Vestas®

Company Announcement No.12/2023

Interim Financial Report
Second 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 9 August 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 3.4bn with an EBIT margin before special items of (2.0) percent. Continued strong wind turbine backlog of EUR 20.0bn. Full-year guidance maintained.

In the second quarter of 2023, Vestas generated revenue of EUR 3,429m – an increase of 3.8 percent compared to the year-earlier period. EBIT before special items amounted to EUR (70)m, resulting in an EBIT margin before special items of (2.0) percent, compared to (5.5) percent in the second quarter of 2022.

Free cash flow[1)] amounted to EUR (140)m compared to EUR (362)m in the second quarter of 2022.

The quarterly intake of firm and unconditional wind turbine orders amounted to 2,333 MW, an 8 percent increase from second quarter 2022. The Onshore average price per MW (ASP) was EUR 0.97m. The value of the wind turbine order backlog was EUR 20.0bn as at 30 June 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 31.6bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 51.6bn – an increase of EUR 3.7bn compared to the year-earlier period.

Vestas maintains the full-year guidance. We expect revenue of EUR 14.0bn-15.5bn, however, Service is now expected to grow around 10 percent (previously 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 continued to improve underlying performance in the second quarter of 2023, and based on the first half of the year, we remain on track to achieve our financial outlook for 2023. In the second quarter, our revenue was EUR 3.4bn, a 4 percent increase year-on-year, which was secured by higher value of turbine deliveries and strong growth in our Service business. In line with expectations and the continued execution of older projects with lower margins in our backlog, we achieved an EBIT margin of minus 2 percent. We received 2.3 GW of orders with an average selling price on our onshore solutions that returned to EUR 0.97m/MW. The first half of the year unfortunately also highlighted that permitting and regulatory uncertainty remain a key challenge to speed up the energy transition, and although supply chain disruptions are easing off, we expect disruptions to continue throughout the second half of the year. Vestas remains fully focused on becoming profitable and improve industry maturity and discipline to ensure the operational efficiency, quality, and scalability the energy transition requires. The global business environment is expected to remain challenging for the rest of 2023, and we want to thank our customers, partners, and 29,000 colleagues for their continued support and engagement in making Vestas and the industry profitable.*"

Key highlights

Order intake of 2.3 GW
Wind turbines orders in GW grew by 8 percent YoY with an Onshore ASP of EUR 0.97m/MW.

Revenue of EUR 3.4bn
Growth of 4 percent YoY driven by 29 percent Service growth, higher average pricing on deliveries, partly offset by lower volume.

EBIT margin of negative 2 percent
Profitability improving due to a strong Service business and increased pricing as we execute the backlog.

Vestas continues to drive industry discipline and maturity
Stronger operational and commercial discipline across the industry imperative to ensure value capture and quality.

Outlook maintained
On track to deliver on the outlook for 2023 with higher Service growth.

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

Financial and operational key figures

mEUR	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Financial key figures					
Income statement					
Revenue	3,429	3,305	6,258	5,790	14,486
Gross profit	221	97	409	119	118
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	132	41	368	(21)	(63)
Operating profit/(loss) (EBIT) before special items	(70)	(182)	(30)	(511)	(1,152)
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	134	42	396	(420)	(437)
Operating profit/(loss) (EBIT)	(68)	(147)	(2)	(1,041)	(1,596)
Net operating profit after tax (NOPAT)	(60)	(125)	(2)	(894)	(1,071)
Net financial items	(58)	(6)	(92)	0	(110)
Profit/(loss) before tax	(130)	(139)	(99)	(1,028)	(1,696)
Profit/(loss) for the period	(115)	(119)	(99)	(884)	(1,572)
Balance sheet					
Balance sheet total	20,333	20,458	20,333	20,458	20,090
Equity	2,849	3,658	2,849	3,658	3,060
Investments in property, plant, and equipment	95	75	171	182	371
Net working capital	(171)	(488)	(171)	(488)	(1,349)
Capital employed	5,768	5,635	5,768	5,635	5,487
Interest-bearing position (net), end of the period	(1,283)	(415)	(1,283)	(415)	46
Interest-bearing debt, at the end of the period	2,883	1,977	2,883	1,977	2,427
Cash flow statement					
Cash flow from operating activities	48	(188)	(926)	(1,116)	(195)
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(188)	(174)	(295)	(367)	(758)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(140)	(362)	(1,221)	(1,483)	(953)
Free cash flow	(110)	(381)	(1,195)	(1,504)	(874)
Financial ratios[1]					
Financial ratios					
Gross margin (%)	6.4	2.9	6.5	2.1	0.8
EBITDA margin (%) before special items	3.8	1.2	5.9	0.4	(0.4)
EBIT margin (%) before special items	(2.0)	(5.5)	(0.5)	(8.8)	(8.0)
EBITDA margin (%)	3.9	1.3	6.3	(7.3)	(1.2)
EBIT margin (%)	(2.0)	(4.4)	(0.0)	(18.0)	(11.0)
Return on capital employed (ROCE)[2] (%) before special items	(10.8)	(2.9)	(10.8)	(2.9)	(18.5)
Net interest-bearing debt / EBITDA[2] before special items	4.5	0.5	4.5	0.5	N/A
Solvency ratio (%)	14.0	17.9	14.0	17.9	15.2
Return on equity[2] (%)	(24.3)	(17.8)	(24.3)	(17.8)	(43.9)
Share ratios					
Earnings per share[3] (EUR)	(0.8)	(0.8)	(0.8)	(0.8)	(1.6)
Dividend per share (EUR)	-	-	-	-	-
Pay-out ratio (%)	-	-	-	-	-
Share price at the end of the period (EUR)	24.4	20.2	24.4	20.2	27.2
Number of shares at the end of the period (million)	1,010	1,010	1,010	1,010	1,010
Operational key figures					
Order intake (bnEUR)	2.5	2.1	5.4	5.1	11.9
Order intake (MW)	2,333	2,153	5,636	5,101	11,189
Order backlog – wind turbines (bnEUR)	20.0	18.9	20.0	18.9	19.1
Order backlog – wind turbines (MW)	20,096	20,945	20,096	20,945	19,623
Order backlog – service (bnEUR)	31.6	29.0[4]	31.6	29.0[4]	30.4
Produced and shipped wind turbines (MW)	3,656	3,758	6,639	7,727	13,106
Produced and shipped wind turbines (number)	782	947	1,386	1,898	3,126
Deliveries (MW)	2,831	3,140	5,148	5,376	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.
4) The number disclosed in the Interim Financial Report, Q2 2022 for the Service order backlog has been corrected from EUR 31.3bn to EUR 29.0bn.

Sustainability key figures

	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Environmental					
Utilisation of resources					
Consumption of energy (GWh)	182	162	345	331	641
- of which renewable energy (GWh)	43	62	99	121	231
- of which renewable electricity (GWh)	38	52	80	101	187
Renewable energy (%)	24	38	29	37	36
Renewable electricity for own activities (%)	100	100	100	100	100
Withdrawal of fresh water (1,000 m^3)	73	80	131	161	341
Waste					
Volume of waste from own operations (1,000 t)	10	12	23	26	47
- of which collected for recycling (1,000 t)	7	6	16[1]	13	26
Recyclability rate of hub and blade[2] (%)	//	//	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	0.8	1.7	1.1	1.7	1.6
Carbon emissions adjusted for acquisitions and divestments					
Direct emissions of CO_2e (scope 1) (1,000 t)	35	24	58	48	98
Indirect emissions of CO_2e (scope 2) (1,000 t)	0.1	0.2	1	1	2
Indirect emissions of CO_2e from the supply chain (scope 3)[2] (million t)	//	//	//	//	8.18
Indirect emissions of CO_2e from the supply chain (scope 3)[2] (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)	114	105	207	223	408
Annual CO_2e avoided by the total aggregated installed fleet (million t)	226	221	226	221	219
Social					
Safety					
Total Recordable Injuries (number)	73	50	117[3]	97	200
- of which Lost Time Injuries (number)	26	20	45	42	73
- of which fatal injuries(number)	0	0	1	0	0
Total Recordable Injuries per million working hours (TRIR)[4]	4.3	3.1	3.5	3.1	3.3
Lost Time Injuries per million working hours (LTIR)[4]	1.5	1.2	1.4	1.3	1.2
Employees					
Average number of employees (FTEs)	29,000	29,004	28,859	29,165	28,779
Employees at the end of the period (FTEs)	29,197	28,729	29,197	28,729	28,438
Diversity and inclusion					
Women in the Board and Executive Management at the end of the period (%)	27	27	27	27	25
Women in leadership positions at the end of the period (%)	23	22	23	22	23
Human rights[2]					
Community grievances (number)	//	//	//	//	13
Community beneficiaries (number)	//	//	//	//	7,572
Social Due Diligence on projects in scope (%)	//	//	//	//	65
Governance					
Whistle-blower system[2]					
EthicsLine compliance cases (number)	//	//	//	//	539
- of which substantiated	//	//	//	//	137[5]
- of which unsubstantiated	//	//	//	//	358[5]

For general definitions and specifications on these sustainability key figures, see the Notes to sustainability key figures in the Annual Report 2022, pages 151-152.
1) The reported recycled waste in first quarter 2023 has been corrected from 7,000 tonnes to 9,000 tonnes.
2) Data only reported on an annual basis.
3) The reported number of Total Recordable Injuries in first quarter 2023 has been corrected from 42 to 44.
4) For the remainder of 2023, due to the new methodology for calculating working hours requiring time to mature, Vestas will report LTIR and TRIR according to the methodology used before first quarter 2023. Comparable numbers for Q1 2023 would be: TRIR: 2.7 and LTIR: 1.2. See also page 12 for more information.
5) 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

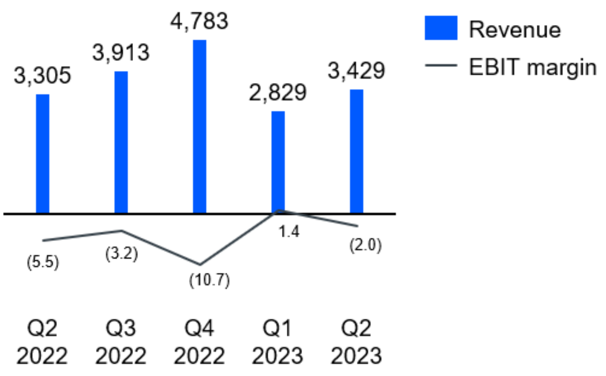
Income statement

Revenue

Revenue in the second quarter of 2023 amounted to EUR 3,429m (Q2 2022: EUR 3,305m), an increase of 3.8 percent year-on-year, mainly driven by increasing service activity and higher value of turbine deliveries, partly offset by lower MW delivered. Revenue for the second quarter of 2023 reflected a negative impact of EUR 142m from foreign exchange rates compared to 2022.

For the first half of the year, revenue amounted to EUR 6,258m (H1 2022: EUR 5,790m), an increase of 8.1 percent mainly driven by increasing service activity and higher value of turbine deliveries, partly offset by lower MW delivered. Revenue for the first half of 2023 reflected a negative impact of EUR 187m from foreign exchange rates compared to 2022.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 221m in the second quarter of 2023, corresponding to a gross margin of 6.4 percent (Q2 2022: EUR 97m; 2.9 percent), which is a 3.5 percentage point increase compared to the second quarter of 2022. The increase was attributable to the Power Solutions segment and increased pricing together with easing of supply chain disruptions as well as increased activity in the Service segment.

Gross profit in the first half of 2023 amounted to EUR 409m equal to a margin of 6.5 percent of revenue (H1 2022: EUR 119m; 2.1 percent). The increase was attributable to increased revenue and margins in both segments. In addition, gross profit in the first half of 2023 reflects lower warranty costs as well as lower depreciations, amortisations and impairments of offshore assets due to impairment of the V164/V174 offshore technology and related assets recognised in 2022.

Warranty costs

Warranty costs amounted to EUR 171m in the second quarter of 2023 (Q2 2022: EUR 123m). The warranty cost is equivalent to a warranty ratio of 5.0 percent, 1.3 percentage point above last year (Q2 2022: 3.7 percent).

For the first half of 2023, warranty costs amounted to 4.5 percent of revenue compared to 5.5 percent in the first half of 2022.

Research and development costs, Distribution costs and Administration costs

Research and development costs recognised in the income statement amounted to EUR 82m for the second quarter of 2023, on the same level as last year (Q2 2022: EUR 83m).

Distribution costs amounted to EUR 111m in the second quarter of 2023, also on the same level as last year (Q2 2022: EUR 107m).

Administration costs amounted to EUR 114m in the second quarter of 2023 (Q2 2022: EUR 89m). The increase was driven by additional IT and employee-related costs.

Depreciation, amortisation, and impairment

In the second quarter of 2023, overall depreciation, amortisation, and impairment before special items amounted to EUR 202m (Q2 2022: EUR 223m). The decrease was mainly attributable to lower depreciation in the offshore area due to the impairment losses recognised on the V164/V174 offshore technology and related assets in 2022.

Sale of technology

Sale of technology includes consideration received in the first half of 2023 of EUR 147m relating to a perpetual manufacturing license granted to KK Wind Solutions under the agreement of the sale of the converters & 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 16m in the second quarter of 2023.

Operating profit (EBIT) before special items

EBIT before special items amounted to negative EUR 70m in the second quarter of 2023, equivalent to an EBIT margin of negative 2.0 percent (Q2 2022: negative EUR 182m; negative 5.5 percent).

For the first half of 2023, EBIT before special items amounted to negative EUR 30m, equal to an EBIT margin of negative 0.5 percent (H1 2022: negative EUR 511m; negative 8.8 percent). The improvement was driven by the sale of the converter & controls business, increased gross margin and higher fixed cost absorption from higher activity levels. Furthermore, the first quarter of 2022 was impacted by additional warranty provision and impairment of offshore technology and related assets.

Operating profit (EBIT) after special items

In the second quarter of 2023, EBIT after special items amounted to negative EUR 68m (Q2 2022: negative EUR 147m).

EBIT after special items in the first half of 2023 amounted to negative EUR 2m, equivalent to an EBIT margin after special items of 0 percent (H1 2022: negative EUR 1,041m; negative 18.0 percent). This reflects special items income of EUR 28m, mainly related to a reversal of previously recognised write-downs of inventories related manufacturing footprint adjustments in India and China.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a loss of EUR 4m in the second quarter of 2023 (Q2 2022: income of EUR 14m). The second quarter of 2022 was positively impacted by income from Vestas' investment in Copenhagen Infrastructure Partners.

Net financial items

Financial items amounted to a net loss of EUR 58m in the second quarter of 2023 (Q2 2022: loss of EUR 6m) and a net loss of EUR 92m for the first half of 2023 (H1 2022: EUR 0m). Financial items are primarily driven by increasing exchange rate losses in countries with high inflation in South America and the Middle East as well as higher level of interest expenses from increasing financial debt and interest levels.

Income tax

Income tax amounted to an income of EUR 15m in the second quarter of 2023, and in the first half of the year the income tax amounted to EUR 0m (effective tax rate of 0 percent), compared to 14 percent in the first half of 2022.

Net result for the period

Net result amounted to a loss of EUR 115m in the second quarter of 2023 (Q2 2022: loss of EUR 119m). The net result for the first half of 2023 amounted to a loss of EUR 99m (H1 2022: loss of EUR 884). The net result in the first half of 2022 was significantly impacted by special items recognised in the first half 2022 related to Russia's invasion of Ukraine as well as the manufacturing footprint adjustment in India and China.

Financial ratios

Earnings per share calculated over a 12-month period amounted to negative EUR 0.8 in the second quarter of 2023 and on the same level as last year (Q2 2022: negative EUR 0.8).

Return on capital employed (ROCE) before special items calculated over a 12-month period was negative 10.8 percent in the second quarter of 2023 (Q2 2022: negative 2.9 percent), a decline compared to 2022 driven by the lower earnings.

Return on equity calculated over a 12-month period was negative 24.3 percent in the second quarter of 2023 (Q2 2022: negative 17.8 percent), a decrease of 6.5 percentage points attributable to the lower net results compared to last year.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 171m as at 30 June 2023 (30 June 2022: a net liability of EUR 488m). Compared to 2022 the development reflects decreasing supplier payables compared to the end of the second quarter of 2022, while an increase in contract assets was offset by an increase in contract liabilities.

Cash flow from operating activities

Cash flow from operating activities was EUR 48m in the second quarter of 2023 (Q2 2022: negative EUR 188m) and negative EUR 926m in the first half of 2023 (H1 2022: negative 1,116m). The improved cash flow compared to 2022 was driven by better performance in the period and lower outflows related to warranty consumption and net working capital.

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 188m in the second quarter of 2023 (Q2 2022: net outflow of EUR 174m) and a net outflow of EUR 295m in the first half of 2023 (H1 2022: net outflow of EUR 367m). The increase on a quarterly basis primarily reflects an increase in investments in offshore activities. The lower net investment in the first half of 2023 includes positive cash flows from disposal of property, plant and equipment related to the converters and controls business.

Free cash flow

Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 140m in the second quarter of 2023 (Q2 2022: negative EUR 362m) and negative EUR 1,221m in the first half of 2023 (H1 2022: negative EUR 1,483m). The positive development year over year was mainly driven by an improved cash flow from operating activities.

Capital structure and financing items

Equity and solvency ratio

As at 30 June 2023, total equity amounted to EUR 2,849m (30 June 2022: EUR 3,658m). The decrease compared to second quarter of 2022 was mainly attributable to the negative net profit in the last half year of 2022 also causing the solvency ratio to drop 3.9 percentage points to 14.0 percent as at 30 June 2023.

Net interest-bearing debt and cash position

As at 30 June 2023, net interest-bearing debt amounted to EUR 1,283m (30 June 2022: EUR 415m). This development compared to 2022 was a result of negative free cash flow in the last 12 months.

Cash and cash equivalents amounted to EUR 1,504m as at 30 June 2023, compared to EUR 1,350m at the end of the second quarter of 2022.

The ratio net interest-bearing debt/EBITDA was 4.5 as at 30 June 2023, compared to 0.5 at the end of the second quarter of 2022. The ratio was impacted by increased financial debt and lower EBITDA in the 12-month period.

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. In April 2023, the one-year extension option related to the EUR 2bn revolving credit facility was exercised and approved by all lenders. Maturity on this facility is now 2028. As at 30 June 2023, Vestas had EUR 2.5bn of undrawn credit facilities.

Power Solutions

Result for the period

In the second quarter of 2023, revenue from the Power Solutions segment amounted to EUR 2,525m (Q2 2022: EUR 2,605m), which corresponds to a 3.1 percent decrease compared to the second quarter of 2022. The decline reflects lower MW delivered, partly offset by higher value of turbine deliveries. Revenue for the second quarter of 2023 reflects a negative impact of EUR 101m from foreign exchange rates compared to 2022.

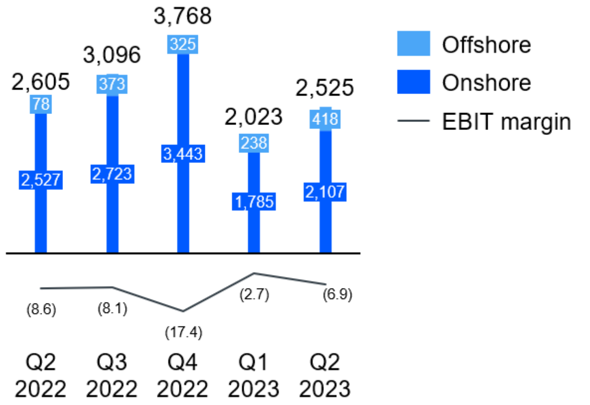
In the first half of 2023, revenue in the Power Solutions segment amounted to EUR 4,548m, an increase of 1.8 percent compared to the same period last year (H1 2022: EUR 4,467m). The first half of the year reflected a negative impact of EUR 135m from foreign exchange rates compared to 2022.

EBIT before special items amounted to negative EUR 175m in the second quarter of 2023, equal to an EBIT margin of negative 6.9 percent (Q2 2022: negative EUR 225m; negative 8.6 percent). The positive development in the EBIT margin was primarily attributable improved project pricing and easing of supply chain disruptions.

In the first half of 2023, EBIT before special items amounted to negative EUR 229m, equal to an EBIT margin before special items of negative 5.0 percent, an improvement of 8.5 percentage point compared to same period last year (H1 2022: negative EUR 605m, negative 13.5 percent). The positive development in the EBIT margin was primarily attributable to the sale of the converters and controls business, increased revenue, improved margins from pricing as well as 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 second quarter of 2023, wind turbine order intake amounted to 2,333 MW, corresponding to a value of EUR 2.5bn (Q2 2022: 2,153 MW; EUR 2.1bn). This represents an increase of 8 percent in MW order intake compared to the second quarter of 2022.

The Onshore average price per MW was EUR 0.97m in the second quarter of 2023 compared to EUR 0.96m in the second quarter of 2022. The average price per MW including Offshore was EUR 1.04m in the second quarter of 2023 compared to EUR 0.97m in the second quarter of 2022.

Wind turbine order intake, second quarter 2023

MW

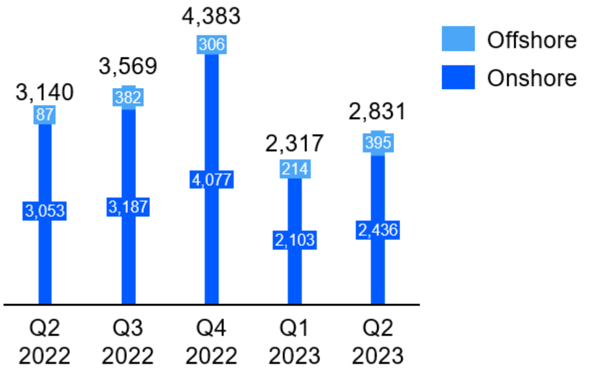
	EMEA	Americas	Asia Pacific	Total
Onshore order intake	1,285	756	54	**2,095**
Offshore order intake	-	-	238	**238**
Total order intake	1,285	756	292	**2,333**

Wind turbine deliveries

Deliveries to customers amounted to 2,831 MW in the second quarter of 2023 (Q2 2022: 3,140 MW). Offshore deliveries increased from 87 MW in the second quarter of 2022 to 395 MW in the second quarter of 2023.

Deliveries

MW



By the end of June 2023, Vestas had installed a total capacity of 170 GW in 88 countries.

Deliveries (onshore and offshore)
MW

	Q2 2023	Q2 2022	FY 2022
United Kingdom	564	70	790
Germany	386	251	818
France	136	226	1,002
Poland	84	322	957
Finland	73	426	1,185
Netherlands	73	23	578
Greece	67	12	215
Italy	66	104	256
Austria	44	24	213
Egypt	34	12	82
Portugal	34	5	46
Sweden	17	108	480
Belgium	12	54	123
Spain	7	48	156
Denmark	3	4	95
Czech Republic	2	-	-
Faroe Islands	-	-	14
Ireland	-	14	178
Latvia	-	42	59
Russian Fed.	-	-	13
Turkey	-	54	89
South Africa	-	4	4
Ukraine	-	-	114
EMEA	**1,602**	**1,803**	**7,467**
o/w Offshore	*318*	*60*	*700*
Brazil	407	437	1,528
USA	307	394	2,275
Argentina	112	-	80
Canada	110	-	325
Chile	18	41	128
Dominican Rep.	7	-	29
Colombia	4	45	142
Puerto Rico	-	-	6
Mexico	-	-	7
Americas	**965**	**917**	**4,520**
o/w Offshore	*-*	*-*	*-*
Australia	123	86	376
Taiwan	72	51	126
Japan	43	117	399
New Zealand	15	4	22
South Korea	5	6	23
China	3	7	54
Vietnam	3	53	179
India	1	93	162
Sri Lanka	(1)	3	-
Asia Pacific	**264**	**420**	**1,341**
o/w Offshore	*77*	*27*	*188*
Total	**2,831**	**3,140**	**13,328**
o/w Offshore	*395*	*87*	*888*

Wind turbine order backlog

At the end of the second quarter of 2023, the wind turbine order backlog amounted to 20,096 MW, which corresponds to a value of EUR 20.0bn, of which EUR 2.4bn relates to Offshore wind power projects.

Order backlog per region
MW

	EMEA	Ameri-cas	Asia Pacific	Total
Onshore order backlog	7,878	8,067	2,314	**18,259**
Offshore order backlog	584	-	1,253	**1,837**
Total backlog as at 30 June 2023	8,462	8,067	3,567	**20,096**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa decreased 19.1 percent from the end of the second quarter of 2022 to 8,462 MW at the end of the second quarter 2023. The decrease was driven by higher deliveries than order intake in Northern Europe and in Offshore during the last half of 2022 and beginning of 2023.

Americas

The total order backlog for Americas at the end of the second quarter 2023 of 8,067 MW corresponds to an increase of 11.5 percent compared to the end of second quarter 2022. The increase was largely driven by high order intake in Brazil and Argentina during 2023.

Asia Pacific

The total order backlog for Asia Pacific amounted to 3,567 MW at the end of the second quarter 2023, an increase of 10 percent from the end of second quarter 2022.

Development business

At the end of second quarter of 2023, Vestas' pipeline of development projects amounted to 30.5 GW with Australia, the USA, and Brazil being the countries with the largest pipeline.

During the first half of the year, Vestas secured 1.3 GW of new pipeline projects.

The order intake generated in the second quarter of 2023 from projects developed by Vestas amounted to 168 MW, comprising projects in the USA and Brazil.

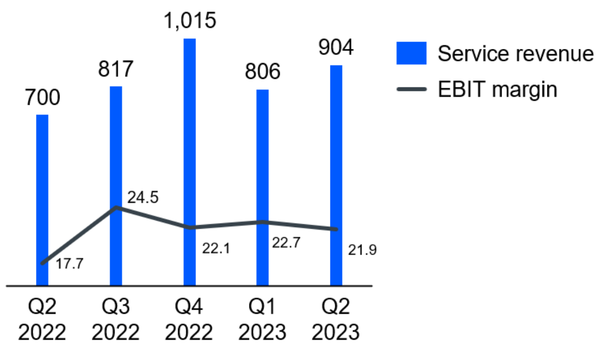
Service

Result for the period

The Service segment generated revenue of EUR 904m in the second quarter of 2023 (Q2 2022: EUR 700m), which corresponds to a 29.1 percent increase compared to the second quarter of 2022. The quarter was positively impacted by higher contract activity and indexation adjustments of the contracts. Albeit still at a high level, transactional sales were slightly down compared to the second quarter 2022 for the first time in several quarters. Foreign exchange rates had EUR 40m negative effect on revenue growth.

In the first half of 2023, revenue from the Service segment amounted to EUR 1,710m (H1 2022: EUR 1,323m), a 29.3 percent increase compared to first half of 2022.

Service revenue and EBIT margin before special items
mEUR and percentage



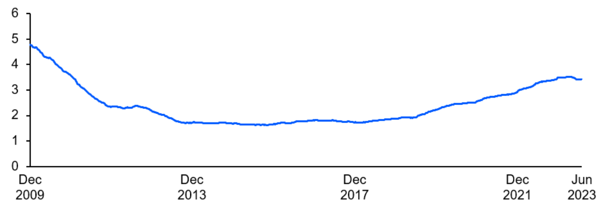
EBIT before special items amounted to EUR 198m in the second quarter of 2023, corresponding to an EBIT margin of 21.9 percent which is a 4.2 percentage point increase compared to the same period last year (Q2 2022: EUR 124m; 17.7 percent). The second quarter of 2022 was negatively impacted by lower profitability on certain projects in the USA and Africa. In addition, the quarter was positively impacted by higher activity.

In the first half of 2023, EBIT before special items amounted to EUR 381m with an EBIT margin of 22.3 percent, a 3.3 percent point increase compared to the first half of 2022 (H1 2022: EUR 251m; 19.0 percent). The positive development compared to the first half of 2022 was mainly attributable to higher activity, and impairments recognised in the first quarter of 2022, in addition to the lower profitability impacting the second quarter of 2022.

Wind turbines under service

At the end of June 2023, Vestas had around 56,900 wind turbines under service, equivalent to 150 GW.

Lost Production Factor*)
Percent



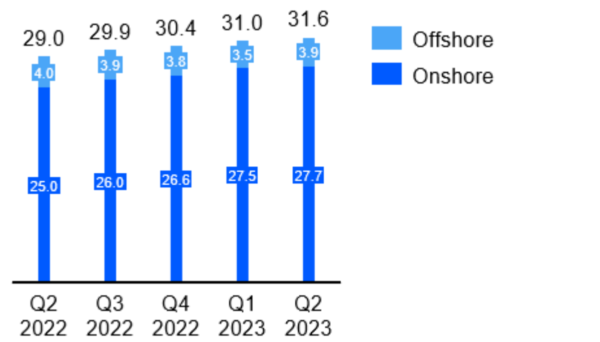
*) Data calculated across more than. 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

At the end of June 2023, the overall average Lost Production Factor showed signs of improvement, but remains at a high level mainly from extraordinary repairs and upgrades.

Service order backlog

At the end of June 2023, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 31.6bn, a EUR 2.6bn increase from same quarter last year.

Service order backlog
bnEUR



At the end of the quarter, the average duration of the service order backlog was eleven years (30 June 2022: ten 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 four 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

Turbines produced and shipped in the second quarter of 2023 are expected to avoid 114 million tonnes of CO_2e over the course of their lifetime, an increase of 9 percent from the second quarter of 2022 due to a higher volume of MW produced and shipped in the period.

In the second quarter of 2023, our total scope 1 and 2 emissions increased by 45 percent compared to the second quarter of 2022. This can be attributed to higher activity levels in offshore construction and service. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

Partnership with Ørsted

In the second quarter of 2023, Ørsted and Vestas, announced a commercial sustainability partnership. Ørsted will procure a minimum of 25 percent low-emission steel wind turbine towers and blades made from recycled materials from Vestas in all joint offshore wind projects.

By committing to integrate sustainable procurement not just as a one-off but in all future offshore projects between the two companies, Ørsted is creating ongoing demand for Vestas' innovative low-carbon and circular solutions. This collaborative approach is a critical step on the journey towards net-zero wind farms.

Electric vehicle service fleet

In cooperation with industry leaders in Europe and the USA, we are transitioning our service fleet to electric vehicles. More than 300 EVs have been ordered for our service fleet in Vestas Americas in the first half of this year. And in Europe, we have ordered more than 100 EVs to be delivered in 2023. During the first half of 2023 we added another 78 renewably fuelled vehicles to the fleet. In total 386 full renewable service vehicles have been introduced into Vestas Service since the programme started in 2020.

First 100 percent methanol crew transfer vessel

In collaboration with vessel supplier Northern Offshore Services (N-O-S), we extended an existing five-year charter to ten years to test how the world's first methanol-powered crew transfer vessel (CTV) can help reduce carbon emissions from its offshore service operations.

The original CTV concept was powered by a dual-fuel propulsion layout, capable of being powered by methanol, but also able to fall back on marine gas oil if methanol is not available. The new vessel is 100 percent powered by bio-methanol.

As of today, this vessel is the first and only CTV used for the service of offshore wind turbines to run on 100 percent methanol.

Circularity

In the second quarter of 2023, our material efficiency improved 52 percent compared to second quarter 2022 to 0.8 tonnes of waste per MW produced and shipped. This improvement is primarily due to a significant increase in recycling rate of waste across several of our factories. This represents significant progress towards our 2030 commitment to landfill less than one percent of manufacturing waste.

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.

At the beginning of the year, Vestas revised the methodology for calculating contractor working hours in relation TRIR and LTIR. We have since then concluded that the implementation of this change will require a longer transition period to ensure quality of data. For this reason, we have decided to return to the previously used methodology for the remainder of 2023. An overview with restated numbers for first quarter 2023 can be seen below.

	Q1 2023	Q2 2023	H1 2023
Total Recordable Injuries (number)	44*)	73	117
- of which Lost Time Injuries (number)	19	26	45
Total Recordable Injury Rate	2.7	4.3	3.5
Lost Time Injury Rate	1.2	1.5	1.4

*) Note the Q1 2023 TRI has been corrected from 42 to 44.

In the second quarter of 2023, 73 Total Recordable Injuries were registered, an increase from 44 Total Recordable Injuries in first quarter 2023. This increase comes primarily from an increase in safety incidents during construction activities, primarily involving contractors working under our operational control. We have commenced a contractor governance programme to set more specific requirements throughout the operational stages (proposal, contract, and operational stage), and will retain our focus on building a strong safety culture at our working sites.

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 value creating 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, however the expected growth in Service revenue has been adjusted to around 10 percent (previously 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 – 30 June

Condensed income statement 1 January – 30 June

mEUR	Note	Q2 2023	Q2 2022	H1 2023	H1 2022
Revenue	1.1, 1.2	**3,429**	**3,305**	**6,258**	**5,790**
Production costs		(3,208)	(3,208)	(5,849)	(5,671)
Gross profit		**221**	**97**	**409**	**119**
Research and development costs		(82)	(83)	(174)	(232)
Distribution costs		(111)	(107)	(218)	(222)
Administration costs		(114)	(89)	(219)	(176)
Sale of technology	1.3	-	-	147	-
Income from investments in joint ventures and associates		16	-	25	-
Operating profit/(loss) (EBIT) before special items	1.1	**(70)**	**(182)**	**(30)**	**(511)**
Special items	1.4	2	35	28	(530)
Operating profit/(loss) (EBIT)		**(68)**	**(147)**	**(2)**	**(1,041)**
Income from investments in joint ventures and associates		(4)	14	(5)	13
Net financial items		(58)	(6)	(92)	0
Profit/(loss) before tax		**(130)**	**(139)**	**(99)**	**(1,028)**
Income tax		15	20	0	144
Profit/(loss) for the period		**(115)**	**(119)**	**(99)**	**(884)**
Profit/(loss) is attributable to:					
Owners of Vestas		(115)	(119)	(100)	(884)
Non-controlling interests		0	0	1	0
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		(0.12)	(0.12)	(0.10)	(0.88)
Earnings per share for the period (EUR), diluted		(0.12)	(0.12)	(0.10)	(0.88)

Condensed statement of comprehensive income 1 January – 30 June

mEUR	Q2 2023	Q2 2022	H1 2023	H1 2022
Profit/(loss) for the period	**(115)**	**(119)**	**(99)**	**(884)**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(39)	(41)	(61)	13
Fair value adjustments of derivative financial instruments for the period	(19)	(11)	54	(80)
Gain/(loss) on derivative financial instruments transferred to the income statement	(35)	(8)	(86)	(10)
Share of fair value adjustments of derivative financial instruments of joint ventures and associates	-	5	(1)	10
Tax on items that may be reclassified to the income statement subsequently	8	7	3	27
Other comprehensive income after tax for the period	(85)	(48)	(91)	(40)
Total comprehensive income for the period	**(200)**	**(167)**	**(190)**	**(924)**

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

Condensed balance sheet – Assets

mEUR	Note	30 June 2023	30 June 2022	31 December 2022
Goodwill		1,509	1,518	1,514
Completed development projects		395	492	448
Software		125	103	115
Other intangible assets		356	416	376
Development projects in progress		708	492	612
Total intangible assets		**3,093**	**3,021**	**3,065**
Land and buildings		386	419	405
Plant and machinery		210	257	206
Other fixtures, fittings, tools and equipment		503	606	553
Right-of-use assets		486	534	438
Property, plant and equipment in progress		192	149	150
Total property, plant and equipment	2.1	**1,777**	**1,965**	**1,752**
Investments in joint ventures and associates		618	652	646
Other investments		95	82	88
Tax receivables		89	228	100
Deferred tax		600	560	497
Other receivables	3.4	288	206	219
Financial investments	3.4	96	96	95
Total other non-current assets		**1,786**	**1,824**	**1,645**
Total non-current assets		**6,656**	**6,810**	**6,462**
Inventories		7,110	7,132	6,373
Trade receivables		1,155	1,396	1,280
Contract assets		1,597	1,223	1,399
Contract costs		921	952	753
Tax receivables		59	138	51
Other receivables	3.4	1,331	1,300	1,221
Financial investments	3.4	-	116	-
Cash and cash equivalents	3.2	1,504	1,350	2,378
Assets held for sale	2.2	-	41	173
Total current assets		**13,677**	**13,648**	**13,628**
Total assets		**20,333**	**20,458**	**20,090**

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 June 2023	30 June 2022	31 December 2022
Share capital	3.1	27	27	27
Other reserves		(96)	(67)	15
Retained earnings		2,902	3,685	3,002
Attributable to owners of Vestas		**2,833**	**3,645**	**3,044**
Non-controlling interests		16	13	16
Total equity		**2,849**	**3,658**	**3,060**
Provisions	2.3	1,088	758	944
Deferred tax		173	317	158
Financial debts	3.4	2,692	1,739	2,179
Tax payables		170	326	177
Other liabilities	3.4	92	148	59
Total non-current liabilities		**4,215**	**3,288**	**3,517**
Financial debts	3.4	191	238	248
Contract liabilities		7,550	7,179	6,937
Trade payables		3,498	4,211	4,089
Provisions	2.3	719	745	829
Tax payables		75	38	58
Other liabilities	3.4	1,236	1,101	1,349
Liabilities held for sale	2.2	-	-	3
Total current liabilities		**13,269**	**13,512**	**13,513**
Total liabilities		**17,484**	**16,800**	**17,030**
Total equity and liabilities		**20,333**	**20,458**	**20,090**

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

Condensed statement of changes in equity – six 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	-	-	-	-	-	(100)	1	(99)
Other comprehensive income for the period	-	(60)	(29)	(1)	(90)	-	(1)	(91)
Total comprehensive income for the period	**-**	**(60)**	**(29)**	**(1)**	**(90)**	**(100)**	**(0)**	**(190)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(21)	-	(21)	-	-	(21)
Transactions with owners:								
Acquisition of treasury shares	-	-	-	-	-	(11)	-	(11)
Share-based payments	-	-	-	-	-	11	-	11
Tax on equity transactions	-	-	-	-	-	(0)	-	(0)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**0**
Equity as at 30 June 2023	**27**	**(50)**	**(51)**	**5**	**(96)**	**2,902**	**16**	**2,849**

Condensed statement of changes in equity – six months 2022

mEUR	Share capital	Reserves: Transla-tion reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling 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	-	-	-	-	-	(884)	(0)	(884)
Other comprehensive income for the period	-	13	(63)	10	(40)	-	0	(40)
Total comprehensive income for the period	-	**13**	**(63)**	**10**	**(40)**	**(884)**	**0**	**(924)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(49)	-	(49)	-	-	(49)
Transactions with owners:								
Dividends distributed	-	-	-	-	-	(50)	-	(50)
Dividends distributed related to treasury shares	-	-	-	-	-	0	-	0
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(3)	-	(3)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(49)**	**-**	**(49)**
Equity as at 30 June 2022	**27**	**27**	**(96)**	**2**	**(67)**	**3,685**	**13**	**3,658**

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

Condensed cash flow statement 1 January – 30 June

mEUR	Note	Q2 2023	Q2 2022	H1 2023	H1 2022
Profit/(loss) for the period		(115)	(119)	(99)	(884)
Adjustment for non-cash transactions		290	56	538	570
Interest paid / received, net		-	(5)	(1)	(5)
Income tax paid		(38)	(22)	(53)	(90)
Cash flow from operating activities before change in net working capital		**137**	**(90)**	**385**	**(409)**
Change in net working capital		(89)	(98)	(1,311)	(707)
Cash flow from operating activities		**48**	**(188)**	**(926)**	**(1,116)**
Purchase of intangible assets		(94)	(104)	(188)	(192)
Purchase of property, plant and equipment		(95)	(75)	(171)	(182)
Sale of intangible assets		-	-	2	-
Disposal of property, plant and equipment		-	1	56	3
Dividends from investments in joint ventures and associates		1	4	6	4
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(188)**	**(174)**	**(295)**	**(367)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(140)**	**(362)**	**(1,221)**	**(1,483)**
Purchase of shares in joint ventures and associates		(6)	(20)	(6)	(22)
Purchase of other non-current financial assets		(2)	-	(5)	-
Disposal of other non-current financial assets		-	1	-	1
Disposal of investments in joint ventures and associates		38	-	45	-
Net cash flow from deconsolidation of subsidiary		-	-	(8)	-
Cash flow from investing activities		**(158)**	**(193)**	**(269)**	**(388)**
Free cash flow		**(110)**	**(381)**	**(1,195)**	**(1,504)**
Dividend paid		-	(50)	-	(50)
Payment of lease liabilities		(41)	(40)	(76)	(76)
Proceeds from borrowings		66	102	587	1,144
Payment of financial debt		(100)	(102)	(150)	(614)
Acquisition of treasury shares		(11)	-	(11)	-
Cash flow from financing activities		**(86)**	**(90)**	**350**	**404**
Net change in cash and cash equivalents		**(196)**	**(471)**	**(845)**	**(1,100)**
Cash and cash equivalents at the beginning of period		1,707	1,801	2,378	2,420
Exchange rate adjustments of cash and cash equivalents		(7)	20	(29)	30
Cash and cash equivalents at the end of the period	3.2	**1,504**	**1,350**	**1,504**	**1,350**

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
Q2 2023				
Revenue	2,525	904	-	3,429
Income from investments in joint ventures and associates	16	-	-	16
Total income	**2,541**	**904**	**-**	**3,445**
Total costs	**(2,716)**	**(706)**	**(93)**	**(3,515)**
Operating profit/(loss) (EBIT) before special items	**(175)**	**198**	**(93)**	**(70)**
Special items	2	-	-	2
Operating profit/(loss) (EBIT)	**(173)**	**198**	**(93)**	**(68)**
Income from investments in joint ventures and associates				(4)
Net financial items				(58)
Profit/(loss) before tax				**(130)**
Amortisation and depreciation included in total costs	(153)	(40)	(9)	**(202)**

In the second quarter of 2023, a net income of EUR 2m was recognised in special items, impacting the Power Solutions segment. The income relates to the adjustment of the manufacturing footprint in India and include a reversal of a previously recognised write-down of inventories of EUR 1m and of a previously recognised impairment loss on tangible assets of EUR 2m, partly offset by other costs of EUR 1m relating to the Russian invasion of Ukraine. For further information, refer to note 1.4.

mEUR	Power Solutions	Service	Not allocated	Total Group
Q2 2022				
Revenue	2,605	700	-	3,305
Income from investments in joint ventures and associates	-	-	-	-
Total income	**2,605**	**700**	**-**	**3,305**
Total costs	**(2,830)**	**(576)**	**(81)**	**(3,487)**
Operating profit/(loss) (EBIT) before special items	**(225)**	**124**	**(81)**	**(182)**
Special items	35	-	-	35
Operating profit/(loss) (EBIT)	**(190)**	**124**	**(81)**	**(147)**
Income from investments in joint ventures and associates				14
Net financial items				(6)
Profit/(loss) before tax				**(139)**
Amortisation and depreciation included in total costs	(183)	(29)	(11)	**(223)**

In the second quarter of 2022, an income of EUR 35m was recognised in special items impacting the Power Solutions segment. The income relates to a reversal of previously recognised impairment losses relating to the factory in Lauchhammer, Germany of EUR 26m and the factory in Esbjerg, Denmark of EUR 7m and adjustments to the provision relating to the Russian invasion of Ukraine of EUR 42m. This is offset by adjustments to the manufacturing footprint in China of EUR 32m as well as staff costs and other costs totalling EUR 8m relating to the Russian invasion of Ukraine.

1.1 Segment information (continued)

mEUR	Power Solutions	Service	Not allocated	Total Group
H1 2023				
Revenue	4,548	1,710	-	6,258
Sales of technology	147	-	-	147
Income from investments in joint ventures and associates	25	-	-	25
Total income	**4,720**	**1,710**	**-**	**6,430**
Total costs	**(4,949)**	**(1,329)**	**(182)**	**(6,460)**
Operating profit/(loss) (EBIT) before special items	**(229)**	**381**	**(182)**	**(30)**
Special items	28	-	-	28
Operating profit/(loss) (EBIT)	**(201)**	**381**	**(182)**	**(2)**
Income from investments in joint ventures and associates				(5)
Net financial items				(92)
Profit/(loss) before tax				**(99)**
Amortisation and depreciation included in total costs	(302)	(73)	(23)	**(398)**

In the first half of 2023, a net income of EUR 28m was recognised in special items relating to the adjustment of the manufacturing footprint in India as well as the Russian invasion of Ukraine, impacting the Power Solutions segment. For additional information, refer to note 1.4.

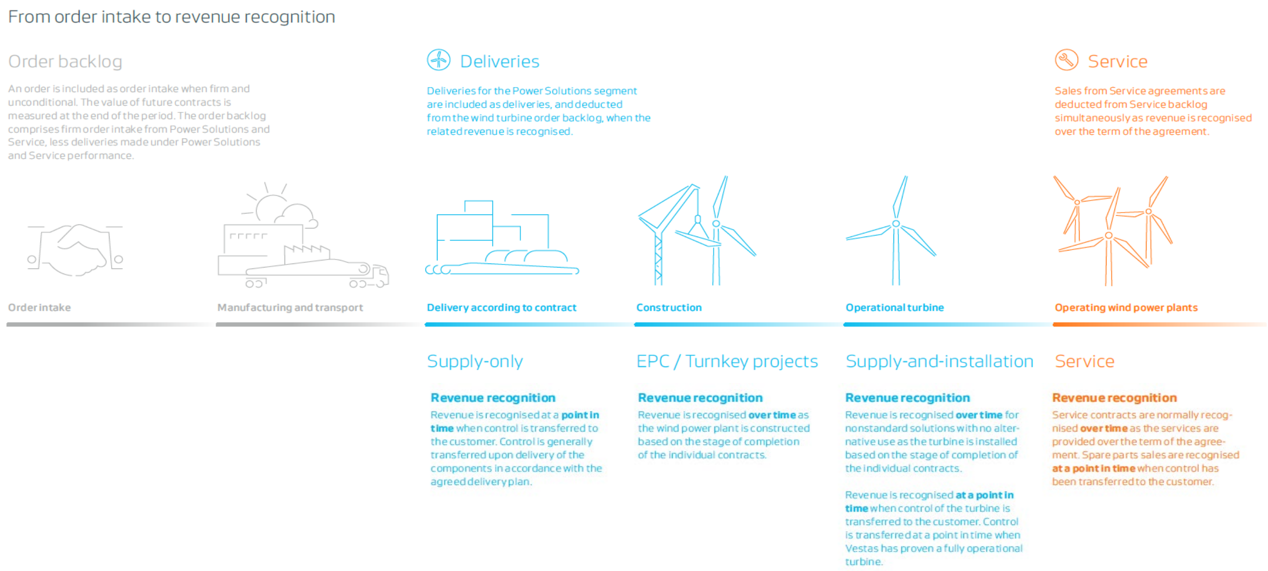
mEUR	Power Solutions	Service	Not allocated	Total Group
H1 2022				
Revenue	4,467	1,323	-	5,790
Sales of technology	-	-	-	-
Income from investments in joint ventures and associates	-	-	-	-
Total income	**4,467**	**1,323**	**-**	**5,790**
Total costs	**(5,072)**	**(1,072)**	**(157)**	**(6,301)**
Operating profit/(loss) (EBIT) before special items	**(605)**	**251**	**(157)**	**(511)**
Special items	(530)	-	-	(530)
Operating profit/(loss) (EBIT)	**(1,135)**	**251**	**(157)**	**(1,041)**
Income from investments in joint ventures and associates				13
Net financial items				0
Profit/(loss) before tax				**(1,028)**
Amortisation and depreciation included in total costs	(439)	(69)	(24)	(532)

In the first half 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 were recognised related to the offshore activity.

In the first half of 2022, impairment losses, write-downs and other costs of EUR 530m 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.

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	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Timing of revenue recognition						
Products and services transferred at a point in time	1,573	1,636	109	110	1,682	1,746
Products and services transferred over time	952	969	795	590	1,747	1,559
	2,525	2,605	904	700	3,429	3,305
Revenue from contract types						
Supply-only	373	495	-	-	373	495
Supply-and-installation (at a point in time)	1,201	1,141	-	-	1,201	1,141
Supply-and-installation (over time)	814	609	-	-	814	609
Turnkey (EPC)	137	360	-	-	137	360
Service	-	-	904	700	904	700
	2,525	2,605	904	700	3,429	3,305
Primary geographical markets						
EMEA	1,428	1,523	484	356	1,912	1,879
Americas	795	741	344	275	1,139	1,016
Asia Pacific	302	341	76	69	378	410
	2,525	2,605	904	700	3,429	3,305

1.2 Revenue (continued)

mEUR	Power Solutions		Service		Total	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Timing of revenue recognition						
Products and services transferred at a point in time	2,789	2,718	211	190	3,000	2,908
Products and services transferred over time	1,759	1,749	1,499	1,133	3,258	2,882
	4,548	4,467	1,710	1,323	6,258	5,790
Revenue from contract types						
Supply-only	650	822	-	-	650	822
Supply-and-installation (at a point in time)	2,139	1,896	-	-	2,139	1,896
Supply-and-installation (over time)	1,448	1,168	-	-	1,448	1,168
Turnkey (EPC)	311	581	-	-	311	581
Service	-	-	1,710	1,323	1,710	1,323
	4,548	4,467	1,710	1,323	6,258	5,790
Primary geographical markets						
EMEA	2,544	2,553	887	669	3,431	3,222
Americas	1,438	1,344	678	522	2,116	1,866
Asia Pacific	566	570	145	132	711	702
	4,548	4,467	1,710	1,323	6,258	5,790

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 were 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 half of 2023, a net expense of EUR 4m 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 half of 2023, a net income of EUR 32m 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 35m and of previously recognised impairment loss on tangible assets of EUR 2m, partly offset by other costs of EUR 5m.

Basis for recognition

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

1.4 Special items (continued)

mEUR	30 June 2023	30 June 2022	31 December 2022
Write-down of inventory	33	(305)	(260)
Provisions	(1)	(118)	(87)
Impairment loss on intangible and tangible assets	2	(89)	(69)
Other costs	(7)	(21)	(23)
Staff costs	(1)	3	(5)
Derecognition of net assets in Russia	2	-	-
Special items	**28**	**(530)**	**(444)**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first half of 2023, Vestas acquired assets with a cost of EUR 171m mainly related to manufacturing blade moulds, acquisition of land, transport equipment, and construction tools, compared to EUR 182m in the first half of 2022.

Lease contracts recognised as right-of-use assets during the first half of 2023 amounted to EUR 117m, compared to EUR 87m in the first half 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	30 June 2023	30 June 2022	31 December 2022
Warranty provisions, 1 January	1,490	1,197	1,197
Provisions for the period	292	334	926
Warranty provisions consumed during the period	(254)	(313)	(633)
Warranty provisions	**1,528**	**1,218**	**1,490**
The provisions are expected to be payable as follows:			
< 1 year	617	490	725
> 1 year	911	728	765
	1,528	**1,218**	**1,490**

During the first half of 2023, net warranty provisions charged to the income statement amounted to EUR 284m (EUR 171m in the second quarter of 2023), equivalent to 4.5 percent of revenue. The net amount consists of a gross warranty provision of EUR 292m less supplier claims of EUR 8m. Warranty consumption amounted to EUR 254m compared to EUR 313m in the first half 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)	30 June 2023	30 June 2022	31 December 2022
Treasury shares as at 1 January	737,940	944,632	944,632
Purchases for the period	79,785	-	-
Vested treasury shares for the period	(139,004)	(206,692)	(206,692)
Treasury shares	**678,721**	**737,940**	**737,940**

Each share has a nominal value of DKK 0.20.

3.2 Cash and cash equivalents

mEUR	30 June 2023	30 June 2022	31 December 2022
Cash and cash equivalents without disposal restrictions	1,475	1,324	2,352
Cash and cash equivalents with disposal restrictions	29	26	26
Cash and cash equivalents	**1,504**	**1,350**	**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 to certain sustainability KPIs.

On 16 March, Vestas signed a EUR 750m revolving credit facility with six banks. The facility will mature in 2024 and includes a six-month extension option.

In April 2023, the one-year extension option related to the EUR 2bn revolving credit facility was exercised and approved by all lenders. Maturity on this facility is now 2028.

Vestas has committed credit facilities of EUR 2,750m and uncommitted credit facilities of EUR 475m. As at 30 June 2023, EUR 771m of the committed credit facilities was converted into ancillary bank guarantee issuance facilities leaving EUR 2,454m 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 30 June 2023, the fair value of financial investments comprising marketable securities amounted to EUR 96m, equal to book value.

Derivative financial instruments were negative with a market value of net EUR 47m, equal to book value, and were recognised in other receivables and other liabilities with EUR 522m and EUR 569m, respectively.

As at 30 June 2023, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 1,488m and the fair value amounted to EUR 1,345m.

3.4 Financial instruments (continued)

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	Q2 2023	Q2 2022	H1 2023	H1 2022
Joint ventures				
Revenue for the period	2	2	127	83
Proceeds from investments in joint ventures	-	-	5	-
Capital increase	-	20	4	20
Trade receivable as at 30 June	18	50	18	50
Other receivables as at 30 June	11	5	11	5
Other liabilities as at 30 June	1	-	1	-
Prepayments balance as at 30 June (asset)	-	43	-	43
Associates				
Revenue for the period	0	(21)	2	(5)
Proceeds from investments in associates	0	-	0	-
Capital increase	1	(2)	2	1
Contract assets as at June 30	-	-	-	59
Other assets as at 30 June	16	-	16	-
Contract liabilities as at 30 June	5	-	5	-
Payable capital contribution as at 30 June	8	48	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 30 June 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 30 June 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 30 June 2023 and of the results of Vestas' operations and cash flows for the period 1 January to 30 June 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, 9 August 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*)

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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.