Vestas

Company Announcement No. 10/2023

Interim financial report
First quarter 2023

Vestas Wind Systems A/S
Hedeager 42,8200 Aarhus N, Denmark
Company Reg. No.: 10403782

Wind. It means the world to us.™

Contents

Information meeting (audiocast)
On Wednesday 10 May 2023 at 10 am CEST (9 am BST), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com.

The meeting will be held in English and questions may be asked through a conference call. Details on how to register for the Q&A are to be found at vestas.com/en/investor.

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Summary

Quarterly revenue of EUR 2.8bn with an EBIT margin before special items of 1.4 percent. Continued strong wind turbine backlog of EUR 19.7bn driven by higher order intake. Full-year guidance maintained.

In the first quarter of 2023, Vestas generated revenue of EUR 2,829m – an increase of 14 percent compared to the year-earlier period. EBIT before special items amounted to EUR 40m, resulting in an EBIT margin before special items of 1.4 percent, compared to negative 13.2 percent in the first quarter of 2022.

Free cash flow[1)] amounted to negative EUR 1,081m compared to negative EUR 1,121m in the first quarter of 2022.

The quarterly intake of firm and unconditional wind turbine orders amounted to 3,303 MW with an average price per MW (ASP) of EUR 0.89m. Comparing to the fourth quarter 2022, the order ASP is negatively impacted by mix effects from project scope, different countries, as well as foreign exchange rates, while underlying pricing and project profitability are not diluted. The value of the wind turbine order backlog was EUR 19.7bn as at 31 March 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 31.0bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 50.7bn – an increase of EUR 1.8bn compared to the year-earlier period.

Vestas maintains the full-year guidance. We expect revenue of EUR 14.0bn-15.5bn including Service revenue, which is expected to grow min. 5 percent. Vestas expects to achieve an EBIT margin before special items of (2)-3 percent with a Service EBIT margin of approx. 22 percent. Total investments[1)] are expected to amount to approx. EUR 1bn in 2023.

Group President & CEO Henrik Andersen said: *“Vestas has had a good start to 2023 and achieved 14 percent growth year-on-year in revenue and an EBIT margin of 1.4 percent. Our growth in the first quarter was driven by higher value and increased volume of delivered projects, as well as a 29 percent revenue increase in Service. Compared to 2022, our profitability in the first quarter of 2023 was positively impacted by the sale of our converter business, lower warranty provisions, and solid profitability in Service. Order intake increased 12 percent year-on-year to 3.3 GW with an Average Selling Price of EUR 0.89m/MW, which was alone caused by mix effects from scope, country, and exchange rates. Underlying pricing and profitability are not diluted by the lower Average Selling Price in the quarter, and we continue to strengthen industry discipline and maturity to return Vestas and the industry to profitability and prepare for future growth. The wind industry remains challenged by political uncertainty, slow permitting processes, and high inflation, which we expect to continue throughout 2023, but we are on track for our 2023 financial outlook. There is still a long way to go for the full year, and we must remain focused on delivering on our promises to our customers and partners. We want to thank our customers and partners for their continued support, as well as our more than 28,000 colleagues for their hard work getting Vestas back to profitability and powering the energy transition.”*

Key highlights

Revenue of EUR 2.8bn
Growth of 14 percent YoY driven by higher average pricing on deliveries, higher volume, and 29 percent Service growth.

EBIT margin of 1 percent
Profitability improvement driven by the sale of the converter business, lower warranty provisions, and strong Service business.

Order intake of 3.3 GW
Wind turbine orders in GW grew by 12 percent YoY with an ASP of EUR 0.89m/MW impacted by mix.

Solid capital structure with more than EUR 1bn of new financing in Q1
EUR 500m sustainability-linked bond issued and EUR 750m revolving credit facility signed.

Vestas leading the industry forward with discipline
Despite driving industry maturity, Vestas maintains leading position in the global market.[2)]

1) Excl. acquisitions of subsidiaries, joint ventures, associates, and financial investments.
2) Source: Wood Mackenzie: Global wind turbine OEM 2022 market shares (May 2023).

Financial and operational key figures

mEUR	Q1 2023	Q1 2022	FY 2022
Financial highlights			
Income statement			
Revenue	2,829	2,485	14,486
Gross profit	188	22	118
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	236	(20)	(63)
Operating profit/(loss) (EBIT) before special items	40	(329)	(1,152)
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	262	(585)	(437)
Operating profit/(loss) (EBIT)	66	(894)	(1,596)
Net operating profit after tax (NOPAT)	34	(769)	(1,071)
Net financial items	(34)	6	(110)
Profit/(loss) before tax	31	(889)	(1,696)
Profit/(loss) for the period	16	(765)	(1,572)
Balance sheet			
Balance sheet total	19,914	20,078	20,090
Equity	3,024	3,899	3,060
Investments in property, plant, and equipment	76	107	371
Net working capital	(167)	(609)	(1,349)
Capital employed	5,947	5,856	5,487
Interest-bearing position (net), end of the period	(1,121)	58	46
Interest-bearing debt, at the end of the period	2,923	1,957	2,427
Cash flow statement			
Cash flow from operating activities	(974)	(928)	(195)
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(107)	(193)	(758)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(1,081)	(1,121)	(953)
Free cash flow	(1,085)	(1,123)	(874)
Financial ratios[1]			
Financial ratios			
Gross margin (%)	6.6	0.9	0.8
EBITDA margin (%) before special items	8.3	(0.8)	(0.4)
EBIT margin (%) before special items	1.4	(13.2)	(8.0)
EBITDA margin (%)	9.3	(23.5)	(1.2)
EBIT margin (%)	2.3	(36.0)	(11.0)
Return on capital employed (ROCE)[2] (%) before special items	(12.7)	0.7	(18.5)
Net interest-bearing debt / EBITDA[2] before special items	5.8	0.0	N/A
Solvency ratio (%)	15.2	19.4	15.2
Return on equity[2] (%)	(22.9)	(12.5)	(43.9)
Share ratios			
Earnings per share[3] (EUR)	(0.79)	(0.6)	(1.6)
Dividend per share (EUR)	-	-	-
Pay-out ratio (%)	-	-	-
Share price at the end of the period (EUR)	25.9	26.9	27.2
Number of shares at the end of the period (million)	1,010	1,010	1,010
Operational key figures			
Order intake (bnEUR)	2.9	3.0	11.9
Order intake (MW)	3,303	2,948	11,189
Order backlog – wind turbines (bnEUR)	19.7	18.9	19.1
Order backlog – wind turbines (MW)	20,596	22,181	19,623
Order backlog – service (bnEUR)	31.0	30.0	30.4
Produced and shipped wind turbines (MW)	2,983	3,969	13,106
Produced and shipped wind turbines (number)	604	951	3,126
Deliveries (MW)	2,317	2,236	13,328

1) The ratios have been calculated in accordance with the guidelines from The Danish Finance Society (Recommendations & Financial ratios).
2) Calculated over a 12-month period.
3) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

Sustainability key figures

	Q1 2023	Q1 2022	FY 2022
Environmental			
Utilisation of resources			
Consumption of energy (GWh)	163	169	641
- of which renewable energy (GWh)	56	59	231
- of which renewable electricity (GWh)	42	49	187
Renewable energy (%)	34	35	36
Renewable electricity for own activities (%)	100	100	100
Withdrawal of fresh water (1,000 m³)	58	81	341
Waste			
Volume of waste from own operations (1,000 t)	13	14	47
- of which collected for recycling (1,000 t)	7	7	26
Recyclability rate of hub and blade[1] (%)	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.3	1.7	1.6
Carbon emissions adjusted for acquisitions and divestments			
Direct emissions of CO_2e (scope 1) (1,000 t)	23	24	98
Indirect emissions of CO_2e (scope 2) (1,000 t)	1	1	2
Indirect emissions of CO_2e from the supply chain (scope 3)[1] (million t)	//	//	8.18
Indirect emissions of CO_2e from the supply chain (scope 3)[1] (kg per MWh generated)	//	//	6.46
Products			
Expected CO_2e avoided over the lifetime of the MW produced and shipped during the period (million t)	93	118	408
Annual CO_2e avoided by the total aggregated installed fleet (million t)	222	216	219
Social			
Safety[2]			
Total Recordable Injuries (number)	42	47	200
- of which Lost Time Injuries (number)	17	20	73
- of which fatal injuries(number)	1	0	0
Total Recordable Injuries per million working hours (TRIR)	2.1	3.1	3.3
Lost Time Injuries per million working hours (LTIR)	0.8	1.3	1.2
Employees			
Average number of employees (FTEs)	28,718	29,325	28,779
Employees at the end of the period (FTEs)	28,567	29,274	28,438
Diversity and inclusion			
Women in the Board and Executive Management at the end of the period (%)	27	27	25
Women in leadership positions at the end of the period (%)	23	22	23
Human rights[1]			
Community grievances (number)	//	//	13
Community beneficiaries (number)	//	//	7,572
Social Due Diligence on projects in scope (%)	//	//	65
Governance			
Whistle-blower system[1]			
EthicsLine compliance cases (number)	//	//	539
- of which substantiated	//	//	137[3]
- of which unsubstantiated	//	//	358[3]

For general definitions and specifications on these sustainability key figures, see the Notes to sustainability key figures in the Annual Report 2022, page 151-152.

1) Data only reported on an annual basis.
2) As of 1 January 2023, the safety data methodology has been revised to improve the accuracy of contractor working hours, making year-on-year figures uncomparable.
3) The number reflects a status quo, with the final substantiation rate only to be seen in connection with the full-year reporting 2023.

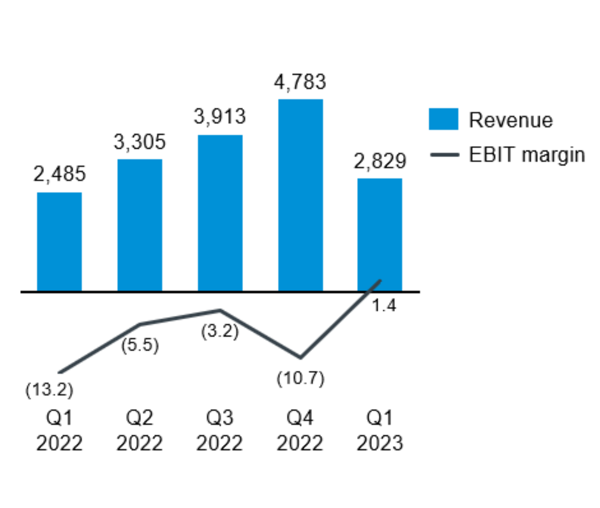
Group financial performance

Income statement

Revenue

Revenue in the first quarter of 2023 amounted to EUR 2,829m (Q1 2022: EUR 2,485m), an increase of 13.8 percent, primarily driven by higher value and increased volume of wind turbine deliveries and increasing service activity. Revenue for the first quarter of 2023 reflected a negative impact of approx. EUR 45m from foreign exchange rate translation effects compared to 2022.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 188m in the first quarter of 2023, corresponding to a gross margin of 6.6 percent (Q1 2022: EUR 22m; 0.9 percent), which is a 5.7 percentage point increase compared to the first quarter of 2022. The increase was mainly attributable to increased revenue in both segments, an improved margin in the Power Solutions segment as well as lower depreciations, amortisations and impairments on offshore assets due to the impairment of the V164/V174 offshore technology and related assets recognised in 2022.

Warranty costs

Warranty costs amounted to EUR 113m in the first quarter of 2023 (Q1 2022: EUR 195m). The net warranty provision is equivalent to a warranty ratio of 4.0 percent of revenue (Q1 2022: 7.8 percent). The lower warranty provisions in the quarter, compared to 2022, were driven by the additional warranty provisions recognised in the first quarter of 2022 caused by external cost inflation as well as offshore wind turbines already installed.

Research and development costs, Distribution costs and Administration costs

Research and development costs recognised in the income statement amounted to EUR 92m for the first quarter of 2023 (Q1 2022: EUR 149m). The decrease reflects the impairment losses recognised on V164/V174 offshore technology impacting the first quarter of 2022.

Distribution costs amounted to EUR 107m in the first quarter of 2023 (Q1 2022: EUR 115m). The decrease was mainly attributable to the impairment losses recognised on V164/V174 offshore technology and related assets impacting the first quarter of 2022.

Administration costs amounted to EUR 105m in the first quarter of 2023 (Q1 2022: EUR 87m). The increase was driven by additional IT- and employee-related costs.

Depreciation, amortisation, and impairment

In the first quarter of 2023, overall depreciation, amortisation, and impairment before special items amounted to EUR 196m (Q1 2022: EUR 309m). The decrease was mainly attributable to the impairment losses recognised on the V164/V174 offshore technology in the first quarter of 2022 as well as lower depreciation related to sales and construction activities in 2023.

Sale of technology

Sale of technology includes consideration received of EUR 147m relating to a perpetual manufacturing license granted to KK Wind Solutions under the agreement of the sale of the converters and controls business.

Income from investments in joint ventures and associates from core activity

Income from investments in joint ventures and associates related to Development activities amounted to a gain of EUR 9m in the first quarter of 2023.

Operating profit (EBIT) before special items

EBIT before special items amounted to EUR 40m in the first quarter of 2023, equivalent to an EBIT margin of 1.4 percent (Q1 2022: negative EUR 329m; negative 13.2 percent). The improvement was driven by the sale of the converter & controls business, increased gross margin and higher fixed cost absorption as well as the offshore adjustments made in the first quarter of 2022.

Operating profit (EBIT) after special items

In the first quarter of 2023, EBIT after special items amounted to EUR 66m (Q1 2022: negative EUR 894m). This reflects special items income of EUR 26m, mainly related to an adjustment of the manufacturing footprint in India, including a reversal of previously recognised write-downs of inventories.

Income from investments in joint ventures and associates from other activities

Income from investments in joint ventures and associates amounted to a loss of EUR 1m in the first quarter of 2023 mainly impacted by Vestas' share in Copenhagen Infrastructure Partners which is on par with first quarter 2022 (Q1 2022: loss of EUR 1m). The result is primarily related to timing.

Net financial items
Financial items amounted to a net loss of EUR 34m in the first quarter of 2023 (Q1 2022: profit of EUR 6m), primarily driven by foreign exchange impacts of EUR 15m from various exposures as well as EUR 11m interest expenses related to lease financing, corporate bonds, and a green loan facility with the European Investment Bank.

Income tax
Income tax amounted to an expense of EUR 15m equivalent to an effective tax rate of 48.4 percent in the first quarter of 2023, compared to 13.9 percent in the first quarter of 2022. The high effective tax rate is mainly driven by permanent differences and income in high tax rates countries together with low profitability.

Net result for the period
The net result amounted to a profit of EUR 16m in the first quarter of 2023 (Q1 2022: loss of EUR 765m).

Financial ratios
Earnings per share calculated over a 12-month period amounted to negative EUR 0.8 in the first quarter of 2023 (Q1 2022: negative EUR 0.6). The decrease of EUR 0.2 was driven by the lower result in the period.

Return on capital employed (ROCE) before special items was negative 12.7 percent in the first quarter of 2023 (Q1 2022: 0.7 percent), a decline compared to 2022 driven by the lower EBIT before special items in the 12-month period. Return on equity was negative 22.9 percent in the first quarter of 2023 (Q1 2022: negative 12.5 percent), a decrease of 10.4 percentage points attributable to the lower net profit in the 12-month period.

Working capital and free cash flow
Net working capital
Net working capital amounted to a net liability of EUR 167m as at 31 March 2023 (31 March 2022: a net liability of EUR 609m). Compared to 2022 the development reflects decreasing supplier payables compared to the end of the first quarter of 2022.

Cash flow from operating activities
Cash flow from operating activities was negative EUR 974m in the first quarter of 2023 (Q1 2022: negative 928m). The negative cash flow is on par with last year and driven by development in net working capital and increasing inventory outpacing prepayments and a high level of supplier payments in the quarter.

Cash flow from investing activities
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to a net outflow of EUR 107m in the first quarter of 2023 (Q1 2022: outflow EUR 193m), primarily reflecting a decrease in purchase of transportation equipment and construction tools as well as cash inflow from sales of Property, plant and equipment related to the converters and controls business and sale of development projects.

Free cash flow
Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 1,081m in the first quarter of 2023 which is on par with last year (Q1 2022: negative EUR 1,121m).

Capital structure and financing items
Equity and solvency ratio
As at 31 March 2023, total equity amounted to EUR 3,024m (31 March 2022: EUR 3,899m). The decrease compared to 2022 was mainly attributable to the negative net profit in the last nine months of 2022 also causing the solvency ratio to drop 4.2 percentage points to 15.2 percent as at 31 March 2023.

Net interest-bearing position and cash position
As at 31 March 2023, the net interest-bearing debt amounted to EUR 1,121m (31 March 2022: net interest-bearing position of EUR 58m). This development compared to 2022 was a result of negative free cash flow and increasing financial debt, while EBITDA remained at a low level.

Cash and cash equivalents amounted to EUR 1,707m as at 31 March 2023, compared to EUR 1,801m at the end of the first quarter of 2022.

The ratio net interest-bearing debt/EBITDA was positive 5.8 as at 31 March 2023 compared to 0.0 at the end of the first quarter of 2022. The ratio was impacted by increased financial debt.

In March 2023, Vestas obtained EUR 1.25bn in new debt financing encompassing the issuance of a EUR 500m sustainability-linked bond maturing in 2026, and the signing of a EUR 750m revolving credit facility maturing in 2024 which includes a six-month extension option. As at 31 March 2023, Vestas had EUR 2.4bn of undrawn credit facilities.

Power Solutions

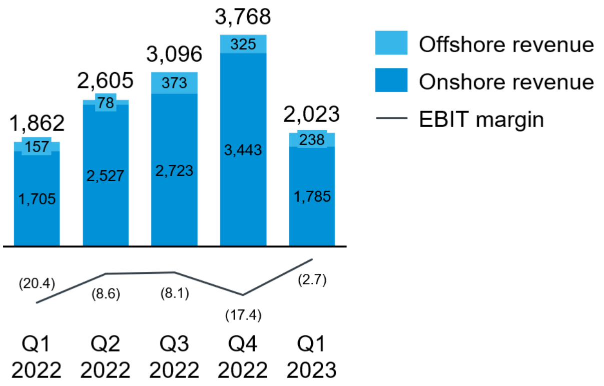
Result for the period

In the first quarter of 2023, revenue from the Power Solutions segment amounted to EUR 2,023m (Q1 2022: EUR 1,862m), which corresponds to a 8.6 percent increase compared to the first quarter of 2022. The increase was mainly attributable to higher value and increased volume of wind turbine deliveries. Revenue for the first quarter of 2023 reflected a negative impact of approx. EUR 34m from foreign exchange rate translation compared to 2022.

EBIT before special items amounted to negative EUR 54m in the first quarter of 2023, equal to an EBIT margin of negative 2.7 percent (Q1 2022: negative EUR 380m; negative 20.4 percent). The positive development in the EBIT margin was primarily attributable to the sale of the converters and controls business, higher revenue as well as the impairment losses and warranty provisions recognised in the first quarter of 2022 related to V164/V174 offshore technology.

Power Solutions revenue and EBIT margin before special items

mEUR and percentage



Wind turbine order intake

In the first quarter of 2023, wind turbine order intake amounted to 3,303 MW, corresponding to a value of EUR 2.9bn (Q1 2022: 2,948 MW; EUR 3.0bn). This represents an increase of 12 percent in MW order intake compared to the first quarter of 2022. The increase was mainly related to strong onshore order intake in Brazil and South Africa.

The average price per MW was EUR 0.89m in the first quarter of 2023 compared to EUR 1.01m in the first quarter of 2022 and EUR 1.15m in the fourth quarter of 2022. The development in the average price per MW compared to the fourth quarter 2022 is negatively impacted by mix effects from project scope, different countries as well foreign exchange rates while underlying pricing and project profitability are not diluted.

Wind turbine order intake, first quarter 2023

MW

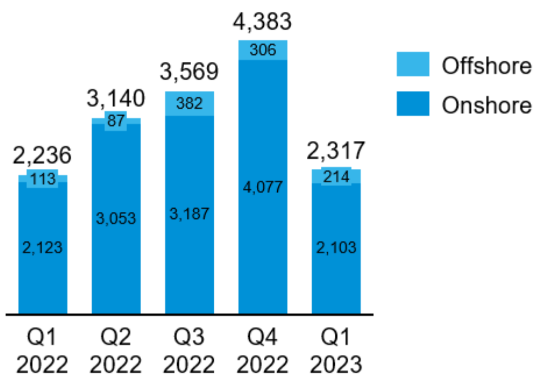
	EMEA	Americas	Asia Pacific	Total
Onshore order intake	1,026	2,147	130	**3,303**
Offshore order intake	-	-	-	**-**
Total order intake	1,026	2,147	130	**3,303**

Wind turbine deliveries

Deliveries to customers amounted to 2,317 MW in the first quarter of 2023 (Q1 2022: 2,236 MW) similar to the same quarter last year. Offshore deliveries increased from 113 MW in the first quarter of 2022 to 214 MW in the first quarter of 2023.

Deliveries

MW



By the end of March 2023, Vestas had installed a total capacity of 167 GW in 89 countries.

Deliveries (onshore and offshore)
MW

	Q1 2023	Q1 2022	FY 2022
Germany	367	124	818
France	186	128	1.002
United Kingdom	175	126	790
Poland	106	165	957
Netherlands	102	121	578
Egypt	82	6	82
Greece	76	17	215
Portugal	50	2	46
Austria	16	29	213
Belgium	13	57	123
Spain	13	35	156
Italy	13	13	256
Denmark	10	-	95
Czech Republic	7	-	-
Finland	4	233	1.185
Faroe Islands	-	14	14
Ireland	-	11	178
Latvia	-	-	59
Russian Fed.	-	13	13
Sweden	-	70	480
Turkey	-	7	89
South Africa	-	-	4
Ukraine	-	24	114
EMEA	**1,220**	**1,195**	**7,467**
o/w Offshore	*191*	*97*	*700*
Brazil	420	368	1,528
USA	299	349	2,275
Argentina	57	-	80
Dominican Rep.	11	-	29
Puerto Rico	11	(2)	6
Chile	6	33	128
Canada	-	-	325
Mexico	-	7	7
Colombia	(9)[1)]	37	142
Americas	**795**	**792**	**4,520**
o/w Offshore	-	-	-
Australia	127	73	376
India	68	30	162
Japan	48	104	399
New Zealand	24	5	22
Taiwan	17	11	126
South Korea	13	1	23
Vietnam	3	21	179
Sri Lanka	2	(3)	0
China	-	7	54
Asia Pacific	**302**	**249**	**1,341**
o/w Offshore	*23*	*16*	*188*
Total	**2,317**	**2,236**	**13,328**
o/w Offshore	*214*	*113*	*888*

1) Part of Vestas' deliveries are based on a percentage-of-completion method requiring estimates in relation to stage of completion.

Wind turbine order backlog

At the end of the first quarter of 2023, the wind turbine order backlog amounted to 20,596 MW, which corresponds to a value of EUR 19.7bn, of which EUR 2.5bn relates to offshore wind power projects.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	7,874	8,284	2,447	**18,605**
Offshore order backlog	901	-	1,090	**1,991**
Total backlog as at 31 March 2023	8,775	8,284	3,537	**20,596**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa decreased 22.8 percent from the end of first quarter of 2022 to 8,775 MW at the end of the first quarter 2023. The decrease was driven by lower order intake and high offshore deliveries in Northern Europe during 2022 and the first quarter of 2023.

Americas

The total order backlog for Americas at the end of the first quarter 2023 of 8,284 MW corresponds to an increase of 15 percent compared to the end of first quarter 2022. The increase was largely driven by higher order intake in Brazil and Argentina.

Asia Pacific

The total order backlog for Asia Pacific amounted to 3,537 MW at the end of the first quarter 2023, which is on par with the order backlog at the end of first quarter 2022.

Development business

In the first quarter of 2023, Vestas' pipeline of development projects amounted to 32 GW with Australia, the USA, and Brazil being the countries with the largest project pipeline. During the quarter, Vestas secured 1.1 GW of new pipeline projects.

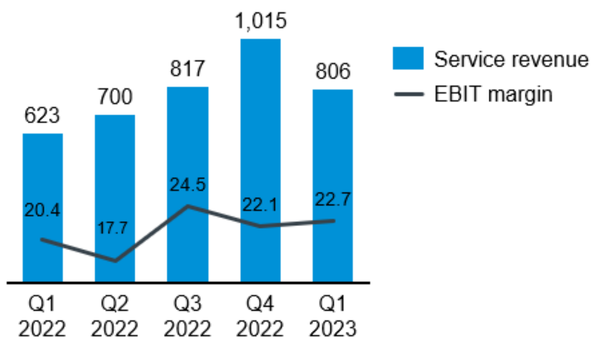
The order intake generated in the first quarter of 2023 from projects developed by Vestas amounted to 50 MW, comprising a project in Finland.

Service

Result for the period

The Service segment generated revenue of EUR 806m in the first quarter of 2023 (Q1 2022: EUR 623m), which corresponds to a 29.4 percent increase compared to the first quarter of 2022, driven by higher contract activity and increased transactional sales as well as indexation mechanisms in contracts.

Service revenue and EBIT margin before special items
mEUR and percentage



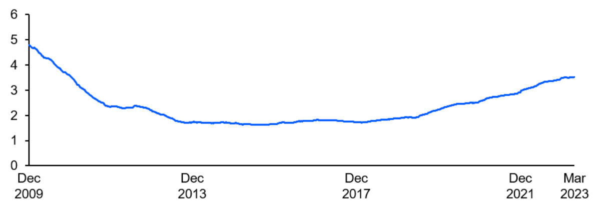
EBIT before special items amounted to EUR 183m in the first quarter of 2023, corresponding to an EBIT margin of 22.7 percent (Q1 2022: EUR 127m; 20.4 percent), which is a 2.3 percentage point increase compared to the same period last year. The increase was primarily driven by the higher activity in the first quarter of 2023.

Wind turbines under service

At the end of March 2023, Vestas had around 56,400 wind turbines under service, equivalent to 147 GW.

At the end of March 2023, the overall average Lost Production Factor continued to be impacted by the level of extraordinary repairs and upgrades.

Lost Production Factor*)
Percent

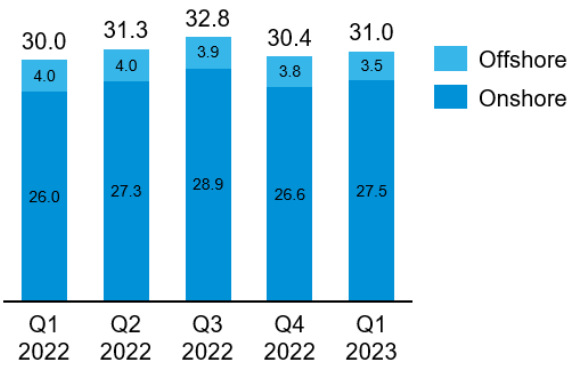


*) Data calculated across more than 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

Service order backlog

At the end of March 2023, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 31.0bn, an increase of EUR 1.0bn compared to 31 March 2022 driven by increased order intake as well as indexation mechanisms in contracts partially offset by EUR 0.5bn related to foreign exchange rates.

Service order backlog
bnEUR



At the end of the quarter, the average duration of the service order backlog was 11 years. (31 March 2022: 10 years average duration).

Sustainability

The Vestas Sustainability Strategy

Vestas has been leading the transition to a world powered by sustainable energy for over four decades. But in 2020, we launched our sustainability strategy to embed sustainability in everything we do with clear ambitions: achieving carbon-neutrality of our own operations by 2030, without using carbon offsets; creating zero-waste wind turbines by 2040; becoming the safest, most inclusive and socially responsible workplace in the energy industry; and leading the transition to a world powered by sustainable energy.

Carbon footprint

Wind turbines produced and shipped in the first quarter of 2023 are expected to avoid 93 million tonnes of CO_2e over the course of their lifetime, a decrease of 21 percent from the first quarter of 2022 due to a lower amount of MW produced and shipped.

In the first quarter of 2023, our total scope 1 and 2 emissions decreased by 4 percent compared to the first quarter of 2022. This can be attributed to a lower activity level in manufacturing and in offshore Service due to weather conditions. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

Emissions-reduced steel

As part of our commitment to reduce Scope 3 carbon emissions intensity by 45 percent by 2030, we have launched a new offering for low-emissions steel in towers. The new offering is based on scrap-based steel plates produced with an electric arc furnace. The electric arc furnace is itself powered by on-site renewable energy. The combination of scrap-based material and renewable energy in the construction process allows us to reduce the carbon intensity of an average wind turbine by ~20 percent, compared to conventional steel.

Low-emissions scrap-based steel is an important part of our long-term outlook to reduce emissions in our value chain. However, we also remain focused on fostering break-through technologies that will enable near-zero emissions steel, where virgin iron ore is reduced using green hydrogren. Through our commitment to the First Movers Coalition at the World Economic Forum, we are collaborating with steel suppliers and other industrial users of steel to accelerate investments to produce large volumes of near-zero emissions steel by 2030.

Circularity

In the first quarter of 2023, our material efficiency improved 25 percent compared to first quarter of 2022 to 1.3 tonnes of waste per MW produced and shipped. This improvement was due to the rate of waste recycling increasing from 50 percent in the first quarter of 2022 to 69 percent in the first quarter of 2023. The high quarterly recycling rate is inflated by the recycling of a large stockpile of steel at one of our factories in the Americas Region, and is expected to return to a more typical level in subsequent quarters.

Announced in the first quarter of 2023, our new blade circularity solution offers a scalable, circular pathway for blade recycling based on innovations in the solvolysis of end-of-life blades. Applicable to both existing and new epoxy-infused blades, the new solution allows for the separation of blade materials at end-of-life, both cost-effectively and without degrading the quality of the blade materials. Along with partners Stena Recycling and Olin, we are now working to pilot and commercialise this process, decades ahead of schedule.

Safety

Working towards becoming the safest workplace in the energy industry, we aim to reduce the Total Recordable Injury Rate (TRIR) to 1.5 by 2025 and 0.6 by 2030, equivalent to a 15 percent year-on-year reduction from 2019.

As of 1 January 2023, Vestas has revised the methodology for calculating contractor working hours in relation to the Safety KPI, making the data uncomparable year-on-year. The revision includes a new risk-based management system, increased focus on incident investigations, improved safety performance governance in regions, and the transition from standard estimations of contractor working hours to complete certain tasks to actual working hour data from contractors. The change will apply to all LTIR and TRIR statistics, with a detailed explanation forthcoming in the Vestas Sustainability Report 2023. Based on this new methodology, the first quarter TRIR was 2.1.

Also in the quarter, a vehicle accident occurred on depature from a service site, which tragically meant the death of one of our US service technicians. The incident has been thoroughly investigated, and lessons-learned implemented to reduce the likelihood of future injury.

Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual Report 2022.)

From energy crisis to sustainable and resilient societies

Renewables are the obvious way to reach climate targets and ease pressure on fossil-based energy demands. Removing bottlenecks to wind energy expansion can help countries achieve energy independence – in a cost-efficient, sustainable, and resilient manner.

The global and regional events of the early 2020s have demonstrated that the true value of renewables is not only their ability to reduce costs and emissions. It is their potential to build resilient, sustainable, and prosperous societies. Yet trade barriers, localisation, lack of investments, and slow permitting processes continue to present physical and administrative bottlenecks to the energy transition. If we can overcome these barriers, we have the energy solutions to change our trajectory and create a sustainable planet for future generations.

Maturing the industry to improve value capture and scalability

If we are to address the climate crisis and reach net zero by 2050, we need to expand wind energy from around 830 GW of installed capacity in 2021, to 7,800 GW by 2050, according to the International Energy Agency (IEA). Global electricity consumption is anticipated to more than double towards 2050 in the net zero Scenario. As a global leader in sustainable energy, Vestas is fully focused on creating sustainable and resilient energy systems that can help build prosperous societies. We do this by building sustainability into everything we do and leading the industry in three key areas:

1. Accelerating the penetration of renewables to increase share of the electricity system
2. Direct electrification
3. Indirect Electrification

Strengthen our core to become the global leader in sustainable energy solutions

We are accelerating the deployment of wind energy by strengthening the core of our business model – Development, Onshore Wind, Offshore Wind and Service. Through these key areas, we aim to help drive the energy transition and achieve a sustainable future.

Onshore wind
The onshore market is expected to grow new installations (GW) by 8-10 percent CAGR in the period 2022-25 with declining activity expected in 2023 followed by increases in 2024 and 2025 driven by the USA, Europe, and Africa.

Offshore wind
The offshore market is expected to grow new installations (GW) by 35-40 percent CAGR in the period 2022-25. Strong expansion in Europe and new markets such as the USA and South Korea and broader Asia Pacific. Growth to accelerate from 2025.

Service
The market for Service is expected to grow by 8-10 percent CAGR in the period 2022-25 from a high base. Higher power prices and electricity shortages to drive need for output optimisation.

Development
We expect our Development business to grow order intake generated for Vestas of more than 10 percent CAGR in the period 2022-2025 from a base of 1.6 GW in 2022. Ambition to outgrow the onshore market in firm order intake generated.

Capital structure

Our objective is to create a stable and flexible capital structure with the most effective cost of capital. Vestas has a credit rating from Moody's, currently with the rating Baa2 with a stable outlook.

We apply the following priorities to capital allocation:

- Reinvest in our manufacturing footprint and R&D to realise our corporate strategy.
- Make bolt-on acquisitions to accelerate profitable growth and explore divestments of non-core assets.
- Pay 25-30 percent of net result after tax in dividend.
- Initiate share buy-backs from time to time.

Long-term financial ambitions

Our industry needs structural change to increase profitability, especially within the wind turbine segment. The structural changes primarily entail strengthening the commercial discipline in customer dialogues, lowering the frequency of new technology introductions as well as maturing the assessment of risk.

In 2022, the gap between our financial results and our long-term financial ambitions increased, but the year underlined that Vestas is on the right strategic path to improve the industry structurally and build the commercial and operational maturity to achieve our financial ambitions. In that context, a 10 percent EBIT margin in 2025 remains realistic, although external headwinds from a challenging business environment continues to cloud near-term visibility and create uncertainty.
Vestas has the following long-term financial ambitions:

- Grow revenue faster than the market and be the market leader in revenue.
- Positive free cash flow
- Reach at least 10 percent EBIT margin before special items.
- Achieve 20 percent ROCE over the cycle.

NOTE: The above market expectations are excluding China and based on Wood Mackenzie Global Wind Power Market Outlook, Q4 2022.

Outlook 2023

Revenue for full year 2023 is expected to range between EUR 14.0bn and 15.5bn including Service revenue, which is expected to grow min. 5 percent. Vestas expects to achieve an EBIT margin before special items of (2)-3 percent with a Service EBIT margin of approx. 22 percent. Total investments[1)] 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, income related to sale of Development projects from joint ventures and associates 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 million EUR 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[1)] (bnEUR)	**approx. 1**

1) Excl. acquisitions of subsidiaries, joint ventures, associates, as well as financial investments.

Consolidated financial statements 1 January - 31 March

Condensed income statement 1 January - 31 March

mEUR	Note	Q1 2023	Q1 2022
Revenue	1.1, 1.2	**2,829**	**2,485**
Production costs		(2,641)	(2,463)
Gross profit		**188**	**22**
Research and development costs		(92)	(149)
Distribution costs		(107)	(115)
Administration costs		(105)	(87)
Sale of technology	1.3	147	-
Income from investments in joint ventures and associates		9	-
Operating profit/(loss) (EBIT) before special items	1.1	**40**	**(329)**
Special items	1.4	26	(565)
Operating profit/(loss) (EBIT)		**66**	**(894)**
Income from investments in joint ventures and associates		(1)	(1)
Net financial items		(34)	6
Profit/(loss) before tax		**31**	**(889)**
Income tax		(15)	124
Profit/(loss) for the period		**16**	**(765)**
Profit/(loss) is attributable to:			
Owners of Vestas Wind Systems A/S		15	(765)
Non-controlling interests		1	(0)
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic		0.01	(0.76)
Earnings per share for the period (EUR), diluted		0.01	(0.76)

Condensed statement of comprehensive income 1 January - 31 March

mEUR	Q1 2023	Q1 2022
Profit/(loss) for the period	**16**	**(765)**
Items that may be reclassified to the income statement subsequently:		
Exchange rate adjustments relating to foreign entities	(22)	54
Fair value adjustments of derivative financial instruments for the period	73	(69)
Gain/(loss) on derivative financial instruments transferred to the income statement	(51)	(2)
Share of fair value adjustments of derivative financial instruments of joint ventures and associates	(1)	5
Tax on items that may be reclassified to the income statement subsequently	(4)	20
Other comprehensive income after tax for the period	(5)	8
Total comprehensive income for the period	**11**	**(757)**

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed balance sheet – Assets

mEUR	Note	31 March 2023	31 March 2022	31 December 2022
Goodwill		1,509	1,510	1,514
Completed development projects		423	528	448
Software		132	115	115
Other intangible assets		366	424	376
Development projects in progress		636	412	612
Total intangible assets		**3,066**	**2,989**	**3,065**
Land and buildings		397	454	405
Plant and machinery		217	272	206
Other fixtures, fittings, tools and equipment		517	614	553
Right-of-use assets		486	506	438
Property, plant and equipment in progress		159	120	150
Total property, plant and equipment	2.1	**1,776**	**1,966**	**1,752**
Investments in joint ventures and associates		639	615	646
Other investments		93	81	88
Tax receivables		89	229	100
Deferred tax		450	612	497
Other receivables	3.4	245	221	219
Financial investments	3.4	95	98	95
Total other non-current assets		**1,611**	**1,856**	**1,645**
Total non-current assets		**6,453**	**6,811**	**6,462**
Inventories		6,910	6,667	6,373
Trade receivables		1,196	1,364	1,280
Contract assets		1,491	1,217	1,399
Contract costs		819	701	753
Tax receivables		139	106	51
Other receivables	3.4	1,199	1,295	1,221
Financial investments	3.4	-	116	-
Cash and cash equivalents	3.2	1,707	1,801	2,378
Assets held for sale	2.2	-	-	173
Total current assets		**13,461**	**13,267**	**13,628**
Total assets		**19,914**	**20,078**	**20,090**

The above condensed balance sheet should be read in conjunction with the accompanying notes.

Condensed balance sheet – Equity and liabilities

mEUR	Note	31 March 2023	31 March 2022	31 December 2022
Share capital	3.1	27	27	27
Other reserves		(39)	2	15
Retained earnings		3,020	3,855	3,002
Attributable to owners of Vestas		**3,008**	**3,884**	**3,044**
Non-controlling interests		16	15	16
Total equity		**3,024**	**3,899**	**3,060**
Provisions	2.3	1,058	707	944
Deferred tax		150	376	158
Financial debts	3.4	2,701	1,714	2,179
Tax payables		170	326	177
Other liabilities	3.4	58	74	59
Total non-current liabilities		**4,137**	**3,197**	**3,517**
Financial debts	3.4	222	243	248
Contract liabilities		7,216	6,675	6,937
Trade payables		3,503	4,148	4,089
Provisions	2.3	676	838	829
Tax payables		73	48	58
Other liabilities	3.4	1,063	1,030	1,349
Liabilities held for sale	2.2	-	-	3
Total current liabilities		**12,753**	**12,982**	**13,513**
Total liabilities		**16,890**	**16,179**	**17,030**
Total equity and liabilities		**19,914**	**20,078**	**20,090**

The above condensed balance sheet should be read in conjunction with the accompanying notes.

Condensed statement of changes in equity – three months 2023

mEUR	Share capital	Reserves: Transla-tion reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-control-ling interests	Total
Equity as at 1 January 2023	27	10	(1)	6	15	3,002	16	**3,060**
Profit/(loss) for the period	-	-	-	-	-	15	1	16
Other comprehensive income for the period	-	(21)	18	(1)	(4)	-	(1)	(5)
Total comprehensive income for the period	**-**	**(21)**	**18**	**(1)**	**(4)**	**15**	**(0)**	**11**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(50)	-	(50)	-	-	(50)
Transaction with owners:								
Share-based payments	-	-	-	-	-	3	-	3
Tax on equity transactions	-	-	-	-	-	0	-	0
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**
Equity as at 31 March 2023	**27**	**(11)**	**(33)**	**5**	**(39)**	**3,020**	**16**	**3,024**

Condensed statement of changes in equity – three months 2022

mEUR	Share capital	Reserves: Transla-tion reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-control-ling interests	Total
Equity as at 1 January 2022	27	14	16	(8)	22	4,635	13	**4,697**
Impact from change in accounting estimates (IAS 37 amendment)	-	-	-	-	-	(17)	-	(17)
Adjusted equity as at 1 January 2022	**27**	**14**	**16**	**(8)**	**22**	**4,618**	**13**	**4,680**
Profit/(loss) for the period	-	-	-	-	-	(765)	(0)	(765)
Other comprehensive income for the period	-	52	(51)	5	6	-	2	8
Total comprehensive income for the period	**-**	**52**	**(51)**	**5**	**6**	**(765)**	**2**	**(757)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(26)	-	(26)	-	-	(26)
Transaction with owners:								
Share-based payments	-	-	-	-	-	2	-	2
Tax on equity transactions	-	-	-	-	-	(0)	-	(0)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Equity as at 31 March 2022	**27**	**66**	**(61)**	**(3)**	**2**	**3,855**	**15**	**3,899**

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed cash flow statement 1 January - 31 March

mEUR	Note	Q1 2023	Q1 2022
Profit/(loss) for the period		16	(765)
Adjustment for non-cash transactions		248	514
Interest paid / received, net		(1)	(0)
Income tax paid		(15)	(68)
Cash flow from operating activities before change in net working capital		**248**	**(319)**
Change in net working capital		(1,222)	(609)
Cash flow from operating activities		**(974)**	**(928)**
Purchase of intangible assets		(94)	(88)
Purchase of property, plant and equipment		(76)	(107)
Sale of intangible assets		2	-
Disposal of property, plant and equipment		56	2
Dividends from investments in joint ventures and associates		5	-
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(107)**	**(193)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(1,081)**	**(1,121)**
Purchase of shares in joint ventures and associates		-	(2)
Purchase of other non-current financial assets		(3)	-
Disposal of investments in joint ventures and associates		7	-
Net cash flow from deconsolidation of subsidiary		(8)	-
Cash flow from investing activities		**(111)**	**(195)**
Free cash flow		**(1,085)**	**(1,123)**
Payment of lease liabilities		(35)	(36)
Proceeds from borrowings		521	1,042
Payment of financial debt		(50)	(512)
Cash flow from financing activities		**436**	**494**
Net change in cash and cash equivalents		**(649)**	**(629)**
Cash and cash equivalents at the beginning of period		2,378	2,420
Exchange rate adjustments of cash and cash equivalents		(22)	10
Cash and cash equivalents at the end of the period	3.2	**1,707**	**1,801**

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

Notes

1 Result for the period

1.1 Segment information

mEUR	Power Solutions	Service	Not allocated	Total Group
Q1 2023				
Revenue	2,023	806	-	2,829
Sales of technology	147	-	-	147
Income from investments in joint ventures and associates	9	-	-	9
Total income	2,179	806	**-**	**2,985**
Total costs	**(2,233)**	**(623)**	**(89)**	**(2,945)**
Operating profit/(loss) (EBIT) before special items	**(54)**	**183**	**(89)**	**40**
Special items	26			26
Operating profit/(loss) (EBIT)	**(28)**	**183**	**(89)**	**66**
Income from investments in joint ventures and associates			(1)	(1)
Net financial items			(34)	(34)
Profit/(loss) before tax				**31**
Amortisation and depreciation included in total costs	(149)	(33)	(14)	**(196)**

In the first quarter of 2023, an income of EUR 26m was recognised in special items impacting the Power Solutions segment. The income relates to a reversal of a previously recognised write-down of inventories of EUR 34m, partly offset by other costs of EUR 5m, both relating to the adjustment of the manufacturing footprint in India, as well as a net expense of EUR 3m relating to the Russian invasion of Ukraine. For further information, refer to note 1.3.

In the first quarter of 2023, a gain of EUR 154m was recognised relating to the sale of the converters and controls business to KK Wind Solutions impacting the Power Solutions segment. For further information, refer to note 1.4 and 2.2.

mEUR	Power Solutions	Service	Not allocated	Total Group
Q1 2022				
Revenue	1,862	623	-	2,485
Sale of technology	-	-	-	-
Income from investments in joint ventures and associates	-	-	-	-
Total income	**1,862**	**623**	**-**	**2,485**
Total costs	**(2,242)**	**(496)**	**(76)**	**(2,814)**
Operating profit/(loss) (EBIT) before special items	**(380)**	**127**	**(76)**	**(329)**
Special items	(565)			(565)
Operating profit/(loss) (EBIT)	**(945)**	**127**	**(76)**	**(894)**
Income from investments in joint ventures and associates				(1)
Net financial items				6
Profit/(loss) before tax				**(889)**
Amortisation and depreciation included in total costs	(256)	(40)	(13)	**(309)**

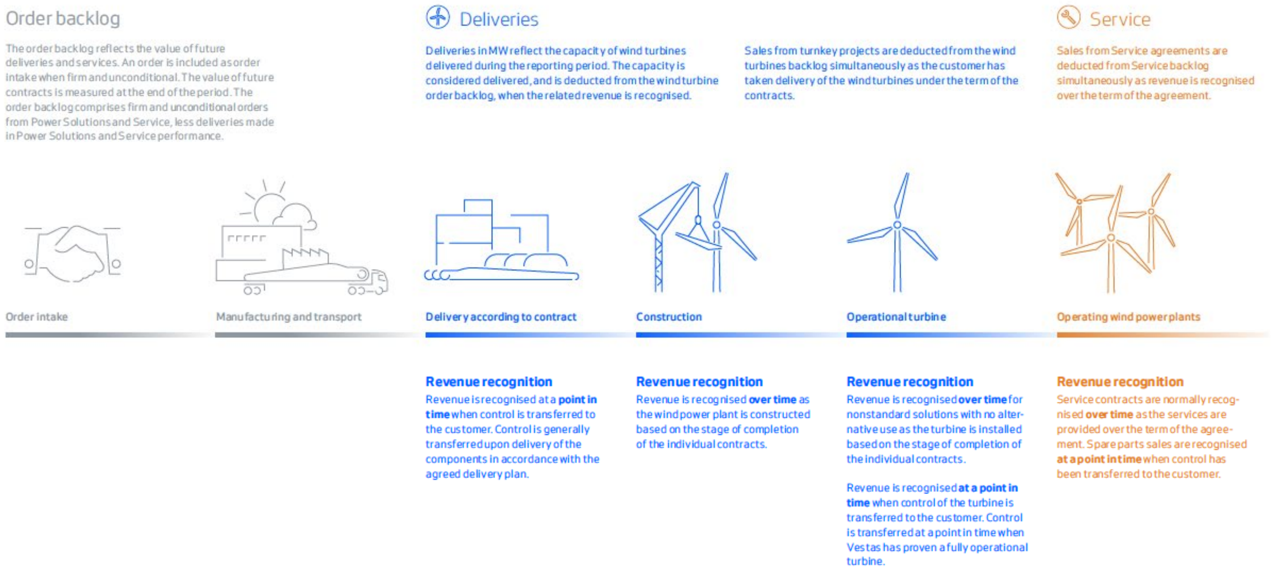
In the first quarter of 2022, Vestas recognised an impairment loss relating to the V164/V174 offshore activity, including technology. Intangible assets of EUR 55m and tangible assets of EUR 28m have been impaired, impacting the Power Solutions segment by EUR 71m and the Service segment by EUR 12m. Additional warranty provisions of EUR 93m was recognised related to the offshore activity.

The change in accounting policy for configuration and customisation cost in cloud computing arrangements had an impact of EUR 7m in the first quarter of 2022; EUR 3m in Power Solutions and EUR 4m in Service.

In the first quarter of 2022, impairment losses, write-downs and other costs of EUR 565m relating to the Russian invasion of Ukraine as well as adjustments to the manufacturing footprint have been recognised in special items, impacting the Power Solutions segment. For additional information, refer to note 1.4.

1.2 Revenue

The illustration below shows the process from order intake to revenue recognition in Vestas.



Disaggregation of revenue

In the following section, revenue is disaggregated for the two reportable segments, by primary geographical market, major contract types, and timing of revenue recognition.

mEUR	Power Solutions		Service		Total	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Timing of revenue recognition						
Products and services transferred at a point in time	1,216	1,082	102	80	1,318	1,162
Products and services transferred over time	807	780	704	543	1,511	1,323
	2,023	1,862	806	623	2,829	2,485
Revenue from contract types						
Supply-only	277	327	-	-	277	327
Supply-and-installation (at a point in time)	938	755	-	-	938	755
Supply-and-installation (over time)	634	559	-	-	634	559
Turnkey (EPC)	174	221	-	-	174	221
Service	-	-	806	623	806	623
	2,023	1,862	806	623	2,829	2,485
Primary geographical markets						
EMEA	1,116	1,030	403	313	1,519	1,343
Americas	643	603	334	247	977	850
Asia Pacific	264	229	69	63	333	292
	2,023	1,862	806	623	2,829	2,485

1.3 Sale of technology

Sale of technology includes consideration received of EUR 147m relating to a perpetual manufacturing license granted to KK Wind Solutions under the agreement for the sale of the converters and controls business. For further details on the transaction, refer to note 2.2.

Basis for recognition

Income relating to the perpetual manufacturing license granted to KK Wind Solutions is measured based on an allocation of the total consideration specified in the contract. The total consideration is allocated to the individual performance obligations in the contract based on stand-alone selling prices and is presented in the income statement according to the nature of the performance obligations. The consideration is recognised at closing as Vestas has no future performance obligations in respect of the manufacturing license.

1.4 Special items

Russian invasion of Ukraine

In April 2022, Vestas announced that Vestas would withdraw from the Russian market. Since the announcement, Vestas has continued certain activities to wind down operations and end contractual relationships. Furthermore, Vestas' activities in Ukraine was put on hold. On 31 January 2023, Vestas exited Russia by putting a full stop to all remaining corporate activities in Russia, including terminating remaining employees and leaving stranded assets idle. From this date, Vestas deconsolidated its Russian entities.

In the first quarter of 2023, a net expense of EUR 3m was recognised in special items, including a gain of EUR 2m from the deconsolidation.

Basis for recognition

The entities in Russia are deconsolidated as Vestas, following the exit from Russia, no longer controls the entities. As a result, the assets, liabilities and the share of the accumulated exchange rate adjustments recognised in other comprehensive income, are recognised in special items.

Adjusting manufacturing footprint

In the first quarter of 2023, an income of EUR 29m was recognised in special items relating to the adjustment of the manufacturing footprint in India, including a reversal of a previously recognised write-down of inventories of EUR 34m, partly offset by other costs of EUR 5m.

Basis for recognition

The reversal of write-down of inventories relates to blades sold that were previously expected to be scrapped. Other costs primarily related to purchase commitments towards suppliers and costs of closing the factory.

mEUR	31 March 2023	31 March 2022	31 December 2022
Write-down of inventory	33	(271)	(260)
Provisions	(1)	(160)	(87)
Impairment loss on intangible and tangible assets	-	(123)	(69)
Other costs	(7)	(20)	(23)
Staff costs	(1)	9	(5)
Derecognition of net assets in Russia	2	-	-
Special items	**26**	**(565)**	**(444)**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first quarter of 2023, Vestas acquired assets with a cost of EUR 76m mainly related to manufacturing blade moulds, acquisition of land, transport equipment and construction tools, compared to EUR 107m in the first quarter of 2022.

Lease contracts recognised as right-of-use assets during the first quarter of 2023 amounted to EUR 72m, compared to EUR 28m in the first quarter of 2022.

2.2 Assets held for sale

On 9 August 2022, Vestas signed an agreement for the sale of the converters and controls business to KK Wind Solutions and consequently, the converters and controls business was classified as held for sale as at 31 December 2022. On 28

February 2023, the transaction closed and a total gain of EUR 154m was recognised, hereof EUR 147m recognised in sale of technology and EUR 7m recognised in production costs.

2.3 Warranty provisions (included in provisions)

mEUR	31 March 2023	31 March 2022	31 December 2022
Warranty provisions, 1 January	1,490	1,197	1,197
Provisions for the period	119	212	926
Warranty provisions consumed during the period	(129)	(154)	(633)
Warranty provisions	**1,480**	**1,255**	**1,490**
The provisions are expected to be payable as follows:			
< 1 year	597	580	725
> 1 year	883	675	765
	1,480	**1,255**	**1,490**

During the first quarter of 2023, net warranty provisions charged to the income statement amounted to EUR 113m (EUR 195m in the first quarter of 2022), equivalent to 4.0 percent of revenue. The net amount consists of a gross warranty provision of EUR 119m less supplier claims of EUR 6m. Warranty consumption amounted to EUR 129m compared to EUR 154m in the first quarter of 2022.

In general, provisions are made for all expected costs associated with wind turbine repairs or replacements, and any reimbursement from other involved parties is not offset unless a written agreement has been made to that effect. Provisions are made to cover possible costs of remedy and other costs in accordance with specific agreements. The provisions are based on estimates, and actual costs may deviate substantially from such estimates.

3 Capital structure and financing items

3.1 Share capital

Pursuant to authorisation granted to the Board of Directors at the Annual General Meeting 12 April 2023, the Board of Directors was authorised to acquire treasury shares on behalf of Vestas at a nominal value not exceeding 10 percent of the share capital at the time of authorisation.

Treasury shares

Nominal value (DKK)	31 March 2023	31 March 2022	31 December 2022
Treasury shares as at 1 January	737,940	944,632	944,632
Vested treasury shares for the period	-	-	(206,692)
Treasury shares	**737,940**	**944,632**	**737,940**

Each share has a nominal value of DKK 0.20.

3.2 Cash and cash equivalents

mEUR	31 March 2023	31 March 2022	31 December 2022
Cash and cash equivalents without disposal restrictions	1,678	1,775	2,352
Cash and cash equivalents with disposal restrictions	29	26	26
Cash and cash equivalents	**1,707**	**1,801**	**2,378**

3.3 Financial risks

Financial risks, and how Vestas manages its risks, including liquidity, credit and market risks, are addressed in the notes to the consolidated financial statements in the Annual Report 2022, note 4.1 (Financial risk management), pages 105-108. The risks in 2023 remain similar in nature.

On 8 March 2023, Vestas issued a EUR 500m sustainability-linked bond to secure mid-term funding. The bond will mature in 2026 and its interest rate is linked tocertain sustainability KPIs.

On 16 March, Vestas signed a EUR 750m revolving credit facility with six banks. The facility will mature in 2024. Subsequently to the establishment, Vestas has committed credit facilities of EUR 2,750m and uncommitted credit facilities of EUR 400m. As at 31 March 2023, EUR 771m of the committed credit facilities was converted into ancillary bank guarantee issuance facilities leaving EUR 2,379m available for cash drawing and/or issuance of guarantees.

3.4 Financial instruments

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. As at 31 March 2023, the fair value of financial investments comprising marketable securities amounted to EUR 95m, equal to book value.

Derivative financial instruments were negative with a market value of net EUR 30m, equal to book value, and were recognised in other receivables and other liabilities with EUR 349m and EUR 379m, respectively.

As at 31 March 2023, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 1,488m and the fair value amounted to EUR 1,343m.

Financial instruments measured at fair value have been categorised into level 1, 2, and 3 as addressed in the Annual Report 2022, note 4.3, page 112. Other than the EUR 500m sustainability-linked bond and the EUR 750m revolving credit facility described above, no significant new financial instruments have been recognised compared to 2022 and there have been no transfers between fair value levels.

Financial instrument assets categorised within level 3 comprise other equity investments and renewable energy certificates. Valuation methods remain unchanged from the description in the Annual Report 2022 and with no significant changes in fair values.

4 Other disclosures

4.1 Related party transactions

Vestas has had the following material transactions with joint ventures and associates:

mEUR	Q1 2023	Q1 2022
Joint ventures		
Revenue for the period	125	81
Proceeds from investments in joint ventures	5	-
Capital increase	1	-
Other assets as at 31 March	4	-
Trade receivable as at 31 March	11	91
Prepayments balance as at 31 March (asset)	-	26
Associates		
Revenue for the period	2	16
Proceeds from investments in associates	0	0
Capital increase	4	3
Other assets as at 31 March	8	-
Contract liabilities as at 31 March	4	-
Payable capital contribution as at 31 March	8	48

No other significant changes have occurred with related parties or types and scale of transactions with these parties other than what is disclosed in the consolidated financial statements in the Annual Report 2022, note 6.3, page 119.

4.2 Subsequent events

Other than the events recognised or disclosed in the Interim Financial Report, no events have occurred subsequent to 31 March 2023, which could have a significant impact on the report.

5 Basis for preparation

5.1 General accounting policies

The interim financial report of Vestas comprises a summary of the consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries.

The interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, accounting policies set out in the Annual Report 2022 of Vestas and additional Danish disclosure requirements for interim financial reporting of listed companies.

The accounting policies remain unchanged compared to the annual report for 2022, to which reference is made.

This interim financial report includes selected notes. Accordingly, this report should be read in conjunction with the annual report for 2022 and any public announcements made during the interim reporting period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected annual profit or loss.

5.2 Implementation of new and amended standards

The following new and amended accounting standards have been implemented as of 1 January 2023:

- Insurance contracts – amended IFRS 17
- Definition of accounting estimates – amendments to IAS 8
- Disclosure of accounting policies – amendments to IAS 1
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12

Vestas did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and amended standards.

5.3 Presentation of investments in joint ventures and associates presented in and after EBIT

From 1 January 2023, Vestas presents income/(loss) from investments in joint ventures and associates which are deemed to pertain to Vestas' core business activities in EBIT before special items. The profit/(loss) from investments in joint ventures and associates is not included in EBIT before special items when deemed outside Vestas' core business activities (cf. table 1.1). The changed presentation is due to an expected significant increase in income from investments in joint ventures and associates related to Development activities, as set out in note 3.5 in the Annual Report 2022.

Management's statement

The Executive Management and the Board of Directors have today discussed and approved the interim financial report of Vestas Wind Systems A/S for the period 1 January to 31 March 2023.

The interim financial report has been prepared in accordance with IAS 34 on interim financial reporting as adopted by the EU, accounting policies set out in the Vestas Annual Report 2022 and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion the accounting policies used are appropriate and the interim financial report gives a true and fair view of Vestas' assets, liabilities, and financial position as at 31 March 2023 and of the results of Vestas' operations and cash flows for the period 1 January to 31 March 2023.

Further, in our opinion the management report gives a true and fair review of the development in Vestas' operations and financial matters, the results of Vestas' operations for the period and Vestas' financial position as a whole and describes the significant risks and uncertainties pertaining to Vestas.

Besides what has been disclosed in the Interim Financial Report, no changes in Vestas' most significant risks and uncertainties have occurred relative to what was disclosed in the Annual Report 2022.

Aarhus, Denmark, 10 May 2023

Executive Management

Henrik Andersen
Group President & CEO

Hans Martin Smith
Executive Vice President & CFO

Board of Directors

Anders Runevad
Chair

Karl-Henrik Sundström
Deputy Chair

Lena Olving

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Kentaro Hosomi

Michael Abildgaard Lisbjerg*)

Sussie Dvinge*)

Pia Kirk Jensen*)

Claus Skov Christensen*)

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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 2022 (available at 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.