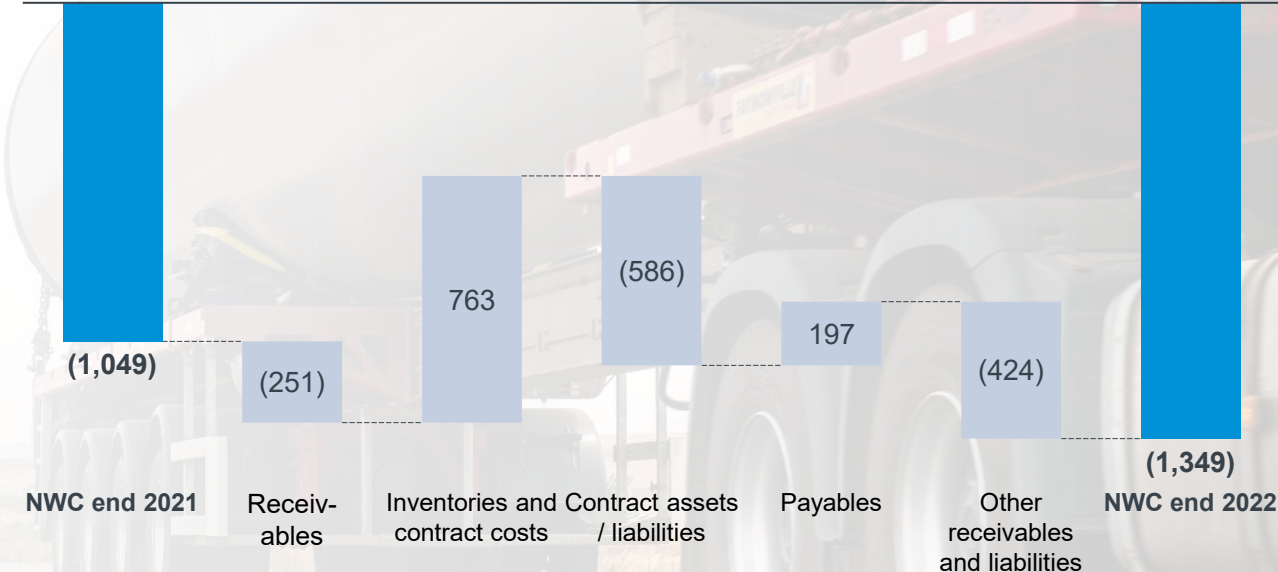
NET WORKING CAPITAL

NWC improved in 2022

--• NWC change over the year, mEUR

Highlights

- Net working capital generally stable, **negatively impacted by an increase in the level of inventory** offset by **down- and milestone payments and higher receivables**



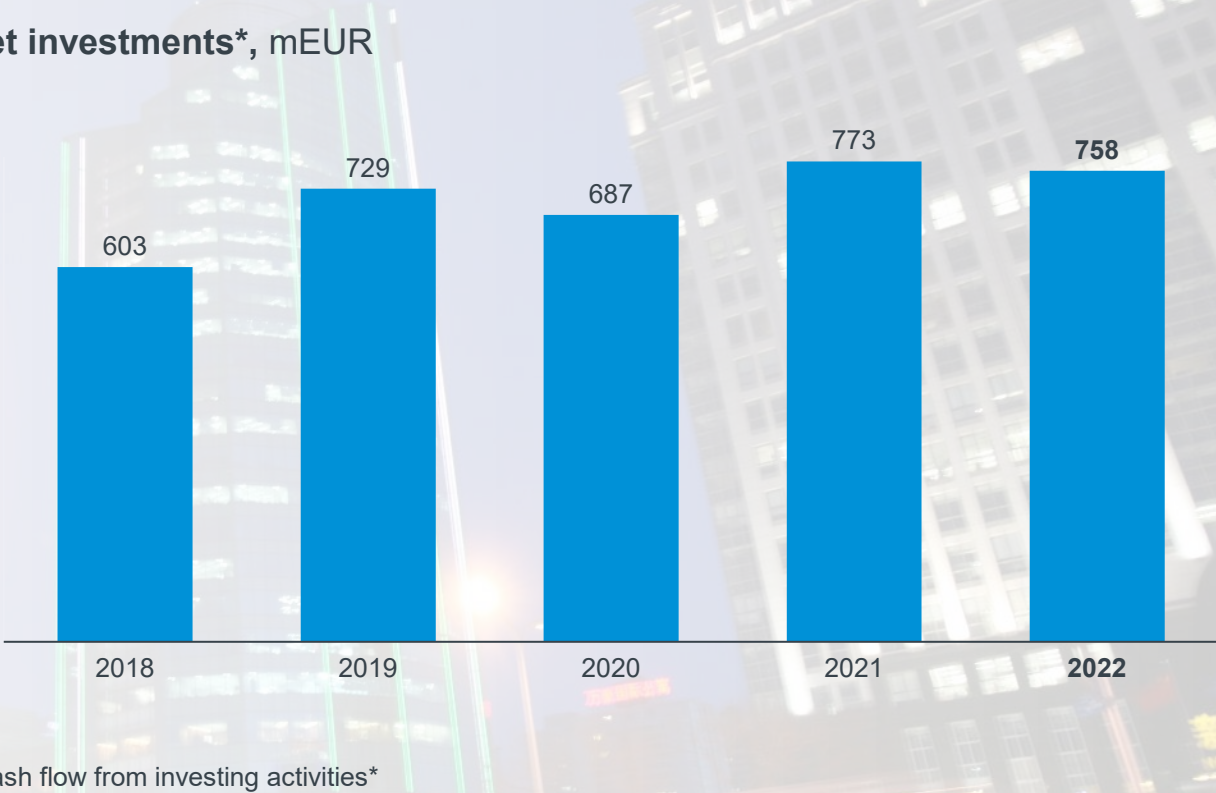
TOTAL INVESTMENTS – FULL YEAR

Stable investments year-over-year

Highlights

- Investments of **EUR 758m in 2022**, mainly driven by investments in the V236 offshore turbine and the modular onshore platform, EnVentus, partly offset by divestment of the Lauchhammer blade factory.

---• Total net investments*, mEUR



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

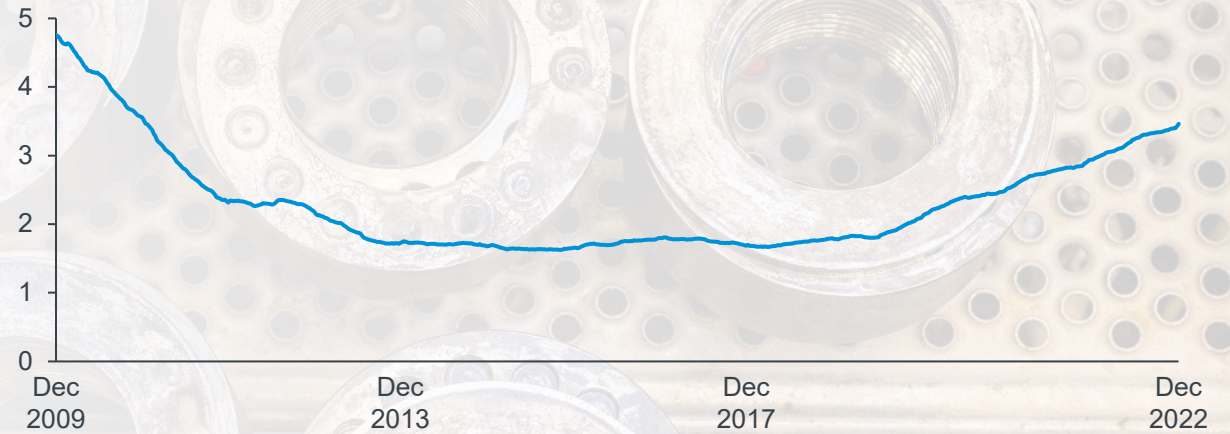
PROVISIONS & LPF

Focus on warranty provisions and LPF

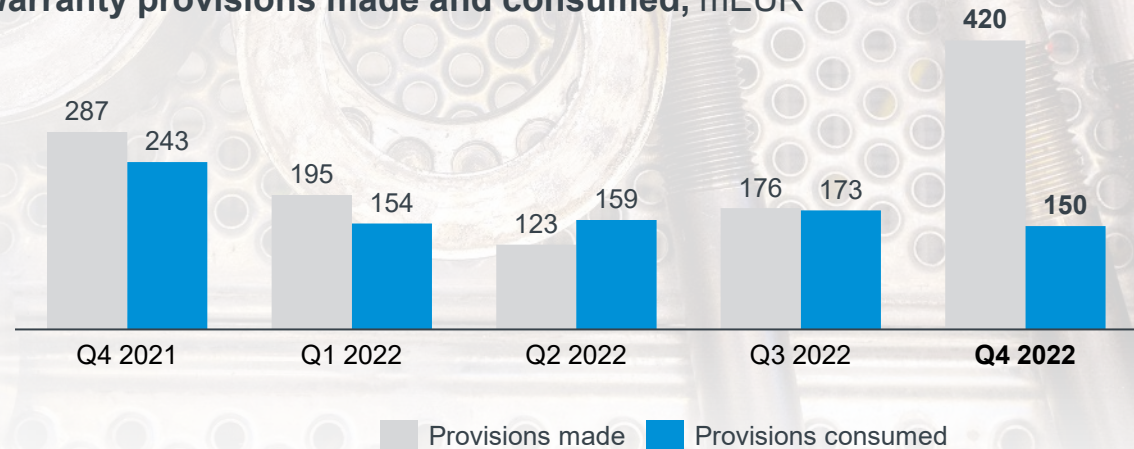
Highlights

- LPF* continues at high level as a consequence of the **extraordinary repair and upgrade level**
- Warranty provisions made corresponding to **9 percent of revenue in Q4 2022 while FY 2022 was 6.3 percent of revenue**; higher warranties primarily relate to increased repair and upgrade costs and a few select cases

--> Lost Production Factor (LPF), Percent



--> Warranty provisions made and consumed, mEUR



* LPF measures potential energy production not captured by Vestas' onshore and offshore wind turbines.

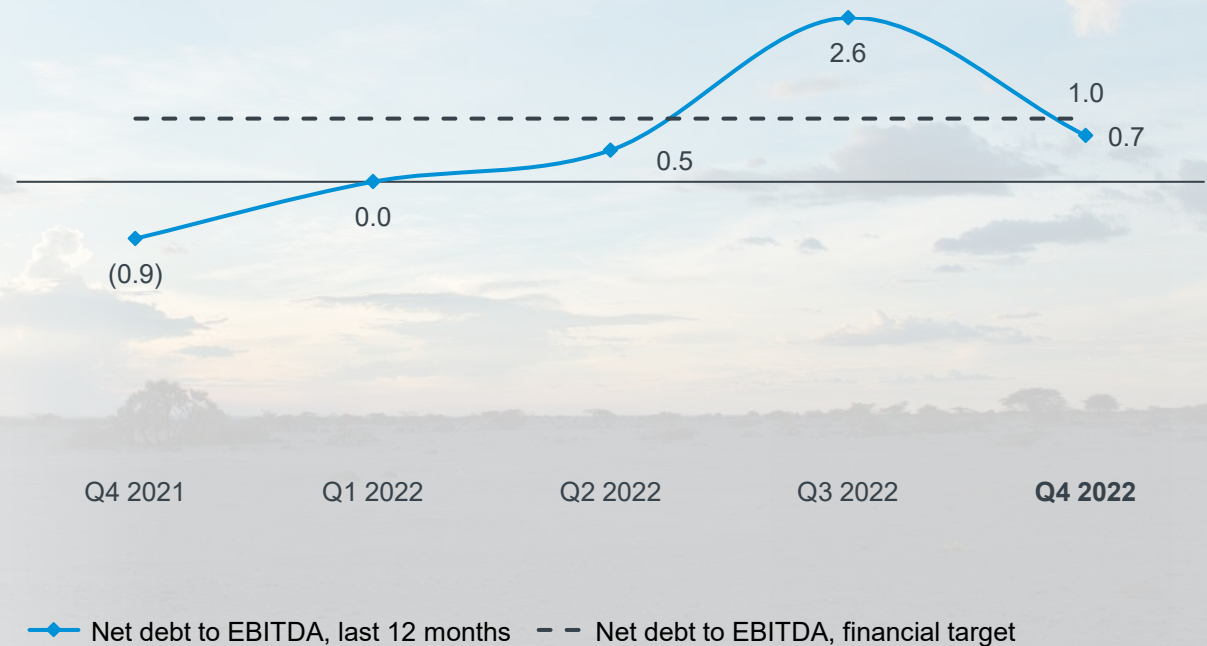
CAPITAL STRUCTURE

Net debt to EBITDA well below threshold

Highlights

- Net debt to EBITDA at **0.7 in Q4 2022**
- Net debt negative **46m**; EBITDA also negative for 2022 (**EUR 63m**) resulting in ratio to remain **positive**
- Ratio highly volatile when EBITDA and net debt are close to 0
- Restoring profitability in Power Solutions remains key

→ Net debt to EBITDA before special items





AGENDA


Orders and markets





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Our sustainable energy solutions are centered around wind

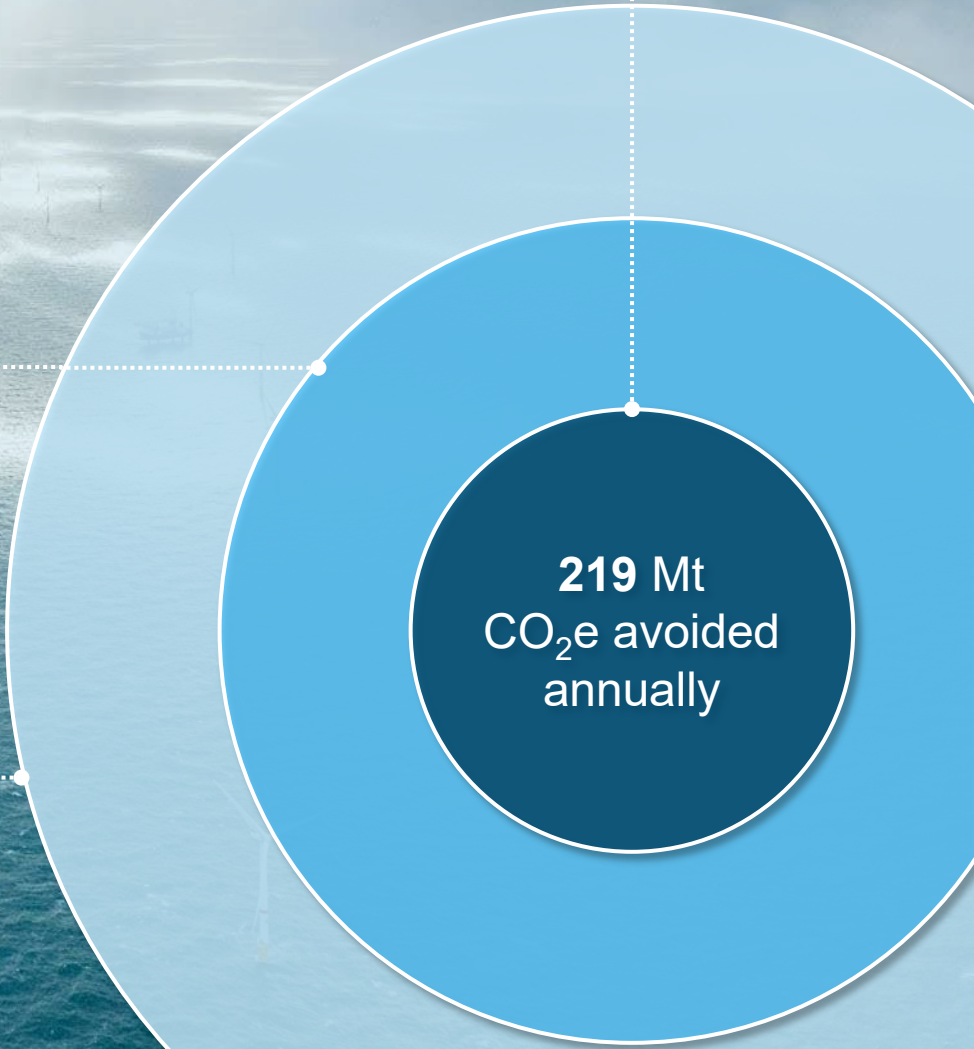
 **CORE**

-  Onshore
-  Offshore
-  Service
-  Development

 **ENABLERS**

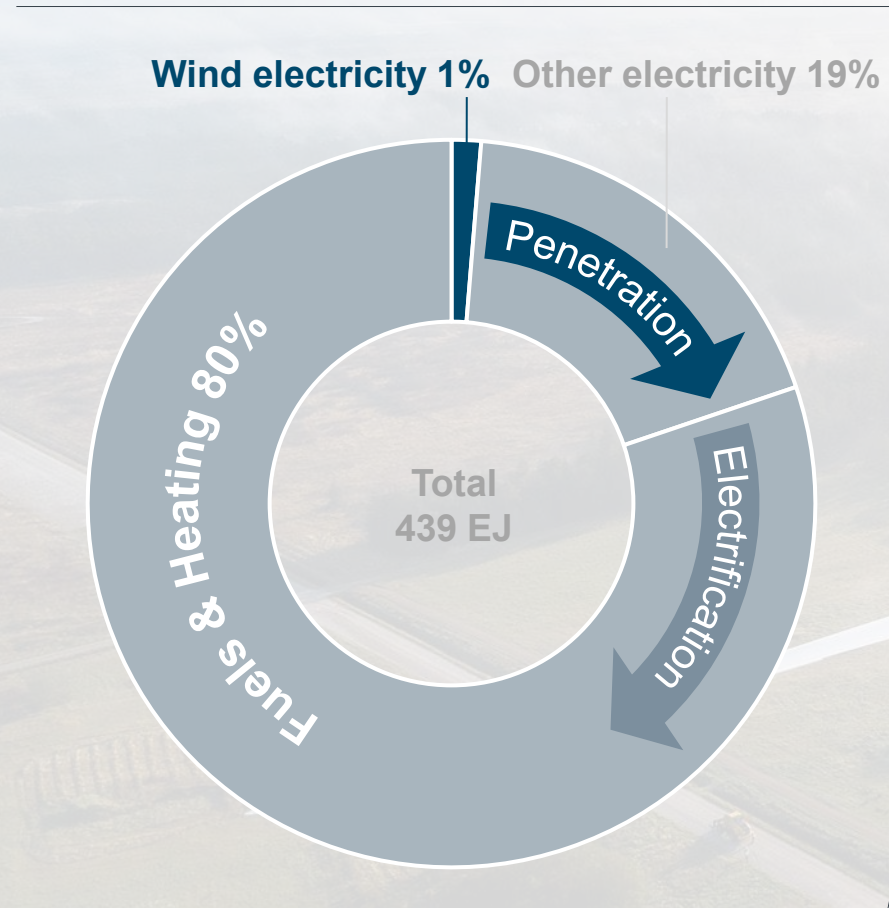
-  Service adjacencies
-  PtX / Hydrogen
-  Vestas Ventures

 **CUSTOMER & SUPPLIER PARTNERSHIPS**

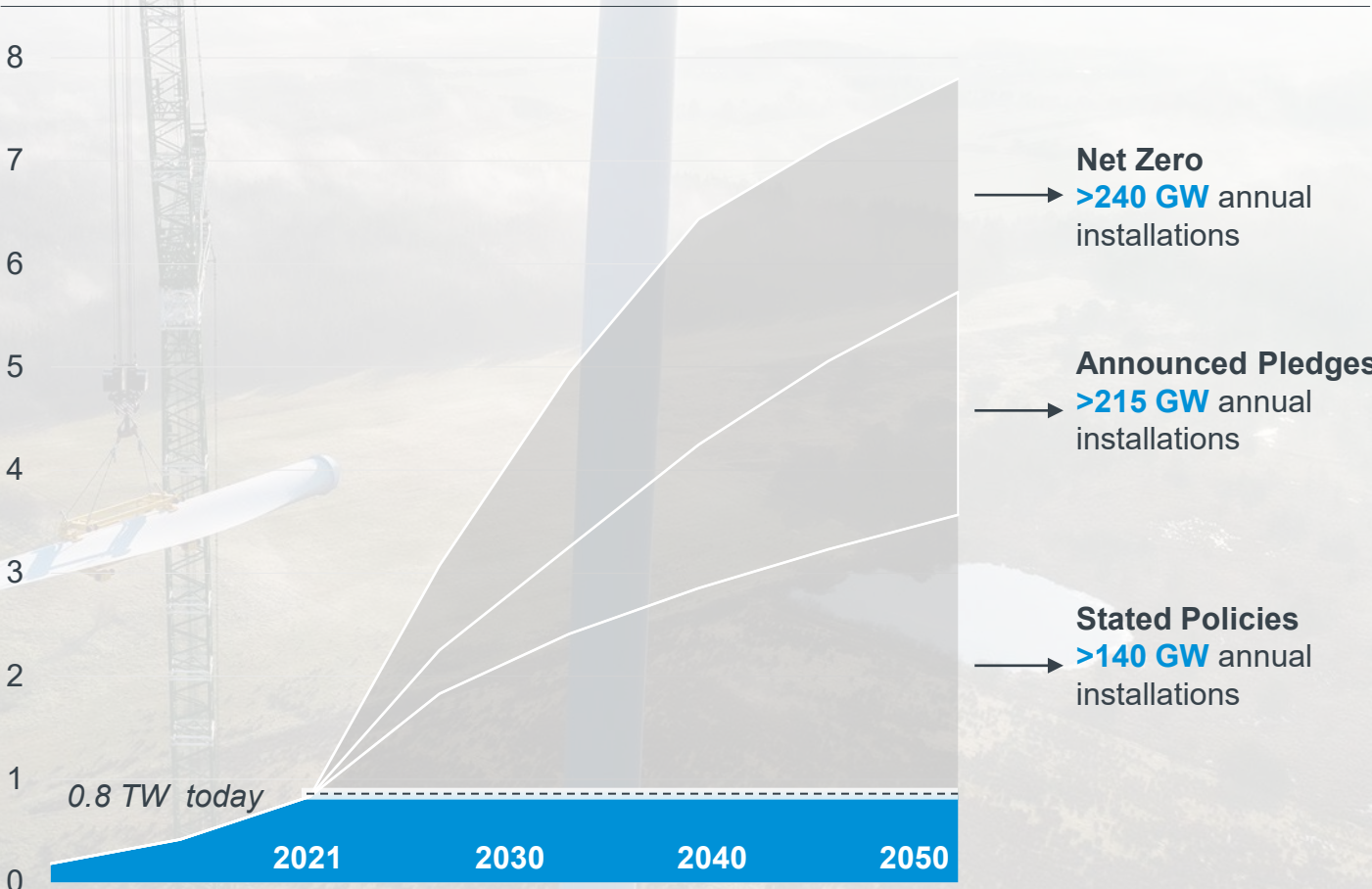


Significant decarbonisation potential ahead

World energy consumption by source 2021
In exajoule (EJ) and percent (%)



Global wind generation capacity scenarios
In terawatts (TW)



Source: IEA World Energy Outlook 2022

Policy and market developments

US Inflation Reduction Act and EU Net Zero Industrial Act



- The IRA represents the most expansive clean energy measure in history, driving significant growth
- Immediate impact is reduced due to high costs, supply chain disruptions, and long interconnection timelines
- Treasury guidance needed on key IRA tax incentives to ensure certainty and predictability



- Green Deal Industrial Plan aims to accelerate renewables; EU funding to be stepped up but also easing state aid approvals
- 2022 installations 50 percent below climate target and 2022 orders down 47 percent year-on-year due to slow permitting



Key priorities to kick-start and sustain renewables build-out

- Long-term policy certainty to drive investments across the entire value chain
- Simple and fast permitting to enable fast build-out
- Auction prices that reflect current cost and public funding that incentivise industry maturity and discipline

OUR PORTFOLIO CONSISTS OF FOUR ATTRACTIVE RE GROWTH DRIVERS

Vestas uniquely positioned in the industry

ONSHORE
Restarting growth



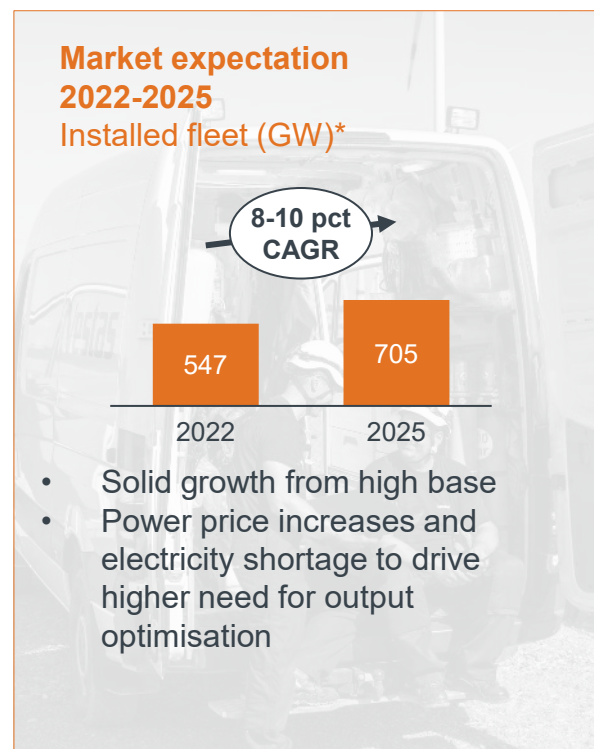
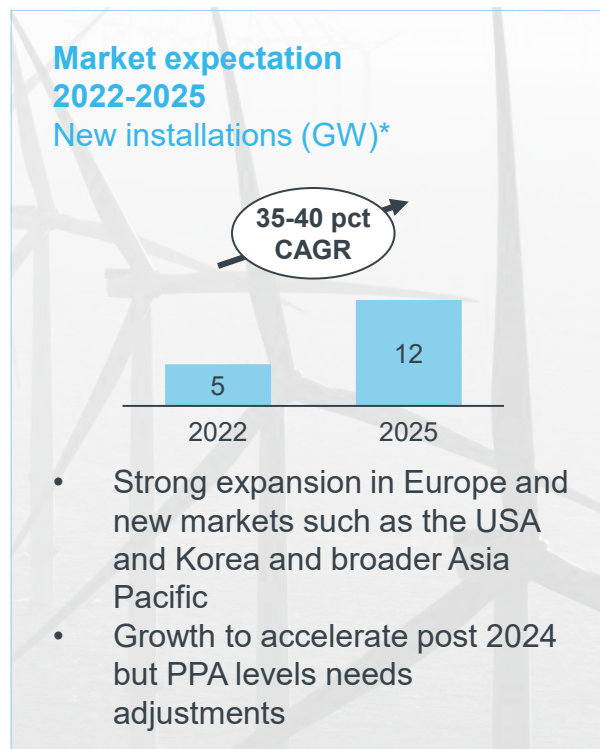
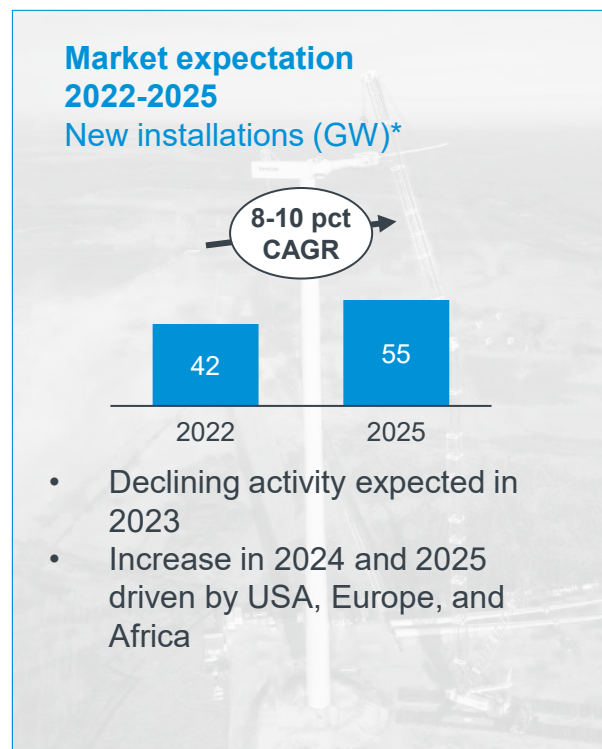
OFFSHORE
Global expansion



SERVICE
Solid growth



DEVELOPMENT
Foundation in place

Source: WoodMackenzie

LONG-TERM FINANCIAL TARGETS

REVENUE

Outgrow market

EBIT MARGIN

>10%

FCF

Positive

ROCE

20% over the cycle

Our industry needs structural change to increase profitability, especially within the wind turbine segment.

Vestas is on the right strategic path and our efforts focus on strengthening the commercial discipline in customer dialogues, lowering the frequency of new technology introductions and maturing the assessment of risk.

In spite of 2022 financial results, a challenging business environment and lower near-term visibility, a 10 percent EBIT margin in 2025 remains realistic

AMBITIOUS TARGETS FOR OUR SUSTAINABILITY JOURNEY

CARBON FOOTPRINT

Carbon neutral company by 2030 – without using carbon offsets



CIRCULARITY

Producing zero-waste wind turbines by 2040



PEOPLE

Safest, most inclusive & socially-responsible company in the energy industry



ENERGY TRANSITION

Leading the transition towards a world powered by sustainable energy



LICENSE TO OPERATE

A person wearing a dark blue long-sleeved shirt and dark pants is shown from the waist down, wearing a complex climbing harness with various straps, buckles, and a blue bag. They are standing on a sandy, gravelly ground in a desert-like environment. In the background, several white wind turbines are visible against a clear blue sky. The overall scene suggests a professional or industrial setting related to renewable energy.

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OUTLOOK 2023

Outlook

Revenue (bnEUR)

- Service is expected to grow min. 5 percent

14 – 15.5

EBIT margin before special items (%)

- Service margin is expected to be approx. 22 percent

(2) – 3

Total investments (bnEUR)

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

approx. 1

- Important to note that basic assumptions behind the guidance are more uncertain than normal
- The 2023 outlook is based on current foreign exchange rates

Q&A

Financial calendar 2023:

- Annual General Meeting (12th April)
- Disclosure of Q1 2023 (10th May)
- Disclosure of Q2 2023 (9th August)
- Disclosure of Q3 2023 (8th November)

THANK YOU FOR YOUR ATTENTION

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