Company Announcement from Vestas Wind Systems A/S

Aarhus, 12 August 2024
Company Announcement No. 12/2024

Narrowing of full-year outlook due to adjustments to planned costs in Service

Vestas narrows the financial outlook for 2024 on revenue to EUR 16.5bn-17.5bn (from EUR 16bn-18bn) and EBIT margin before special items to 4-5 percent (from 4-6 percent) based on adjustments to planned costs in the Service segment.

Inflation indexation remains a key mechanism to protect profitability in the order backlog. However, adjustments to planned costs impact current profitability in Vestas' Service segment. As a result of this adjustment, for second quarter 2024, the Group EBIT margin before special items will amount to (5.6) percent with revenue at EUR 3.3bn, according to preliminary numbers.

Due to percentage-of-completion (POC) accounting, the adjustment to planned costs in Service affects EBIT in the second quarter of 2024 with a negative accounting effect of approx. EUR 300m. Preliminary Service EBIT before special items for the quarter is negative EUR 107m.

Our Service business remains a highly profitable segment. Disregarding the negative adjustment in second quarter 2024, our profitability is on par with recent quarters, and we expect it to continue to stay on that level in the future with an upward trajectory.

The adjustment has no significant effect on the value of the Service order backlog (preliminary figure Q2 2024: EUR 34.9bn) or adjusted free cash flow (preliminary figure Q2 2024: EUR 0.5bn).

The adjustment in Service is made on the background of a combination of sustained inflation within specific inflation components, indirect effects of increased repairs and upgrades, as well as operational inefficiencies, partly offset by expected future efficiency achievements and cost-out initiatives.

In the Power Solutions segment, the turnaround is on track with an EBIT margin improvement of almost 8 percentage points year-on-year, and a quarterly order intake of 3.6 GW.

Although the momentum and results in Power Solutions are ahead of schedule, the lower-than-expected profitability in Service results in the narrowing of full-year outlook on Group revenue and EBIT margin. Further, we now expect the Service segment to generate EBIT before special items of around EUR 500m (previously EUR 800m-880m).

The outlook for total investments*) is unchanged at approx. EUR 1.2bn.

Outlook 2024

	New guidance	Initial guidance
Revenue (bnEUR)	**16.5-17.5**	16-18
EBIT margin (%) b.s.i.	**4-5**	4-6
Total investments*) (bnEUR)	**approx.1.2**	approx.1.2

*) Net investments in intangible assets and property, plant and equipment

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A 30 min. conference call with our CEO and CFO will be held on Monday 12 August 2024 at 3:30 pm CEST (2:30 pm BST) on the financial updates described here. There will be a short presentation which will be audiocast (link). To register for the conference call Q&A, please use the following registration link.

Vestas will disclose its Interim Financial Report for Second Quarter 2024 on 14 August 2024.

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