Annual Report 2023

Wind. It means the world to us.™

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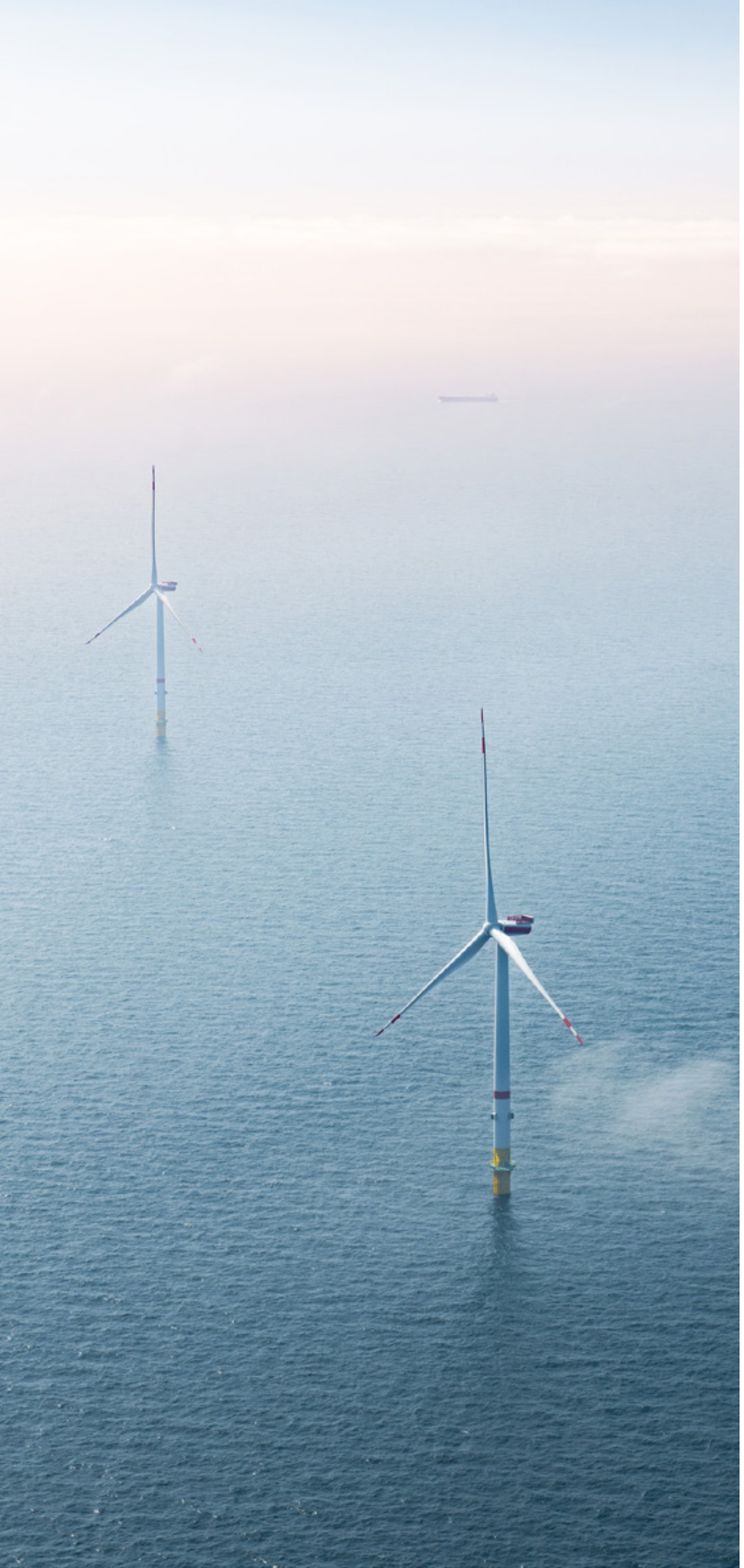
Company reg. no.: 10403782

Vestas®



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Front cover: Our V236-15.0 MW™ offshore turbine at test center Østerild, Denmark.

Letter from the Chair & CEO

The first, pivotal step towards double-digit profitability

Dear stakeholder

We are very pleased that we achieved our overarching goal for 2023 and returned Vestas to profitability. Getting 'back in black' was our mantra for the year, and our success in taking this important first step is testament to the engagement, hard work, and expertise of everyone at Vestas. The progress we made in 2023 to achieve an EBIT margin before special items of 1.5 percent would also not have been possible without the support of our shareholders, partners, customers, and other stakeholders. We are also very pleased to be able to pay out bonus to all Vestas colleagues for the first time since 2019. But our vision and ambitions go well beyond this initial landmark, and we look forward to achieving our wider goals in collaboration with you.

We ended 2023 in much better shape than we began the year. The business environment in the industry improved markedly over the 12 months, and we worked our way through low-margin projects booked from 2020 to 2022. During the year, we underlined our industry leadership, demonstrating what the industry needs to do to become successful and to continue playing a key role in the energy transition. Our commercial discipline to capture the true value of our wind energy solutions was impressive; and we underscored our onshore leadership while firmly reinstating ourselves in offshore wind. Simultaneously, we continued to lead the industry on sustainability, introducing a circular blade solution, producing turbines that are expected to avoid 396m tonnes of CO_2, and being named the most sustainable energy company in the world by Corporate Knights for the third year in a row.

As we returned to profitability, 2023 also proved the value of continuity as we thanked our previous Chair, Bert Nordberg, for his 10 years of excellent service and leadership. Despite Bert's departure, our strategic direction and operating model remain unchanged, and continuity and clarity were key to our progress in 2023. We believe they will also be key to achieving our 2024 financial outlook, as well as reaching our long-term financial ambitions.

Wind energy to grow despite geo-political turmoil

The world is more uncertain today than many people have ever experienced in their lifetime. As a result, it is also becoming less globalised and more regionalised. For decades, stable global supply chains, energy supply and costs have been taken for granted, but today governments and societies need to rebuild energy security and stability. Wind energy can make a unique contribution to addressing this challenge, as it is sustainable, cost-competitive, fast to deploy, and independent.

The world needs green and affordable energy infrastructure, and wind energy can and should be the backbone of this system. We have the solutions to succeed, but in order to scale the industry to meet the demands of the energy transition, positive political momentum needs to be maintained. The energy transition needs more policies like the Inflation Reduction Act in the USA and the EU's Wind Power Package, in which policymakers provide clear line of sight, realistic auction pricing, and faster and simpler permitting, instead of just higher climate targets. The 'say-do-gap' has grown larger in recent years, but it's very encouraging to see how governments are increasingly listening to the industry to find ways to enable faster deployment of wind and other renewables. Through this kind of collaboration, we avoid repeating the mistakes of recent years, where projects have stalled or been discontinued.

Our return to profitability was driven by a relentless focus on our core business

In 2023, we managed significant improvements within our four business areas: Onshore Wind, Offshore Wind, Service and Development, while continuing to become sustainable in everything we do. The improvements were driven by a relentless focus on strengthening our core offerings and culture and enabling enhancements across the value chain.

We underlined our technology leadership within onshore and offshore through good commercial traction that resulted in a record order intake with a value of EUR 18.5bn. In particular, our V163-4.5 MW™, which will feature at the SunZia giga-project in the USA with our partner Pattern Energy, and our flagship offshore turbine, the V236-15.0 MW™, made a strong mark on 2023. Both turbines exemplify how we mature the value chain by leveraging modularisation and standardisation, which enable both Vestas and our partners to industrialise and scale all steps – from turbine design to operations to decommissioning and recycling. Another example of driving industry maturity is the divestment of our converter and generator business to KK Wind, which created a strong, global and strategic supply chain partner for the industry, as well as providing a EUR 147m contribution to our EBIT from sale of technology.

Over the last couple of years, quality has not been at the levels we expect, but in 2023 we began moving in the right direction, as evidenced by the improvement in our Lost Production Factor and our new Quality organisation, which leads the strengthening of our own and our value chain's quality setup and processes. We are proud of our contribution to making the industry more sustainable, and with a sustained high Customer Net Promoter Score we believe our customers appreciate our solutions and the broader responsibility we take on.

Sustainability remains key to the industry's short- and long-term success, and in 2023 we made further leaps by pioneering circular blades together with our partners. We also made progress in decarbonising our operations, developing low-emission turbine towers, and winning Hollandse Kust West with our partner Ecowende, which included sustainability criteria.

For 10 years, Service has delivered solid growth and profits to Vestas. With an unparalleled 152 GW of turbines under service, as well as continued focus on streamlining the business area – for instance, by fully integrating Utopus – Service remains a key pillar in our sustained profitability. Similarly, Development continues to be a strong originator of high-quality projects for our customers, providing returns on project and turbine sales, and contributing significantly to the achievement of our long-term targets.

Developing the people and organisation to succeed

To keep Vestas on the right track and prepare for the future, we continue to invest in attracting, engaging, and developing our Vestas colleagues. Whether it's to employ multiple service technicians for a new giga-project, attract factory workers for the expansion of our manufacturing footprint, or develop colleagues to take on new and potentially larger responsibilities, we must continue to improve our employee experience. We retain a strong focus on talent development and succession planning, and in 2023 we ensured we reached our internal promotion goals, while expanding our diversity and inclusion efforts to include gender, nationality, and age. We are also very pleased to have welcomed Anne Pearce as our new Chief People & Culture Officer. Anne joins from Shell, which underlines Vestas' growing reputation within the energy industry. Supported by a stable and high employee Net Promoter Score, we will continue to take a strategic and incremental approach to sustaining and developing our people and organisation.

Leading the way towards a sustainable energy industry and planet

The market conditions for wind energy improved significantly in 2023. But with continued geopolitical tensions starting to disturb global supply chains, Vestas and the industry aren't out of the woods yet. The political momentum and investment appetite for wind energy continue to grow, and with sustainable products and solutions that address today's key global challenges, we are in a great position to increase momentum in 2024. In the years ahead, we must therefore sustain the strong focus and discipline we displayed in 2023 and maintain our momentum – especially our record fourth quarter – as we aim to get Vestas back on track to double-digit profitability. Our strategy is clear and has shown what we need to do to drive improvements. The industry is going through a challenging period, but still holds tremendous potential if we keep our focus and execute on our strategy in the right order, at the right pace.

A big thank you to our employees, partners, customers, shareholders and other stakeholders who have supported us throughout 2023, and who will continue to create value and drive the energy transition forward, together with us, in 2024 and beyond.

Thank you.

Anders Runevad
Chair of the Board of Directors

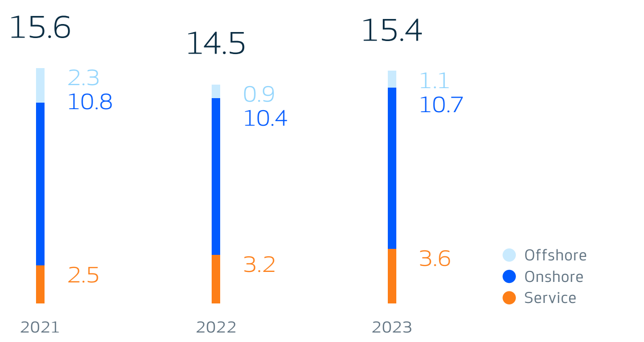
Henrik Andersen
Group President & CEO

In brief

177 GW

Leading the energy transition
Over four decades, we have been leading the energy transition with more than 177 GW of wind power installations in total.

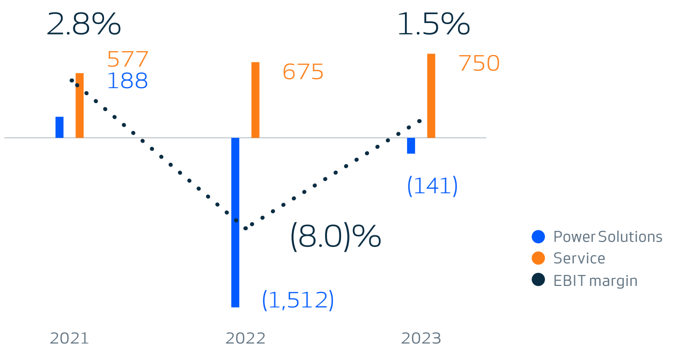
Financial highlights



Revenue

bnEUR

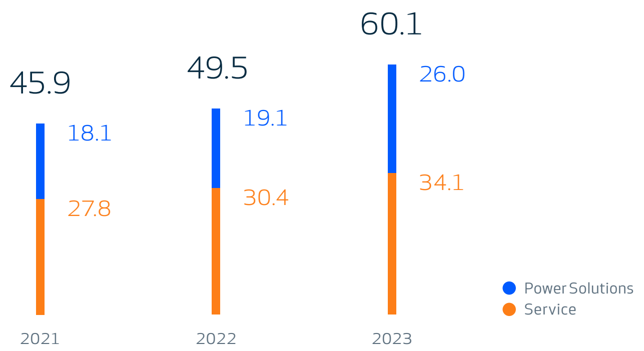
In 2023, Vestas achieved a total revenue of EUR 11.8bn in the Power Solutions segment, with increases in both Onshore and Offshore revenue due to higher pricing. The Service segment saw increased activity and continued its growth trajectory as revenue increased to EUR 3.6bn in 2023.



EBIT and EBIT margin

before special items, mEUR and percent

Vestas returned to profitability in 2023, with an EBIT margin of 1.5 percent compared to (8.0) percent in 2022. Profitability was positively impacted by increased revenue in both segments, improved margins in Power Solutions, lower warranty costs, activity in the Development business and the sale of our converters and controls business to KK Wind.



Value of order backlog

bnEUR

In 2023, the value of Vestas' combined order backlog amounted to EUR 60.1bn by the end of 2023. We had a record year for firm and unconditional order intake in Power Solutions, driven by strong Onshore activity in the USA and good momentum in EMEA and Brazil, as well as the first firm orders for our V236 turbine in Offshore, and a record-high Service backlog.

In 2023, Vestas successfully managed to get 'back in black' and return to profitability with an increase in EBIT margin of 9.5 percentage points compared to last year. As a consequence of our operational and commercial discipline paying off, our Power Solutions segment showcased strong improvement in profitability, while our Service segment saw continued growth in both revenue and value of order backlog.

Operational highlights

The core of our business model consists of Onshore Wind, Offshore Wind, Service, and Development. In 2023, we achieved considerable progress in all four business areas, as Vestas remains the global leader in wind power with 177 GW of total installed wind power capacity.

Onshore

	2023	2022
Deliveries (GW)	11.7	12.4
Order intake (GW)	15.3	10.5
Order backlog (GW)	21.0	17.4

Restoring profitability
Vestas continued to prioritise value over volume throughout 2023, with the overarching goal of restoring profitability. We saw good commercial traction of our onshore solutions, leading to a strong 15.3 GW order intake during the year.

Read more on page 25.

Offshore

	2023	2022
Deliveries (GW)	1.0	0.9
Order intake (GW)	3.1	0.6
Order backlog (GW)	4.3	2.2

Building operational readiness
In 2023, Vestas received the first firm orders for our V236 offshore turbine and secured additional PSAs. We continued to build operational readiness and advanced our investments in our new offshore manufacturing footprint in Poland.

Read more on page 26.

Service

	2023	2022
GW under service	152	144
Average backlog contract duration (years)	11	11
Value of order backlog (bnEUR)	34.1	30.4

Record-high service backlog
We reached 152 GW under service at the end of 2023, solidifying our position as the largest Service business in the industry. Customers worldwide continue to appreciate Vestas' service offerings, as evidenced by our record-high EUR 34.1bn backlog.

Read more on page 27.

Development

	2023	2022
Sale transactions (number)	13	4
Order intake generated (GW)	0.3	1.6
Pipeline of projects (GW)	30.2	32.1

Almost 3 GW of exits
The Vestas Development business continued to generate value in 2023 with almost 3 GW of exits, including several projects in mid-stage development, two project portfolios in Italy and Ireland, and a fully developed in-house project in the USA.

Read more on page 28.

Sustainability highlights

Vestas continues to lead the industry on sustainability and to execute on our ambitious sustainability strategy. In 2023, we took a big step towards lowering our supply chain emissions by introducing a low-emission steel offering, on which we have received the first order for the offshore Baltic Power project in Poland. Furthermore, we are continuing the industrialisation of our innovative blade recycling technology with our partner Stena Recycling.

Sustainability Report 2023
Additional information is available in our Sustainability Report 2023, which includes our reporting in accordance with the Danish Financial Statements Act on 99a, and the EU Sustainable Finance Taxonomy.
Go to: vestas.com/en/investor/reporting/2023.

Carbon neutral

	2023	2022
Emissions from own operations (scope 1&2) (k tonnes)	109	100
Emissions from supply chain (scope 3) (kg/MWh generated)	6.30	6.46
Expected emissions avoided (m tonnes)	396	408

Low-emission steel offering
More than 98 percent of our total emissions stem from our supply chain, of which steel and iron contribute more than 50 percent. In 2023, we established a partnership with steel supplier ArcelorMittal to offer low-emission steel towers.

Circularity

	2023	2022
Material efficiency rate	1.2	1.6
Refurbished component utilisation (%)	17	17
Materials recycled (%)	68	55

Industrialising blade recycling
We remain on target with the circularity roadmap to produce zero-waste turbines by 2040. In 2023, we continued our partnership with Stena Recycling to industrialise a circular blade recycling solution for epoxy-infused blades.

Safety and inclusion

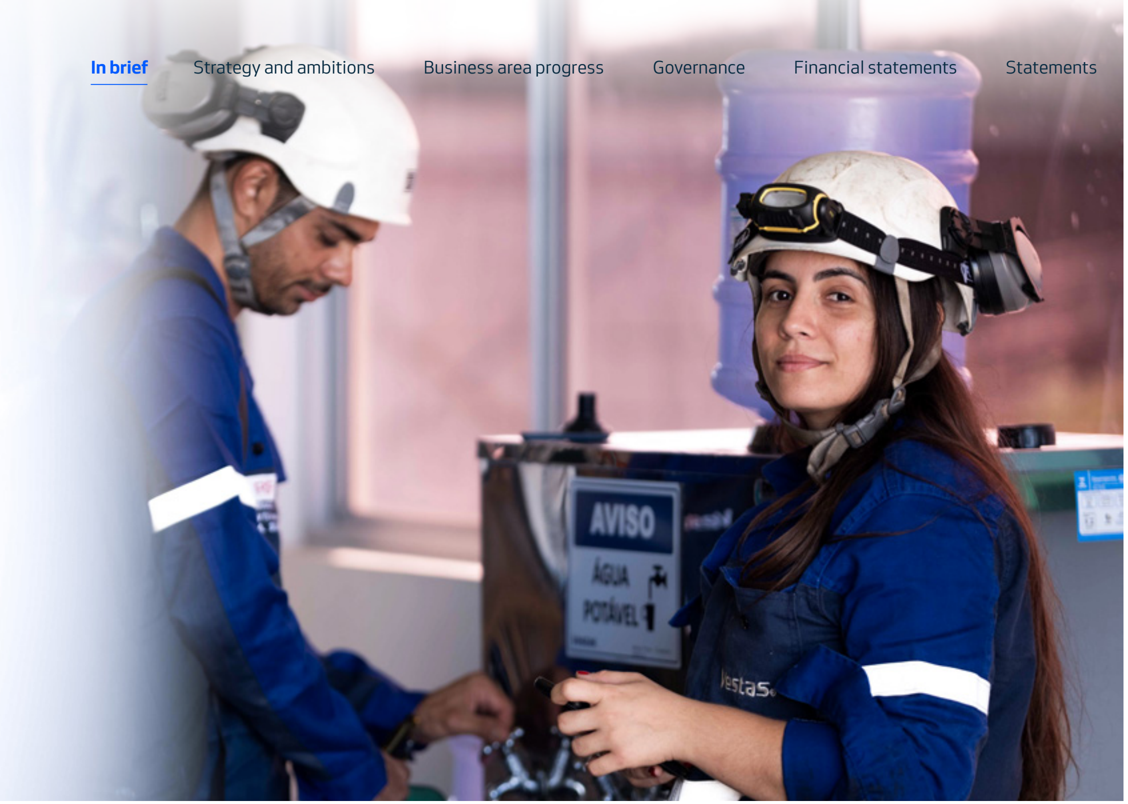
	2023	2022
Injury rate (TRIR)	3.0	3.3
Women in leadership (%)	24	23

Steady progression
Safety is a top priority. In 2023, the incident rate (TRIR) decreased by 9 percent. Sadly, Vestas had one fatality during the year.

The share of women in leadership positions is steadily increasing.

Our people

At Vestas, we believe that our talent is a key enabler to deliver on our strategy ambition. Our people define us as a company, and we strive to be the employer of choice in the renewable industry. In 2023, we strengthened our work around attracting, developing, and retaining the best talent. With these initiatives in place, we reached an all-time high number of applications for our Global Graduate Programme, 15,000 in total. We rolled out mandatory inclusive leadership training for all people managers and took the next step in our Diversity, Equity, Inclusion and Belonging journey. And we continued to work strategically on talent mobility and succession plans, making sure we future-proof Vestas.



What motivates me

"What motivates me the most is the career path at Vestas. As a junior technician, I can evolve and learn new things, eventually becoming a standard or senior technician or even moving to technical support. My team shows a great partnership, and there is an awesome interaction, which provides great camaraderie. I really enjoy the belonging feeling I have at Vestas."

Samara, Junior Service Technician, Vestas Brazil

Tackling constant changes as a team

"While wind energy has been around for a few decades, it is continuously evolving and each new project requires us to tackle a different set of challenges. This, however, is made easier because of all the hardworking and helpful people I'm surrounded by. Like everyone else at Vestas, I proudly wear the badge of being a green ambassador."

Tomio, Offshore Pre-installation Technical Project Manager, Vestas Japan

A diverse group of people with a common purpose

"I feel super honoured to work at Vestas. I am surrounded by highly skilled individuals who come from very different backgrounds but share a common purpose: to make the world a better place and contribute to a sustainable future. In my department, the mission is clear: By dedicating our expertise to develop wind farms globally, we support the acceleration of the energy transition towards a decarbonised society for future generations."

Teresa, Senior Director of Development in Vestas Northern and Central Europe

Financial and operational key figures

Financial key figures (mEUR)	2023	2022	2021[1]	2020	2019
Income statement					
Revenue	15,382	14,486	15,587	14,819	12,147
Gross profit	1,283	118	1,556	1,538	1,761
Operating profit/(loss) before amortisation, depreciation and impairment losses (EBITDA) before special items	1,028	(63)	1,342	1,391	1,550
Operating profit/(loss) (EBIT) before special items	231	(1,152)	428	750	1,004
Operating profit/(loss) before amortisation, depreciation and impairment losses (EBITDA)	1,089	(437)	1,271	1,382	1,550
Operating profit/(loss) (EBIT)	292	(1,596)	289	698	1,004
Net operating profit after tax (NOPAT)	223	(1,071)	275	619	773
Net financial items	(164)	(110)	(101)	(95)	(98)
Profit/(loss) before tax	102	(1,696)	224	934	909
Profit/(loss) for the year	78	(1,572)	143	771	700
Balance sheet					
Balance sheet total	22,514	20,090	19,648	18,160	14,331
Equity	3,042	3,060	4,697	4,703	3,345
Investments in property, plant and equipment	457	371	476	379	451
Net working capital	(1,507)	(1,349)	(1,049)	(1,127)	(1,583)
Capital employed	6,429	5,487	6,133	6,057	4,165
Interest-bearing position (net), end of the period	32	46	1,200	1,920	2,452
Interest-bearing debt, end of the period	3,387	2,427	1,436	1,354	820
Statement of cash flows					
Cash flow from operating activities	1,027	(195)	956	743	823
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures and associates, and financial investments	(823)	(758)	(773)	(687)[2]	(729)
Free cash flow before acquisitions of subsidiaries, joint ventures and associates, and financial investments	204	(953)	183	56[2]	94
Free cash flow	245	(874)	57	476	332

1 Comparative figures for 2021 have been adjusted following the accounting policy change for configuration and customisation cost in cloud computing arrangements.

Financial ratios[3]	2023	2022	2021[1]	2020	2019
Gross margin (%)	8.3	0.8	10.0	10.4	14.5
EBITDA margin (%) before special items	6.7	(0.4)	8.6	9.4	12.8
EBIT margin (%) before special items	1.5	(8.0)	2.8	5.1	8.3
EBITDA margin (%)	7.1	(1.2)	8.0	9.3	12.8
EBIT margin (%)	1.9	(11.0)	1.9	4.7	8.3
Return of capital employed (ROCE) (%) before spcial items	2.9	(18.5)	4.5	13.5	19.7
Interest-bearing position (net)/EBITDA before special items	0.0	NA	(0.9)	(1.4)	(1.6)
Solvency ratio (%)	13.5	15.2	23.9	25.9	23.3
Return on equity (%)	2.6	(43.9)	3.6	21.4	22.1
Share ratios					
Earnings per share (EUR)	0.1	(1.6)	0.1	0.8[4]	3.6
Book value per share (EUR)	3.0	3.0	4.7	4.7[4]	16.8
P/E ratio	356.6	(17.4)	200.2	49.6	25.4
Dividend per share (EUR)	-[5]	-	0.1	0.23[4]	1.06
Pay-out ratio (%)	-[5]	-	36.0	30.0	30.0
Share price at the end of the period (DKK)	214.3	202.1	200.0	287.9[4]	134.6[4]
Number of shares at the end of the period	1,009,867,260	1,009,867,260	1,009,867,260	1,009,867,260[5]	198,901,963

Operational key figures	2023	2022	2021[1]	2020	2019
Order intake (bnEUR)	18.5	11.9	11.6	12.7	13.8
Order intake (MW)	18,386	11,189	13,896	17,249	17,877
Order backlog – wind turbines (bnEUR)	26.0	19.1	18.1	19.0	16.0
Order backlog – wind turbines (MW)	25,315	19,623	21,984	24,630	20,974
Order backlog – service (bnEUR)	34.1	30.4	27.8[6]	23.9	17.8
Produced and shipped wind turbines (MW)	11,666	13,106	17,845	17,055	12,618
Produced and shipped wind turbines (number)	2,554	3,126	4,456	5,239	4,185
Deliveries (MW)	12,685	13,328	16,594	17,212	12,884

2 Comparative figures have been restated to reflect change in classifications of investments. Comparative figures for 2019 have not been restated.
3 The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios).
4 As of 28 April 2021, a share split at a ratio of 1:5 of the Vestas share was carried out. Comparative figures for 2020 have been restated. Except for the share price, comparative figures for 2019 have not been restated.
5 Based on proposed dividend.
6 The number disclosed in the 2021 annual report for the Service order backlog has been corrected from EUR 29.2bn to EUR 27.8bn.

Sustainability key figures

Environmental	2023	2022	2021	2020	2019
Utilisation of resources					
Consumption of energy (GWh)	658	641	738	621	638
– of which renewable energy (GWh)	213	231	283	295	258
– of which renewable electricity (GWh)	166	187	233	261	227
Renewable energy (%)	32	36	38	48	40
Renewable electricity for own activities (%)	100	100	100	100	82
Withdrawal of fresh water (1,000 m³)	279	341	378	421	473
Waste					
Volume of waste from own operations (1,000 t)	44	47	70	89	85
– of which collected for recycling (1,000 t)	30	26	35	46	43
Recyclability rate of hub and blade (%)	90	42	42	41	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.2	1.6	2.0	2.5	3.3
CO_2 emissions					
Direct emissions of CO_2e (scope 1) (1,000 t)	108	98	99	83	66
Indirect emissions of CO_2e (scope 2) (1,000 t)	1	2	3	14	48
Indirect emissions of CO_2e from the supply chain (scope 3) (million t)	7.66	8.18	10.56	10.59	7.83
Indirect emissions of CO_2e from the supply chain (scope 3) (kg per MWh generated)	6.30	6.46	6.65	6.63	6.82
Products					
Expected CO_2e avoided over the lifetime of the capacity produced and shipped during the period (million t)	396	408	532	493	322
Expected annual CO_2e avoided by the total aggregated installed fleet (million t)	231	219	210	186	154

1 'EthicsLine cases' here represents the total number of unsubstantiated cases, plus the number of substantiated cases and cases still under investigation at the time of reporting. For the years 2022 and 2023, at the end of 2023, 78 cases from 2023 and one case from 2022 were still under investigation, and hence the substantiation rate for the two years may change.

For definitions and accounting policies for the Sustainability key figures, see the Notes on pages 128-130. Comments to the development can be found in the Sustainability Report 2023.

Social	2023	2022	2021	2020	2019
Safety					
Total Recordable Injuries (number)	216	200	201	185	213
– of which Lost Time Injuries (number)	91	73	67	65	67
– of which fatal injuries (number)	1	0	0	0	1
Total Recordable Injuries per million working hours (TRIR)	3.0	3.3	3.1	3.3	3.9
Lost Time Injuries per million working hours (LTIR)	1.3	1.2	1.0	1.2	1.2
Employees					
Average number of employees (FTEs)	29,463	28,779	29,164	26,121	24,964
Employees at the end of the period (FTEs)	30,586	28,438	29,427	29,378	25,542
Diversity and inclusion					
Women in the Board and Executive Management team at the end of the period (%)	21	25	27	27	23
Women in leadership positions at the end of the period (%)	24	23	21	19	19
Human rights					
Community grievances (number)	3	13	17	20	10
Community beneficiaries (number)	9,769	7,572	8,236	14,770	6,093
Social Due Diligence on projects in scope (%)	59	65	0	78	32

Governance	2023	2022	2021	2020	2019
Whistle-blower system[1]					
EthicsLine cases (number)	667	539	465	287	226
– of which substantiated (number)	128	152	129	65	58
– of which unsubstantiated (number)	461	386	336	222	168

Outlook

Outlook for full year 2024

In 2024, continued geopolitical volatility is expected to cause uncertainty. Nonetheless, we expect a combination of higher installations and increased pricing to drive growth in revenue. Our profitability should also continue to improve gradually but will still be held back by execution and completion of low-margin projects from the backlog.

Revenue is expected to range between EUR 16bn and 18bn, including Service revenue. Vestas expects to achieve an EBIT margin before special items of 4-6 percent, and total investments[1] are expected to amount to approx. EUR 1.2bn in 2024.

The Service segment is expected to generate EBIT before special items in 2024 in the range of EUR 800m to 880m.

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 cause delays that could affect Vestas' financial results for 2024. Further, the full-year results may also be impacted by movements in exchange rates from current levels.

Outlook 2024

Revenue (bnEUR)	16-18
EBIT margin (%) before special items	4-6
Total investments[1] (bnEUR)	approx. 1.2

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

Long-term ambitions

Financial ambitions

Wind power has outcompeted fossil fuel alternatives in most parts of the world, and the prospects for the coming years are promising, with wind power's increasingly central role as critical infrastructure. Consequently, Vestas' addressable market is expected to grow significantly in the years ahead. More information about the market outlook can be found in this report on pages 16 and 20-21.

Onshore

The demand for onshore wind power globally is expected to grow by 7-9 percent per year until 2030[1] driven by new increased ambitions for renewable energy, increased electrification, and wind as an independent cost-effective source of electricity. On this background, Vestas maintains its long-term ambitions to grow faster than the market and be a visible market leader in Onshore wind.

Offshore

In 2023, a changing and dynamic reality became evident, with increasing costs, rising interest rates, and government offtake agreements that were disconnected from reality. These conditions led to project delays or renegotiations for our customers and the long-term market growth has been adjusted to the new reality, with offshore wind now expected to grow by 20-25 percent per year until 2030.[1] Based on these assumptions, Vestas' revised ambition is to achieve revenue in Offshore of EUR +2bn by 2025, and when the volume in Offshore has reached scale, we expect to achieve an EBIT margin on par with Onshore.

Service

The global market value for service solutions is expected to grow by 8-10 percent per year until 2030[1] and Vestas expects to remain a global leader in wind power service. We maintain our ambitions for the long term for revenue in Service to grow faster than the market. In the longer term, the Service EBIT margin is expected at a level of around 25 percent, taking into account the integration of the Offshore business, which currently generates lower margins than Onshore.

General 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, working closer across the industry supply chain, and lowering the frequency of new technology introductions as well as maturing the assessment of risk.

In 2023, Vestas managed to get 'back in black' as our commercial and operational discipline is paying off. The year underlined that Vestas is on the right strategic path to improve the industry structurally and continue to build the commercial and operational maturity to achieve our financial ambitions. In that context, a 10 percent EBIT margin remains achievable in the mid-term.

Sustainability ambitions

Vestas is leading the industry with a number of groundbreaking sustainability innovations and technologies.

We are committed to carbon neutrality of our own operations by 2030 – without using carbon offsets. This requires that all our offices, factories, vehicles, vessels, and other operations are fully decarbonised through our own actions. At the same time, we are working to decarbonise the entire wind energy supply chain by working with strategic suppliers to lower the carbon intensity of energy generated by our turbines by 45 percent by 2030.

We are committed to creating zero-waste wind turbines by 2040. Through our industry-leading Circularity Roadmap, we have outlined our pathway and interim targets towards this goal, one of which is to improve our material efficiency rate to 0.2 percent by 2030.

We are also committed to reducing our injury rate to 0.6 by 2030, and to increase the share of women in leadership positions to 30 percent by 2030.

Read more about the Sustainability strategy and all targets in our Sustainability Report.

Long-term financial ambitions	
Revenue	Grow faster than the market and be market leader in revenue
EBIT margin before special items	At least 10 percent
Free cash flow*	Positive
ROCE	20 percent over the cycle

Long-term sustainability ambitions	2025	2030
Reduce scope 1 & 2 emissions**	↓25%	↓100%
Reduce scope 3 emissions**	–	↓45%
Increase material efficiency rate	to 1.2	to 0.2
Increase share of women in leadership positions	to 25%	to 30%
Reduce injury rate (TRIR)	to 1.5	to 0.6

* Excl. acquisitions of subsidiaries, joint ventures, and associates, and financial investments.
** Baseline year 2019.

1 Market forecasts adapted from Wood Mackenzie: Global wind power market outlook update: Q4 2023. December 2023.

Strategy and ambitions

Who we are

Our vision is to become the Global Leader in Sustainable Energy Solutions. We believe in the power of renewables to ensure long-term energy security, and in building a more sustainable planet for future generations. By leading across our four business areas, Onshore, Offshore, Service, and Development, we aim to lead the energy transition forward.

+30,000

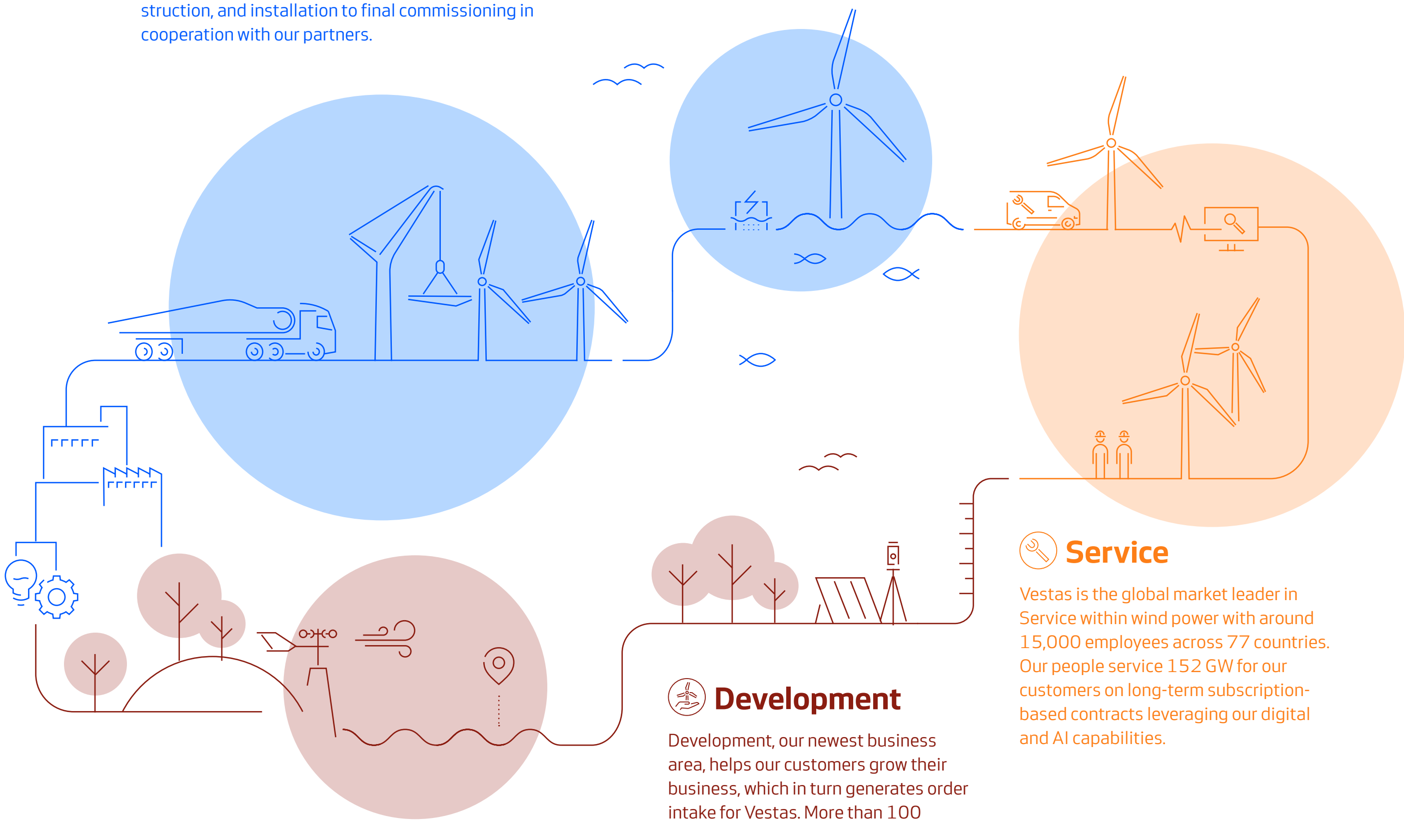
Vestas has more than 30,000 employees and utilises more than 60 manufacturing facilities globally.

Onshore

Vestas is the market leader with more than 40 years of experience in Onshore wind. Based on our own onshore wind turbine product design and development, we offer customers wind power solutions and we take care of everything from siting, manufacturing, construction, and installation to final commissioning in cooperation with our partners.

Offshore

Vestas is becoming a leading player in Offshore wind with almost 30 years of experience. Based on our own offshore wind turbine product design and development, we offer customers wind power solutions and we take care of all stages from siting through final commissioning.



Service

Vestas is the global market leader in Service within wind power with around 15,000 employees across 77 countries. Our people service 152 GW for our customers on long-term subscription-based contracts leveraging our digital and AI capabilities.

Development

Development, our newest business area, helps our customers grow their business, which in turn generates order intake for Vestas. More than 100 employees across 15 countries secure land rights and permits, design sites, ensure grid connection, and secure project offtake agreements to create quality projects.

Market outlook

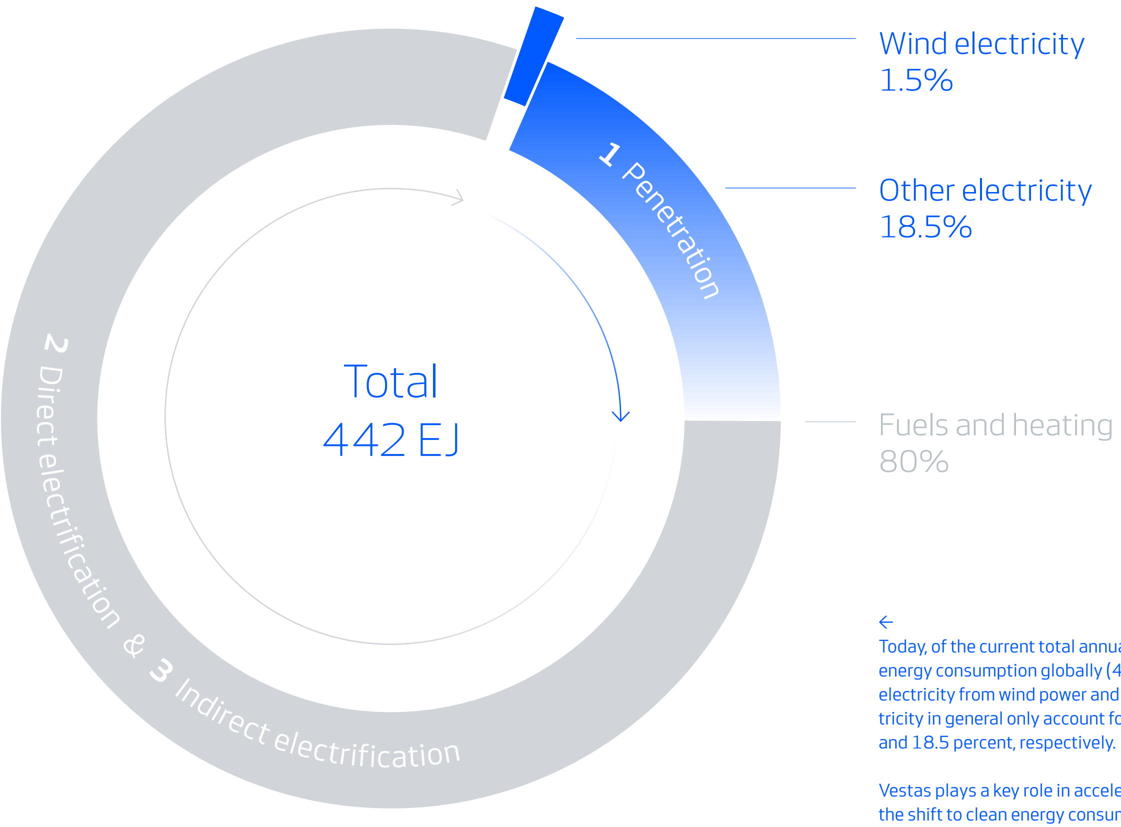
Vestas' addressable market is expected to grow significantly in the years ahead. Electrification, decarbonisation, and wind as an independent cost-effective source of power generation are structural tailwinds that fuel our market growth.

Green transition holds tremendous growth potential for wind
Today, wind electricity accounts for just 1.5 percent of the global energy mix.[1] We expect this figure to increase substantially in the years ahead, as wind begins to represent a greater portion of the electricity mix, and as electricity achieves a higher share of the overall energy system through direct and indirect electrification.

According to the International Energy Agency (IEA), wind energy needs to be expanded from around 900 GW of installed capacity in 2022, to more than 2,700 GW by 2030, rising to 7,600 GW by 2050 if the world is to achieve net zero by mid-century.[1]

Energy policy is security policy
In 2023, the world bore witness to a number of geopolitical threats and challenges, including a new conflict in the Middle East, the ongoing war in Ukraine, continued tensions between major economies, and the ever-present threat of cyber attacks. The need for energy security in import-dependent markets is increasing, along with the risks of supply chain disruptions in the deployment of renewable energy. Energy security will remain high on the political agenda worldwide, making it essential to build out and safeguard renewable energy generation and transmission.

Decarbonisation of the future energy mix
Percent and Exajoule (EJ)



Today, of the current total annual energy consumption globally (442 EJ), electricity from wind power and electricity in general only account for 1.5 and 18.5 percent, respectively.

Vestas plays a key role in accelerating the shift to clean energy consumption by increasing the renewable energy penetration of electricity (1). Furthermore, we help power the direct electrification of fossil use in industry, heat and transport (2); and develop solutions for indirect electrification to replace non-electrifiable fossil fuels with e-fuels (3).

Source: International Energy Agency: World Energy Outlook 2023 (dataset). October 2023.

Supportive political environment

There is political momentum for the wind industry. In October 2023, the EU launched a Wind Power Package to accelerate the build-out of wind energy in Europe and strengthen the competitiveness of European wind energy manufacturing. The US Inflation Reduction Act, signed in 2022, has spurred an acceleration of domestic renewable energy plans. Meanwhile, Germany, another major wind power market, is moving forward with ambitious targets and attempting to address its permitting challenges. Also, the UK government announced in November 2023 that it would raise the price cap in the upcoming offshore CfD auction in 2024. Vestas continues to take a leadership role in shaping the future market of the wind industry.

Industry recovery

Despite the political support, the wind power industry has faced strong headwinds in recent years, with supply chain shocks, rising inflation and interest rates, plus permitting and grid bottlenecks, all of which has created challenging conditions. We have also seen an industry environment, particularly in offshore, where offtake prices and power purchase agreements (PPAs) have not reflected new cost realities, although progress has been made towards the end of the year. These recent market challenges have led to a downward adjustment in the expected pace of growth. However, growth prospects remain robust, and market fundamentals continue to move in the right direction.

Business area market outlook

With more than 40 years of experience in wind energy, we have established a leadership position within the wind power industry. Our four business areas, Onshore Wind, Offshore Wind, Service, and Development, are all expected to benefit from the energy transition from fossil-based energy systems to resilient renewable energy systems.

1 Source: International Energy Agency: World Energy Outlook 2023. October 2023.

> Growth prospects remain robust, and market fundamentals continue to move in the right direction.

Business area growth expectations

Onshore

Market expectation 2023-30
New installations (GW)*

CAGR:
↑7-9%

Restarting growth
- Increasing activity expected in 2024 driven by the USA and Europe
- Further increase in activity in 2025 driven by all major wind markets

Offshore

Market expectation 2023-30
New installations (GW)*

CAGR:
↑20-25%

Global expansion
- Expansion in Europe and new markets such as the USA, South Korea and Japan
- Growth to accelerate post 2025

Service

Market expectation 2023-30
Market value (EUR)*

CAGR:
↑8-10%

Solid growth
- Solid growth driven by installed base and higher share of offshore
- Power price increases and electricity shortage to drive higher need for output optimisation

Development

Vestas' expectation 2023-25
Order intake generated (GW)

CAGR:
>10%

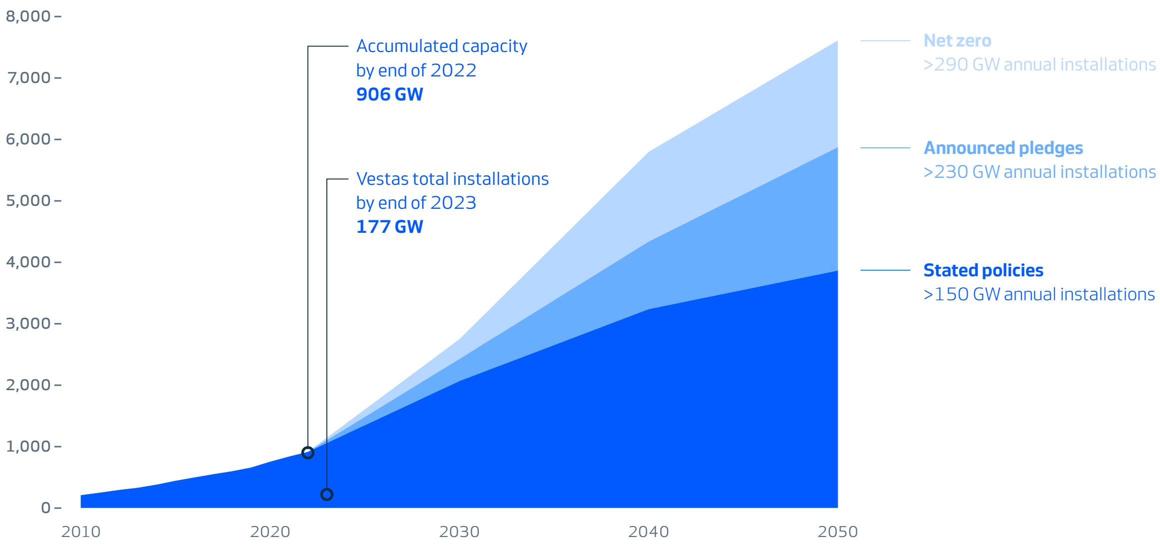
Foundation in place
- Ambition to outgrow the total onshore market in firm order intake generated
- Strategic focus on converting quality project pipeline to firm order intake

* Adapted from Wood Mackenzie: Global wind power market outlook update: Q4 2023. December 2023.

Corporate strategy

To meet growing global energy demand, Vestas is focused on maturing the industry, strengthening commercial discipline, and preparing to scale for future growth. Through incremental innovation, partnerships, modularisation, and digital solutions, we will lead the global energy transition.

Reaching net zero: Global wind energy capacity scenarios
Accumulated capacity (GW)



The illustration is based on data from International Energy Agency: World Energy Outlook 2023, October 2023 (forecasts related to three sketched scenarios); from GWEC: Global Wind Statistics 2023, March 2023 (historic data); and Vestas' own estimates (calculations of estimated required annual installations for the Net zero scenario).

If stated policies are to be met, more new wind energy capacity will need to be installed globally in the next decade than in the entire history of the industry over the previous half century.

Sustainability in Everything we Do

In order for Vestas to succeed, and for the industry to reach maturity and deliver on climate targets, it is essential we build sustainability into everything we do. We must develop our products and solutions with sustainability in mind, ensuring that a carbon-neutral energy system is also resource efficient and circular. Our operations, whether in our factories, at our sites or in between, must be safe and carbon neutral. Our blades must achieve circularity; we must produce zero-waste wind turbines, and we must maintain an inclusive culture where everyone can be their true self.

Net zero requires Vestas to scale

To reach net zero, we estimate wind power installations will need to increase to more than 290 GW per year by 2050[1], from 78 GW in 2022.[2] Even as stated policies and announced pledges indicate a significant increase compared to current levels, the discrepancy is striking. Compounding the challenge, some countries are falling behind with their own renewable buildout plans. Nonetheless, global wind power installations continue to grow, and Vestas is ready to meet demand. Through partnerships with both suppliers and customers, through modularisation and the development of digital solutions, we are laying the foundation for a Vestas that is ready to scale.

Securing the right talent and capabilities

To help drive the energy transition, Vestas needs to attract the right talent and capabilities, and create a work environment in which each and every employee thrives and has the preconditions to put their full resources and skills into power. We want to offer our employees the most inclusive work environment in the energy industry and continuously have a strong focus on increasing diversity and inclusion, as we nurture cross-functional collaboration and unity in "One Vestas". To secure a strong leadership pipeline, we invest in fostering and developing talent internally.

Supply chain partnerships support quality focus
To build an industry capable of delivering a net-zero future, Vestas must, as the leader in wind energy, create partnerships with companies that share our ambition. By partnering with suppliers, we intend to improve quality standards and build operational resilience. Partnerships ensure the right pace of development, allowing the industry to industrialise and optimise existing solutions before introducing new ones. This is particularly important as we prepare to scale in Offshore. Incremental innovation and optimisation will protect value creation in the industry, and allow us to maintain our relentless focus on quality, ultimately delivering shareholder returns.

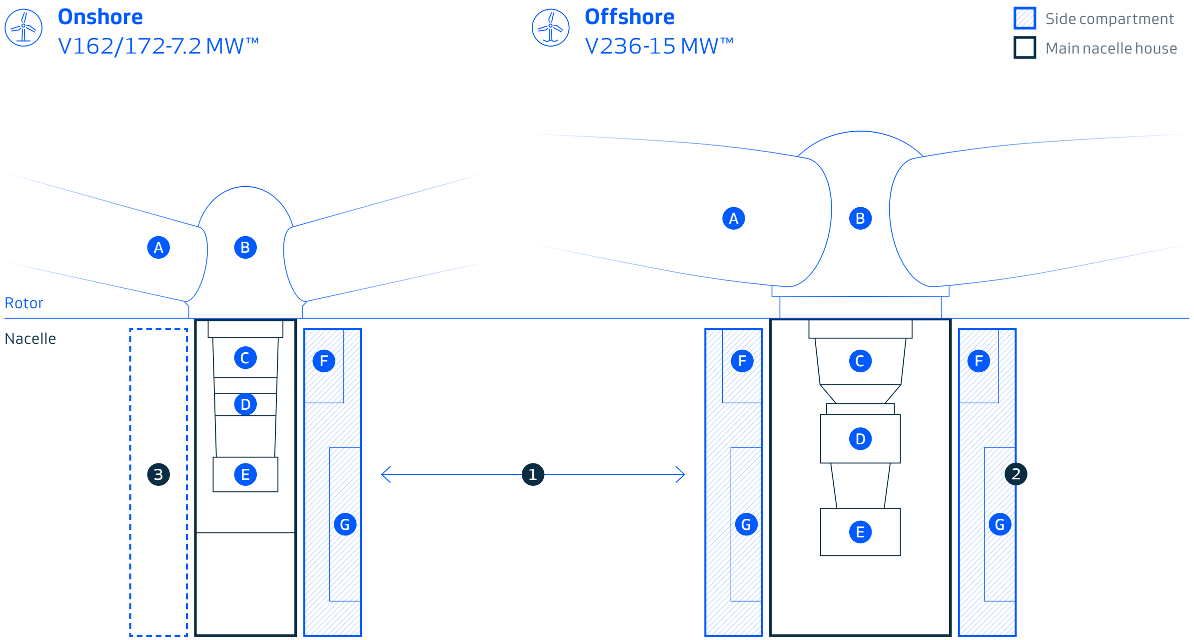
Tying even stronger bonds with long-term global customers
Partnerships are essential across the entire value chain. They are a prerequisite to ensuring the industry becomes profitable in a way that enables key players to scale with demand. We invest, cultivate and reward key customer partnerships that gain access to new development projects and benefit from Vestas' full suite of knowhow and capabilities. Key to these efforts is close collaboration, characterised by a high level of trust, a clear line of sight on strategic priorities, and an acknowledgement that we win together, and we lose together.

Modularisation enables customisation and industrialisation
To build the technological foundations to support customer-centric solutions and scale, we continue to lead the way in modularisation. Combining customisation and standardisation, modularisation makes it possible to serve broad market requirements, while industrialising our supply chain and ensuring competitive costs. We will continue to work towards our end-goal of a completely modular portfolio.

You can read more about the strategic priorities in each of our four business areas on pages 20-21.

1 Estimates based on International Energy Agency: World Energy Outlook 2023. October 2023.
2 Source: Global Wind Energy Council: Global Wind Statistics 2023. March 2023.

Modularised nacelle synergies



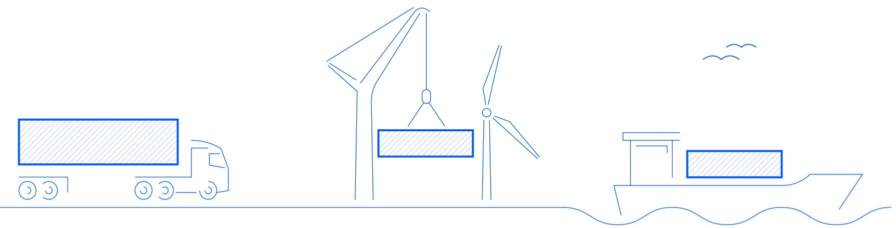
1 The same side compartment is used in both onshore and offshore turbines. Design, test & verification, and improvements are all shared, leading to the highest possible level of quality across our products.

2 By using two of the side compartments the power output is doubled, while keeping the design intact.

3 Future concepts could include new added functionality as the onshore nacelle design is prepared for one more side compartment.

A Blade
B Hub
C Main bearing arrangement
D Gearbox
E Generator
F Transformer
G Converter

→ By using the same footprint as a standard container, we ease the road transport, shipping and lifting of the side compartment.



Business area strategy

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

Onshore strategy

Growing Onshore while restoring profitability
Onshore wind energy forms the backbone of tomorrow's sustainable energy system. Due to its highly competitive cost and independence, onshore wind offers affordable electricity, which is key to building sustainable and prosperous societies.

With 167 GW of installed onshore capacity, Vestas continues to lead the industry with a focus on sustained, profitable growth. This growth is achieved through timely and customer-centric technology and commercial discipline, which enable us to capture the true value of our onshore wind energy solutions and services.

Expectations and strategic priorities
Onshore wind's position in the future energy system continues to strengthen in outlook, with around 63 GW new wind capacity outside China projected to be added annually towards 2030.[1] These projections are linked to new policy frameworks in the EU, the USA, and Australia. Due to the need to accelerate the energy transition and create new, long-term green jobs, key markets such as Germany and France have improved renewable auction designs, while the USA and Australia are moving towards larger onshore projects of 1 GW or more.

In the short term, the continued expansion of onshore wind requires grid infrastructure to be expanded and permitting to be simpler and faster. Larger and more efficient storage and balancing solutions are also required. While timing is still uncertain, Power-to-X offers interesting opportunities for onshore wind energy, with green hydrogen expected to become increasingly competitive.

Our strategic priorities in Onshore continue to be a focus on value over volume, driving modularisation to ensure highly competitive products at high quality and lower cost, and working with digitalisation and efficiency measures across the value chain. Further, we will cultivate strategic customer partnerships, and continue to mature industry dynamics to improve some of the fundamentals in onshore wind. This means we must continue to lead the effort to industrialise the wind energy industry, with the aim of restoring and improving profitability.

Offshore strategy

Ramping up Offshore and succeeding with first V236 projects
The global climate crisis, and the growing need in Europe for independence from Russian oil and gas, has increased the appetite for offshore wind. Vestas is taking responsibility for enabling the necessary rapid expansion to meet energy transition goals. Since 2020, when we re-entered the segment, we have demonstrated our commitment and ability to lead offshore wind by commercialising our flagship V236-15.0 MW™ offshore turbine for which we have now secured the first orders. We are now fully focused on ramping up operations ahead of planned first deliveries in 2025.

Expectations and strategic priorities
In 2023, a changing and dynamic reality became evident, with increasing costs, rising interest rates, and government offtake agreements that were disconnected from reality. These conditions led to project delays or renegotiations for our customers to secure a financially sustainable business case.

Considering the current situation, long-term market growth has been adjusted to the new reality, with offshore wind now expected to reach 27 GW annual installations (excluding China) in 2030.[1] This still represents a five-fold increase for the industry. Today, only nine markets have more than 1 GW of installed offshore capacity, and it is expected that another five markets will exceed this volume by 2030. These new markets are Poland, Ireland, the USA, Japan, and South Korea. Given the political will to adjust offtake price levels where necessary, certainty around long-term project pipelines can now be reestablished to the benefit of consumers, society, and the industry.

Vestas is committed to becoming a global leader in offshore wind, and we are determined to lead the sustainable development of the industry through our customer partnerships. Ramping up offshore to deliver on significant market ambitions require discipline and continuous attention to our business plan. To achieve our goals, we must secure profitable order intake, sustainably scale up our manufacturing capacity, and ensure operational readiness and execution capabilities for the new V236 platform. At the same time, we will lead a market that is profitable and sustainable in the long term.

Service strategy

Providing resilience and stability in a fluctuating environment

Vestas is the global leader in wind energy service solutions, with more than 152 GW under service, across more than 50,000 wind turbines. Growing and developing our Service business will strengthen the stability of wind energy and help to accelerate the deployment of wind power across the global energy system. The consistent performance and steady growth of our Service business is key to supporting our ongoing profitability, as well our efforts to drive industry maturity.

Our size and scale remain a key differentiator in providing customer-centric solutions and improving efficiency and profitability. The continued expansion and scalability of our Service business remains paramount to realising our full potential in this area. Our Service business growth also remains closely aligned to annual new capacity volumes. It also provides our customers with opportunities to strengthen their sustainability performance, and digitalise asset management and planning around spare parts and repair solutions, leveraging Vestas' digital and AI capabilities as we strive to make our operations more efficient and carbon neutral by 2030.

Expectations and strategic priorities

The global market value for service solutions is expected to grow at around 8-10 percent per year to 2030.[1] This growth will primarily be driven by the increase in global installed volume, as well as the higher value of offshore service solutions.

Given the significant market potential and new requirements in offshore wind, we are implementing commercial and operational levers to fulfil customers' needs efficiently. To extend our leading position in wind energy service solutions, we remain focused on maximising customer returns and energy production when electricity demand is highest. To achieve this goal, we are employing an incremental approach to scaling our operations efficiently. This enables us to reap the full benefit of our unparalleled service backlog and prepare for expected growth, onshore and offshore.

Development strategy

Quality projects to accelerate the energy transition

A key challenge for ramping up renewables is the availability of high-quality projects. Therefore, and in order to help accelerate the energy transition, our Development business has built a 30+ GW project pipeline over the past couple of years. By engaging in project development, we are expanding the addressable market for our wind energy solutions while helping our global partners grow their businesses.

Development covers the phases from initial site identification through to the commencement of construction. Key activities include securing land rights and appropriate permits, designing sites, ensuring grid connection, and securing power offtake agreements.

Expectations and strategic priorities

With our strong project pipeline and the political momentum behind renewable energy, the outlook for our Development business continues to improve. The demand for high-quality projects is growing, together with the range of potential investors. However, short-term uncertainty around permitting, grid buildout and increasing interest rates remain challenges.

Most of our projects are still in early stages of development. To grow our Development business profitably, our strategy focuses on maturing the project pipeline while ensuring project quality. Building on our industry expertise and experience, we will de-risk projects and maximise the value of our pipeline while maintaining commercial and financial discipline.

In addition to our own Development business, Vestas has a 25 percent ownership in Copenhagen Infrastructure Partners (CIP). This gives us indirect exposure to the value added from de-risking of projects though the construction phase as well as the potential for partnerships on a project-by-project basis.

↑ Vestas services 8 GW of offshore turbines, located mostly in the UK, Belgium, and Germany.

1 Source: Wood Mackenzie: Global Wind Power Market Outlook Update: Q4 2023. December 2023.

Capital structure strategy

The Vestas Board of Directors and Executive Management frequently assess whether our capital structure, i.e. how the company funds its overall operations and growth, is in the shareholders' best interest and how it supports our corporate strategy.

Financial management

When it comes to financial management, our objective is to create the necessary flexibility and stability to implement strategic development work, while achieving our financial ambitions in the long term. At the same time, we aim to have the most effective cost of capital.

In March and November 2023, we issued new sustainability-linked Eurobonds of EUR 500m each with maturity in 2026 and 2031 respectively. In March 2023, we also signed a new EUR 750m revolving credit facility maturing in 2024. We used the proceeds of the bonds to strengthen our liquidity position and the new revolving credit facility to further enhance our financial flexibility. These issuances supplement our existing Eurobonds, which were issued in 2022, and our EUR 2,000m sustainability-linked revolving credit facility, which was signed in 2021 with final maturity in 2028.

Sustainability-Linked Bond Progress Report 2023
The report will be made available on our corporate website in March 2024.

Our current credit rating, from Moody's Investors Service, is Baa2 with a stable outlook. Our current liquidity reserve is based on a diversified composition of funding and credit facilities, providing the financial stability and flexibility to execute our corporate strategy.

Capital structure targets

As a key player in a market where projects, customers, and wind energy investors are increasing in size and number, we want to be a strong financial counterparty. We aim to maintain sufficient capital resources to ensure financial flexibility and stability, enabling us to operate efficiently and achieve our strategic goals. At the same time, we are targeting net interest-bearing debt to EBITDA below 1x through the cycle, as we do acknowledge the cyclical nature of our industry.

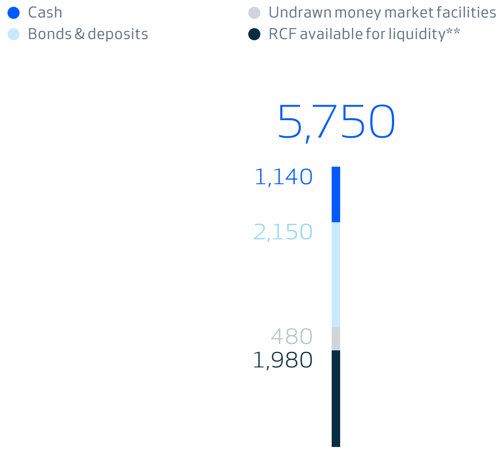
Capital allocation priorities

In our capital allocation, we apply the following principles:

- Allocate the investments and R&D required to realise our corporate strategy and long-term vision of being the Global Leader in Sustainable Energy Solutions.
- Make value-creating acquisitions to accelerate or increase profitable growth prospects. All investments in organic growth and acquisitions must support our long-term financial ambition of achieving return on capital employed of 20 percent. We will also explore divestments of non-core assets to strategic owners who support the scaling of the industry.
- Pay shareholder dividends based on the Board's intention to recommend 25-30 percent of the company's annual net result after tax, which will be paid out following shareholder approval at the Annual General Meeting.
- From time to time, initiate share buy-back programmes to adjust the capital structure. Any decision to distribute cash to shareholders will be based on the capital structure target and availability of excess cash. The level of excess cash will be determined in line with our growth plans and liquidity requirement. In 2023, we decided not to initiate a share buy-back programme considering our journey to reestablish profitability.

The Board of Directors and Executive Management consider that our current capital and share structure serve the interests of our shareholders and Vestas. They also provide strategic flexibility to pursue our vision to become the Global Leader in Sustainable Energy Solutions.

Liquidity reserve composition, end of year*
mEUR



* The figures in the graph have been rounded to the nearest ten.
** The total RCF amounts to EUR 2.75bn, of which EUR 770m is reserved for bonding purposes.

Business area progress

→ Customer partnerships

→ Onshore

→ Offshore

→ Service

→ Development

→ Our footprint

EUR 60bn order backlog

Record 2023 order intake led to the highest-ever achieved combined order backlog for wind turbines and service.

Customer partnerships

Under the headlines of mutual commitment, shared foundation, long-term perspective and open dialogue, Vestas is placing an increasing focus on strategic customer partnerships. The political uncertainty, lack of industry maturity and uneven value distribution across the value chain calls for long-term partnerships with trusted customers. This will allow us to unlock value, distribute risks, collaborate better, scale faster and succeed with giga-projects, such as the 1.3 GW order from Casa dos Ventos in Brazil, and the 1.1 GW SunZia project with Pattern Energy, both signed in 2023.

Customer: Pattern Energy
Project: SunZia Wind, New Mexico, USA
Size of order: 1,089 MW

Pattern Energy's CEO on the giga project SunZia:
"Our turbine order with Vestas is a huge step towards building the largest wind power facility in the country, SunZia Wind, that will generate clean energy for three million Americans across western markets. The majority of the Vestas turbines will be made right here in the United States, helping SunZia create thousands of new jobs in manufacturing and construction. We're proud to be building this milestone project together with Vestas that will help America transition to renewable energy."

Hunter Armistead, CEO, Pattern Energy

↑
Inside the cutting department at our Windsor Blades Factory in Colorado, USA. Vestas' Colorado manufacturing footprint will supply the majority of components for the 242 V163-4.5 MW™ turbines required for the SunZia Wind Project.

"

Customer partnerships will allow us to unlock value, distribute risks, collaborate better, scale faster and succeed with giga-projects.

↑
From left: Henrik Andersen, CEO of Vestas, Eduardo Ricotta, President of Vestas Latin America and Lucas Araripe, CEO of Casa dos Ventos visit our Vestas factory in Ceará, Brazil.

Customer: Casa dos Ventos
Projects: Serra do Tigre & Babilônia Centro, Brazil
Size of order: 1,310 MW

Casa dos Ventos' CEO on the partnership:
"We are a leading company in the renewable energy landscape in Brazil, with the largest portfolio of projects and acting as protagonists in the country's energy transition. We have recently signed Vestas' largest onshore contract for the delivery of equipment and services, totalling 1.3 GW of capacity, which has made our partnership surpass 3 GW. The collaboration between our companies in areas such as technology development, project optimisation, execution and asset management have been key for the achievement of our growth plan and for the promotion of an even more renewable energy mix in Brazil".

Lucas Araripe, Executive director, Casa dos Ventos

Onshore

An improving market
In 2023, the market environment for onshore wind solutions was challenging but showed signs of improvement.

In Europe, the need for more independent power generation has arguably never been greater, as electricity prices linger above historic norms and energy security remains a key concern. And yet, slow permitting processes and undersubscribed auctions are holding back the buildout of renewables.

In the USA, the Treasury Department issued guidance on the Inflation Reduction Act (IRA) in May 2023, which created strong incentives for renewable energy. As the details of the Act became clear, we saw a pickup in order intake in the second half of 2023. The prospects for onshore wind in the USA now look attractive in the long term.

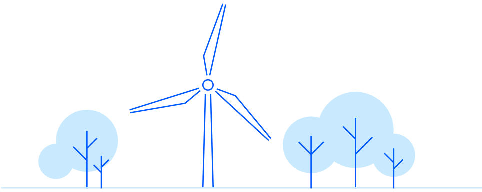
Commercial and operational discipline
During the year, Vestas remained focused on restoring profitability through commercial discipline. In line with our strategy to introduce technology in a timely and customer-centric manner, we saw good commercial traction in 2023 of variants launched in prior years, such as the V163-4.5 MW™, which was introduced to the market in May 2022.

We believe that quality is a key factor to value creation. It was therefore encouraging to see that our Lost Production Factor (LPF), while still elevated, improved in 2023 for the first time in several years. Maturing our own supply chain will enable quality improvements as we prepare to scale. In 2023, for example, we finalised the sale of our converters and controls business to KK Wind in line with our strategy of building partnerships in the supply chain.

Onshore order intake of 15 GW
We maintained our market leadership with an onshore order intake of 15.3 GW in 2023. Our top three onshore markets during the year were the USA, Germany, and Brazil. In the USA, we saw a considerable increase in orders to 6.8 GW, compared to 2.0 GW in 2022, driven by the IRA and our domestic Colorado-based manufacturing footprint. Germany provided another year of solid order intake with 2.3 GW of firm and unconditional orders compared to 1.0 GW in 2022, as onshore wind auctions awarded higher volumes. In Brazil, we recorded 1.3 GW of order intake compared to 1.9 GW in 2022, owing to our largest onshore order to date from long-standing customer, Casa dos Ventos.

Supply chain disruptions
In 2023, we set up a new Global Supply Chain & Transport organisation to simplify planning and execution and build resilience into our supply chain. Overall, we experienced easing of supply chain bottle necks and disruptions, which led to improved project execution through-out the year.

Restoring profitability
We continued to prioritise value over volume, with the overarching goal of restoring profitability and achieving an adequate return on our investments, while offering onshore solutions that meet customer needs.



V162-6.2 MW™

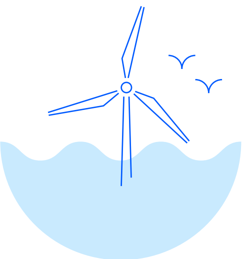
During the year, we received an order for the Bad Lauchstädt Power-to-X project, which will utilise our EnVentus V162-6.2 MW™ turbine to produce green hydrogen.

Offshore

A year of reckoning

During 2023, the offshore wind market experienced two opposing forces: continued growing demand for independent power generation and political ambitions to drive the energy transition, contrasted with the stark reality of increasing costs, higher interest rates, and regulatory uncertainty, all of which presented major challenges to project economics.

Consequently, the offshore wind energy market saw select planned projects in Europe and the USA getting terminated or delayed due to the disconnect between aspirational government price levels and increasing private sector project costs. To reaccelerate the transition, governments must acknowledge the current challenges and mobilise the necessary adjustments and commitments to overcome them, as we have seen in the UK with the improved auction design in relation to the upcoming CfD Auction Round 6.



3.1 GW

Total offshore order intake in 2023.

Partnering with offshore customers

Our V236-15.0 MW™ offshore turbine remains highly competitive on both fixed and floating foundations. During 2023, we won our first firm orders for the V236 turbine with the 1,140 MW Baltic Power project in Poland, the 960 MW He Dreiht project in Germany, and the 780 MW Hollandse Kust West VI project. In addition, as of 31 December 2023, Vestas had 10+ GW of preferred supplier agreements (PSAs) or conditional orders for this particular wind turbine. Our partnering approach with our offshore customers successfully secured us preferred supplier agreements for projects such as Nordseecluster (1.6 GW) in Germany, Norfolk Vanguard West (1.4 GW) in the UK and Wando Geumil (0.6 GW) in South Korea.

V236 sets world record

The V236-15.0 MW™ prototype has been producing power for more than a year, and performing well at full power in high wind speeds. In August 2023, the turbine set a world record for most power output by a single wind turbine in a 24-hour period: 363 MWh.

In November, the V236-15.0 MW™ platform received DNV type certification – ensuring safety, quality, and regulatory compliance.

Offshore manufacturing footprint

During 2023, Vestas continued to build internal competencies and operational readiness ahead of serial manufacturing of the V236-15.0 MW™ turbine. We advanced our investments in a new offshore nacelle assembly facility in Poland, for which hiring will begin in 2024, and operations start in early 2025. In January 2024, we furthermore announced our plans to establish a new blade factory in Poland, expected to start operations in 2026, supplementing our existing offshore manufacturing footprint in Denmark, the UK, Italy, and Taiwan.

Vestas continues to evaluate further capacity expansion opportunities. Any decisions made will be based on creating a long-term, financially sustainable, efficient, and resilient manufacturing setup.

→ A single V236-15.0 MW™ is capable of producing 80 GWh per year, depending on site-specific conditions.

Service

Scalability in a global service business

At the end of 2023, we reached 152 GW under service compared to 144 GW in 2022, solidifying our position as the largest Service business in the industry. Our active service contracts span more than 50,000 wind turbines across 77 countries.

Service is a network business and scale matters for both operational efficiency and profitability. Our size continues to be a key differentiator, and it was encouraging to see further growth and activity in our Service business during the year.

↓
We are transitioning our service vehicle fleet to electric vehicles and have added 465 sustainably fuelled cars to the fleet in 2023 alone.

Maximising customer return

In line with our strategic priorities for Service, we remain focused on maximising value creation with our customers, particularly when electricity prices are high.

During 2023, we decided to close down Covento, our digital marketplace for wind turbine spare parts, and adjusted our operational focus to strengthen the core business. We have collected many valuable insights about the renewable aftermarket through our work on Covento, and we will leverage these insights across our more mature digital sales channels, such as Shop.Vestas.

Customers worldwide continue to appreciate Vestas' service offerings, and our strengths within digital solutions and AI, as evidenced by our Service order backlog, which stood at EUR 34.1bn at the end of 2023. Our annual Customer Loyalty Survey results also continued with high scores. The average contract duration in the backlog is stable at 11 years.

Green fuels in offshore service

At the end of 2023, offshore service accounted for 8.3 GW of our active service contracts, compared to 7.5 GW a year earlier.

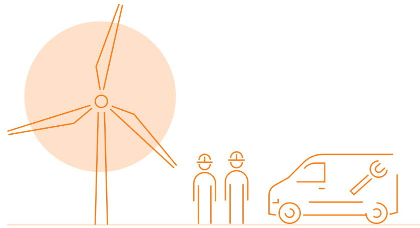
In 2022, we tested the world's first hydrogen-powered crew transfer vessel (CTV) to explore how green fuels can help reduce carbon emissions from offshore service operations. In 2023, these learnings enabled us to expand our collaboration with Northern Offshore Services. We now have a 10-year charter for a sustainably powered CTV, which runs on 100 percent bio-methanol. This vessel is the first and, at the end of 2023, still the only CTV used for servicing offshore wind turbines to run entirely on methanol. Carbon emissions associated with offshore operations (service and installation) currently account for around 40 percent of combined scope 1&2 emissions at Vestas. Reducing offshore-related emissions is therefore necessary to reach our company-wide goal of becoming carbon neutral by 2030.

Electrifying our service fleet

In cooperation with industry leaders in Europe and the USA, we are transitioning our service fleet to electric vehicles. For our onshore service activities, we aim to make all new service vehicles zero-emission from 2025. During 2023, we added 465 sustainably fuelled vehicles to our service fleet, including EVs and biofuel vehicles, more than we introduced between 2020 and 2022 combined.

152 GW

Wind turbines under Vestas service.



Modularisation and serviceability

We have strengthened our collaboration between Service and Power Solutions (Onshore and Offshore) to ensure serviceability is a core part of product development as we implement modularisation. This effort is key to our ambition to drive industry maturity. In 2023, for example, we re-used our hub design across two onshore platforms. As well as simplifying the design process, this also increased serviceability; we can now lower replaceable components directly from the hub, rather than having to carry them into the nacelle and lower them from there.

As illustrated by the continuity of our Service operations during the Covid-19 pandemic, logistics, and availability of spare parts and skilled service technicians, are all vital for ensuring optimal asset performance.

Development

A year of successful transactions

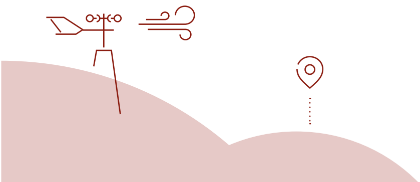
The Vestas Development business continued to generate value in 2023 with almost 3 GW of exits, including several projects in mid-stage development, two project portfolios in Italy and Ireland, and a fully developed in-house project in the USA. In addition, projects in our Development portfolio provide a value-added exclusive offering to our global partners.

Development pipeline

In 2023, we originated 7.6 GW of new projects. At the end of the year, our Development pipeline stood at 30.2 GW, versus 32.1 GW at the end of 2022. Our focus on the quality of the projects in our pipeline as well as continued development progress and de-risking, led to closing of several early-stage projects, which offset the additions during the year. Most of the pipeline is located in our main markets of Australia, the USA, Italy, Brazil, Spain, and South Korea.

30 GW

Development pipeline.



342 MW of orders generated

During 2023, a total of 342 MW of order intake was generated for Vestas from projects in the USA, Finland, and Brazil.

In-house collaboration to ensure project quality

Building on Vestas know-how, we are increasingly developing our projects in-house in our main markets to ensure project quality. This enables Vestas to capture more of the value-added from de-risking projects during development. To this end, we are building on existing capabilities within Vestas, including our expertise in site identification using SiteHunt®, wind resource assessment as well as grid capabilities.

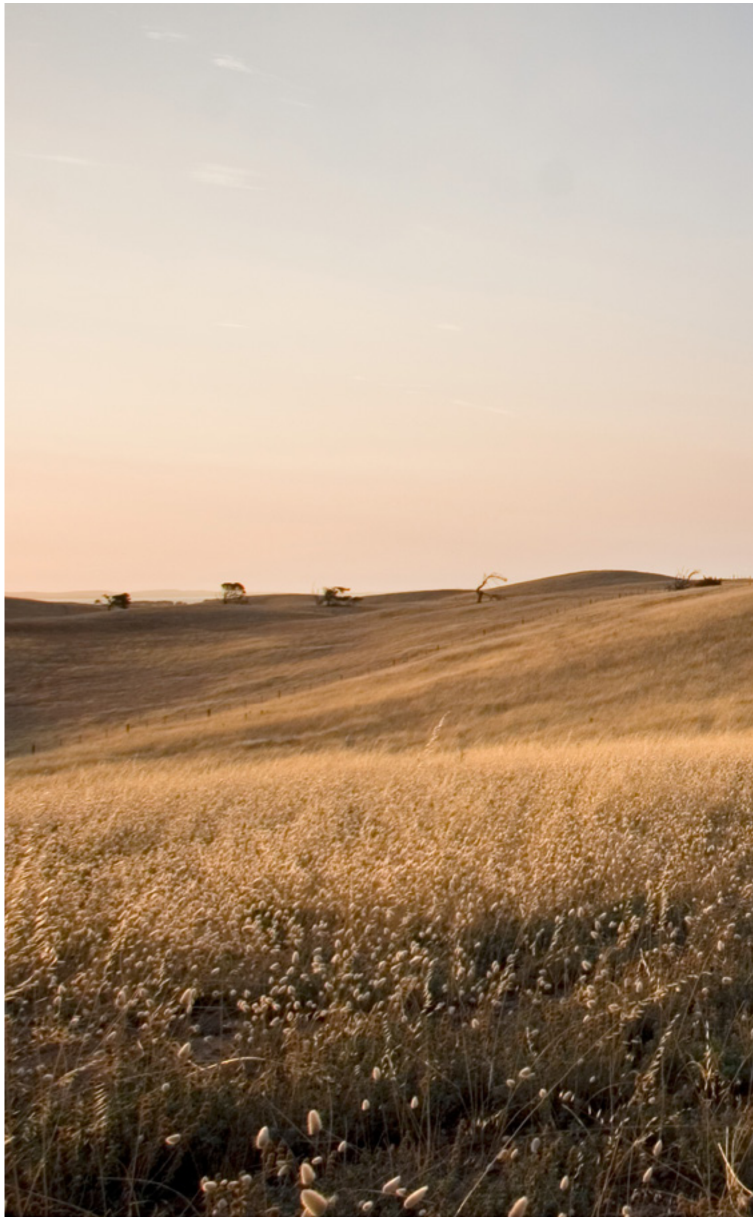
Exploring next generation project opportunities

The future opportunities for Vestas to capture value and support our customers in the development space remain significant. In line with our strategic ambitions to maximise project value, in 2023 we explored the development of next generation large-scale projects, such as hybrid projects in the USA and Power-to-X projects in Australia.

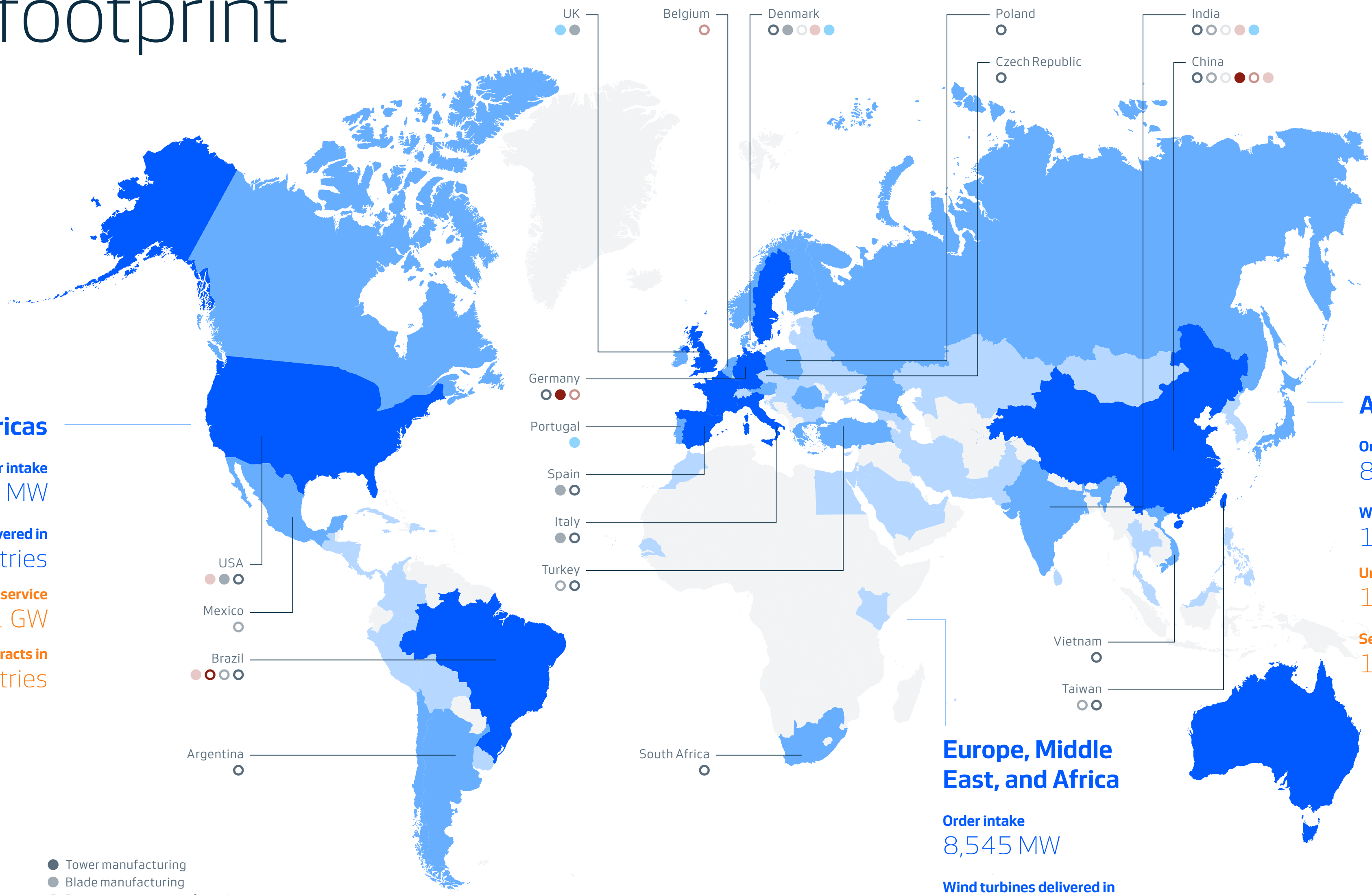
Benefits of CIP ownership

Copenhagen Infrastructure Partners (CIP), in which Vestas has 25 percent ownership, continues to provide Vestas and CIP with benefits beyond financial returns. Building on each party's capabilities, Vestas has jointly with CIP been able to progress towards fully permitted projects on two large projects in Australia. We continue to explore additional opportunities for joint development collaboration.

→ It typically takes from two to seven years to develop a wind project from site identification to commencement of construction.



Our footprint



Americas

Order intake
8,942 MW

Wind turbines delivered in
9 countries

Under service
61.1 GW

Service contracts in
23 countries

Europe, Middle East, and Africa

Order intake
8,545 MW

Wind turbines delivered in
23 countries

Under service
75.0 GW

Service contracts in
42 countries

Asia Pacific

Order intake
899 MW

Wind turbines delivered in
10 countries

Under service
16.3 GW

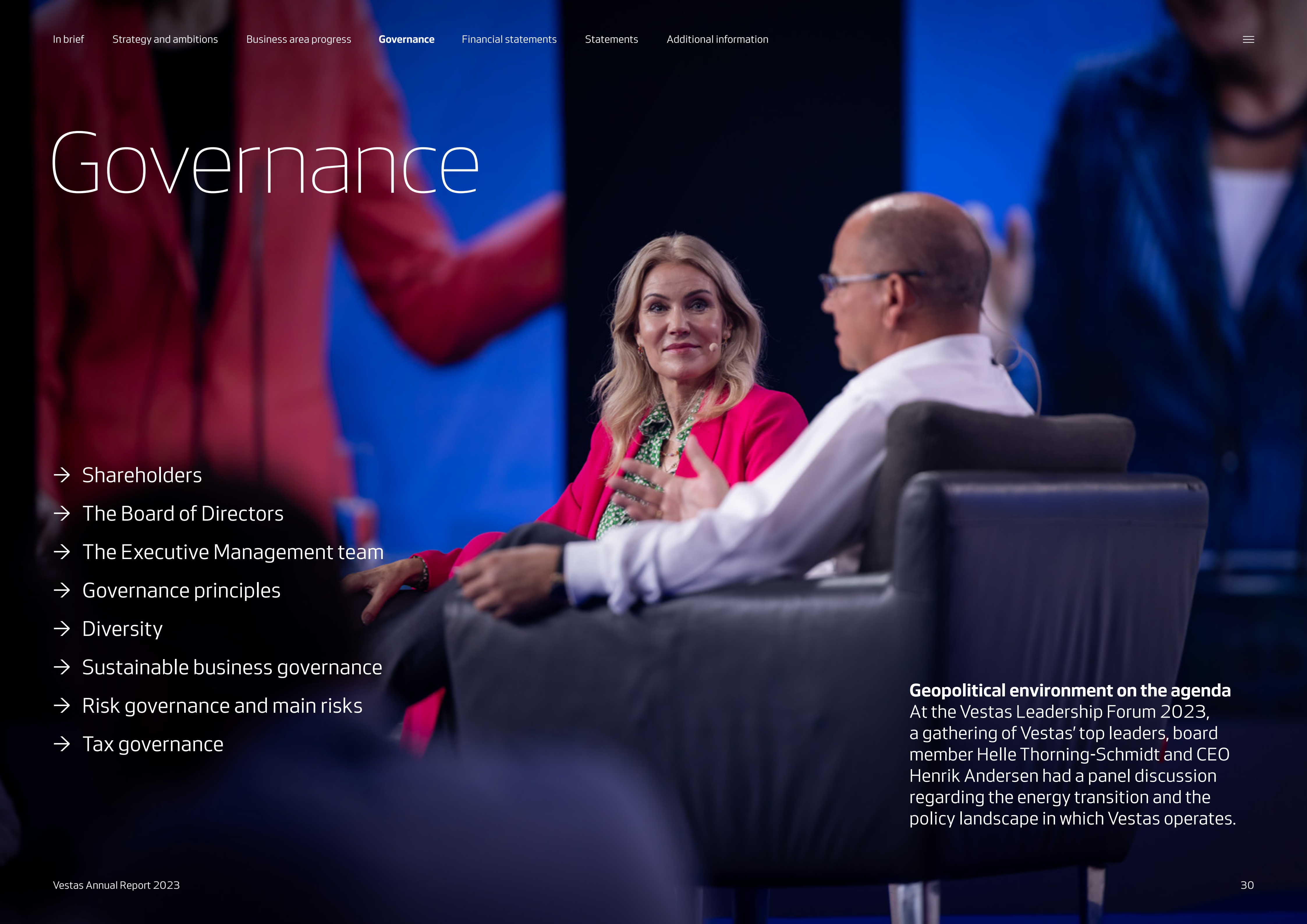
Service contracts in
12 countries

Cumulative capacity installed per country:

- 1-999 MW
- 1,000-4,999 MW
- 5,000 MW and above

- Tower manufacturing
- Blade manufacturing
- Power converter manufacturing
- Generator manufacturing
- Powertrain manufacturing
- Nacelle and hub assembly
- Research and development

- Vestas facility
- Vestas partnership



Governance

Geopolitical environment on the agenda
At the Vestas Leadership Forum 2023, a gathering of Vestas' top leaders, board member Helle Thorning-Schmidt and CEO Henrik Andersen had a panel discussion regarding the energy transition and the policy landscape in which Vestas operates.

Shareholders

Together with our more than 200,000 share-holders, we bring prosperity and sustainable energy solutions to societies worldwide.

Our shareholders represent the supreme governing body of Vestas Wind Systems A/S. They exercise their right to make decisions at general meetings and, with a few formal requirements, are entitled to submit proposals, vote, and speak at these meetings. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require two thirds of the votes cast and capital represented, unless other adoption requirements are imposed by the Danish Companies Act.

Share capital and ownership

According to our shareholder register, we have shareholders from over 100 different countries, dominated by shareholders from the USA, UK, and Denmark, respectively. At the end of 2023, institutional investors accounted for around 85 percent of the share capital.

Authorisations granted to the Board

According to article 3 of the Articles of Association, the shareholders have authorised the Board of Directors (the Board) to increase the company's share capital in one or more issues of new shares up to a nominal value of DKK 20,197,345. The authorisation is valid until 1 April 2026.

At the Annual General Meeting in 2023, the shareholders authorised the Board to let the company acquire treasury shares in the period until 31 December 2024 equal to 10 percent of the share capital at the time of the authorisation, provided that the nominal value of the company's total holding of treasury shares at no time exceeds 10 percent of the company's share capital at the time of the authorisation.

At the Annual General Meeting 2024, the Board will propose that the Board is granted authorisation to acquire treasury shares in the period until 31 December 2025 up to an aggregate of 10 percent of the company's share capital.

Dividend

The general intention of the Board of Directors (Board) is to recommend a dividend of 25-30 percent of the company's annual net result after tax

The Board recommends no dividends will be distributed to the shareholders for the financial year 2023 due to the low level of profit that would result in a mere token dividend.

Election of new auditor in 2024

Due to legal requirements, the company's auditor must be rotated at the Annual General Meeting in 2024. The Board propose that Deloitte is elected as Vestas Wind Systems A/S' new auditor.

Shareholder and stakeholder engagement

In 2023, the Chair met with several shareholders and stakeholders to gain insights into their expectations and perspectives. Furthermore, board member Helle Thorning-Schmidt participated in Vestas' Leadership Forum to discuss the energy transition and the policy landscape in which Vestas operates.

The Vestas share

Stock exchange	Nasdaq Copenhagen
Stock exchange quotation	1998
ISIN code	DK0061539921
Ticker symbol	VWS
Share capital	201,973,452
Nominal denomination	DKK 0.20
Number of shares	1,009,867,260
Share classes	One share class
Voting rights	One share carries 20 votes
Free float	100% free float
Trading lot (minimum)	None, one share is tradeable
Share price, year-end	DKK 214.30
Major shareholder	BlackRock, Inc. (Wilmington, DE, USA)*

Holding of treasury shares

Number	
Treasury shares as at 31 December 2022	3,689,702
Purchases in May 2023	398,924
Vested treasury shares	(695,021)
Total holding of treasury shares as at 31 December 2023	**3,393,605**

Annual General Meeting 2024

Date:	9 April 2024
Time	4:30 p.m. (CEST)
Venue:	Vestas headquarters in Aarhus, Denmark
Webcast:	The meeting will be broadcast live via our corporate website.**

* BlackRock, Inc. informed about the passing of the 5 percent threshold in October 2020, at which point in time its holding was 5.36 percent.

** The live webcast is publicly accessible and requires no registration. The webcast does not offer possibilities for voting, expressing opinions, or asking questions at the Annual General Meeting itself.

The Board of Directors

In 2023, the Board elected a new Chair and Deputy Chair. At the annual strategy seminar, the Board confirmed that Vestas is on track with its main priority of restoring profitability to ensure sustainable growth going forward. The Board agreed to the identified priorities in the short and medium term.

The shareholders have decided that the company must be managed by a board composed of five to 10 members, elected by the shareholders and may be recommended for election by our shareholders or by the Board.

In addition, the Board includes members elected by our employees under the relevant provisions of the Danish Companies Act, equalling half of the shareholder-elected members.

Corporate Governance Report 2023
Read more about the roles and responsibilities of the Board, as well as the 2023 focus areas of the Board and its committees.

Strategy

The Board is responsible for setting Vestas' corporate strategy and sustainability strategy. The Board also monitors the strategy implementation, carried out by the Executive Management team, and ensures that Vestas maintains effective risk management and internal control systems.

Board Strategy Seminar 2023
The Board's Strategy Seminar is an important part of its annual cycle. The 2023 seminar focused on Vestas' return to profitability and sustainable growth in the next couple of years. In addition to strategic presentations from the Executive Management team, the seminar included a customer panel and site visit. A financial analyst also shared his perspective on the current business environment. As the seminar was held in Germany, the two days concluded with an in-depth session on strategic opportunities in the Northern and Central Europe Region.

The seminar also enabled participants to align on:

- Short-term performance and priorities
- Industry outlook and challenges towards 2030
- The Vestas business plan 2024-2026
- Selected global strategic priorities

Annual strategy wheel

Diversity in the Board	2023	2022
Number of board members		
Elected by the shareholders*	7	8
– received valid votes (percent)	90-100	92-99
Elected by the employees**	4	4
Total	**11**	**12**
Nationalities, all board members		
Danish	6	6
Swedish	3	4
American	1	1
Japanese	1	1
Age, all board members		
40-49 years	1	1
50-59 years	5	5
60-69 years	5	6
Tenure, all board members		
1-5 years	9	9
6-10 years	0	1
More than 10 years	2	2
Gender, all board members		
Women	5	5
Women (%)	45.5	41.7
Men	6	7
Men (%)	54.5	58.3
Board Committees		
Number of members (women/men)		
– Audit Committee	1 / 2	1 / 2
– Nomination & Compensation Committee	2 / 2	2 / 2
– Technology & Manufacturing Committee	1 / 2	1 / 2
Independence		
– Independent (%), elected by shareholders	85.7	87.5
– Independent (%), all board members	54.5	41.7

* Shareholder elected board members serve for a one-year term.
** Employee elected board members serve for four-year term. Next ordinary election has to take place before the Annual General Meeting 2024.

Board remuneration

We prepare a separate Remuneration Report describing the remuneration awarded to the Board and Executive Management (the CEO and CFO).

In 2023, our shareholders approved that the remuneration of board members and board committee members remains unchanged from 2022. They approved the Remuneration Report 2022 with 94 percent of the represented votes.

Remuneration Report 2023
The report is prepared in accordance with section 139b of the Danish Companies Act and will be submitted to the Annual General Meeting 2024 for an advisory vote.

Board evaluation

Evaluation process

Once a year, the Board and its committees carry out an evaluation of their work. The purpose is to further develop the Board's efficiency and working procedures. As part of the yearly evaluation, board members are asked to complete a questionnaire to guide them in their preparation. The areas covered by the evaluation may differ from year to year to reflect the development of the Board's work.

The result of the evaluation of the Board itself is discussed by board members. The result of the committees' evaluations is discussed by the relevant committee and reported to the Board. The Board brings in external consultants to support the evaluation at least once every third year.

Main conclusions and outcomes of the board evaluation 2023

In October and November 2023, the three board committees and the Board evaluated their performance. The evaluations were conducted as an open dialogue among the members and facilitated internally by the respective chairs.

Board committees

The evaluations carried out in the three board committees revealed that all three committees are found to be well organised. There is a high participation rate in the committees, the Chair of each committee is running meetings in a structured way, and the number of meetings is considered adequate.

The Board finds itself well informed by each committee Chair about the topics discussed by the committees, and the Board expressed support for maintaining the current committee structure.

Board of Directors

The evaluation of the Board amongst its members concluded that meetings are found to be run in a structured way by the Chair, creating a framework for open and direct dialogue. There is a high participation rate in meetings of the Board, which indicates that members allocate sufficient time to discharge their responsibilities to Vestas, see also the table of meeting attendance on page 34. The Board in its current composition has achieved equal gender distribution among the shareholder-elected members, but it still lacks geographical diversity.

It is the board members' opinion that there is a good interaction with the CEO and CFO, both in and outside board meetings. The Board expressed an intent to increase engagement with the broader Vestas organisation, including other members of senior management as well as upcoming talents.

Expertise and skills

In connection with the board evaluation, the Board also reviewed and evaluated its expertise and skills. The result is illustrated in the table on page 34. Each indicator is based on the individual board member's education, job experience, or management duties during their careers. To expand the Board's skills and competencies within areas such as cyber security, sustainability matters, and human rights, a board education seminar will be organised in February 2024 in collaboration with an external advisor.

Board Performance Evaluation Report 2023
The full report is available at our corporate website.

Skills matrix based on background and experiences	**Global business leadership, change management and governance**	**Society, politics and geopolitics**	**People leadership and organisational transformation** **Human rights and social responsibility**	**Industry, technology and energy markets knowledge**	**Strategy and strategic operations**	**Finance, risk and trading (accounting, financial and capital markets)**	**Legal and listed company**	**Digitalisation and cyber security**	**Manufacturing** **Operational excellence and risk management**	**Service and aftermarket**	**Climate change and sustainability** **Environmental responsibility**
Anders Runevad	●		●	●	●		●		●	●	●
Karl-Henrik Sundström	●	●	●	●	●	●	●	●	●		●
Bruce Grant						●				●	
Eva Merete Søfelde Berneke	●		●		●			●			
Helle Thorning-Schmidt	●	●	●		●						
Kentaro Hosomi	●			●	●				●	●	●
Lena Olving	●		●	●	●	●	●	●	●	●	●

Meeting attendance and trading matrix	**Attendance in 2023***			
	Board	**Audit Committee**	**Nomination & Compensation Committee**	**Technology & Manufacturing Committee**
Elected by the shareholders:				
Mr Anders Runevad	10/10 (Chair) (100%)	-	4/4 (Chair)	4/4
Mr Karl-Henrik Sundström	10/10 (Deputy Chair) (100%)	5/5 (Chair)	4/4	-
Mr Bruce Grant	8/10 (80%)	-	-	4/4
Ms Eva Merete Søfelde Berneke	8/10 (80%)	5/5	4/4	-
Ms Helle Thorning-Schmidt	10/10 (100%)	-	4/4	-
Mr Kentaro Hosomi	10/10 (100%)	3/3	-	-
Ms Lena Olving	9/10 (90%)	-	-	4/4 (Chair)
Elected by the employees:				
Mr Claus Christensen	10/10 (100%)	-	-	-
Mr Michael Abildgaard Lisbjerg	10/10 (100%)	-	-	-
Ms Pia Kirk Jensen	10/10 (100%)	-	-	-
Ms Sussie Dvinge	9/10 (90%)	-	-	-
Board member who stepped down in 2023:				
Mr Bert Nordberg	3/3 (100%)	2/2	-	-

* The first figure represents attendance, the second the possible number of meetings.

↑ Anders Runevad (right), our new Chair, thanking our previous Chair, Bert Nordberg (left), for his 10 years of excellent service to Vestas.

→ The members of the Board have informed the company of the following competencies and fiduciary positions in Danish and foreign listed and non-listed companies, and organisations.

Mr Anders Runevad
Chair

Born: 1960
Nationality: Swedish
Residence: Sweden
Position: Professional board member

Position with Vestas Wind Systems A/S
First elected: 2020
Term: 2024
Positions: Chair of the Board. Chair of the Nomination & Compensation Committee. Member of the Technology & Compensation Committee.
Independence: Not considered independent* – as he was the Group President & CEO of Vestas from 2013 to 2019.

Positions and management duties in listed companies
Chair of the board of Peab AB. Member of the board of Schneider Electric SE.

Positions and management duties in not listed companies
Chair of the board of PGA Sweden National AB. Member of the boards of Copenhagen Infrastructure Partners GP Interests Holding K/S and Copenhagen Infrastructure Partners Holding P/S.

Education
1985-1989 MBA studies, University of Lund
1980-1984 Master of Science in Electrical Engineering, University of Lund

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 40,480

Mr Karl-Henrik Sundström
Deputy Chair

Born: 1960
Nationality: Swedish
Residence: Sweden
Position: Professional board member

Position with Vestas Wind Systems A/S
First elected: 2020
Term: 2024
Positions: Deputy Chair of the Board. Chair of the Audit Committee.
Independence: Considered independent.

Positions and management duties in listed companies
Chair of the board of Boliden AB. Member of the board of NXP Semiconductors N.V.

Positions and management duties in not listed companies
Chair of the board of Mölnlycke Health Care AB. Member of the board of Ahlström Munksjö Oyj. Chair of Climate Leadership Coalition. Member of the board of the Marcus Wallenberg Foundation.

Education
1997 Advanced Management Program, Harvard Business School
1985-1987 Trainee Financial Management, LM Ericsson Group
1982-1985 Business Administration, specialising in Finance and Accounting, Uppsala University
1979-1981 Royal Coast Artillery, Rank Master Sergeant and Boat Chief, Military Service

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 8,200

Mr Bruce Grant

Born: 1959
Nationality: American
Residence: USA
Position: Executive Chair, Applied Value LLC

Position with Vestas Wind Systems A/S
First elected: 2019
Term: 2024
Positions: Member of the Board and the Technology & Compensation Committee.
Independence: Considered independent.

Positions and management duties in not listed companies
Chair of the boards of Applied Invest LLC, Applied VenCap LLC, and Human Care Corporation. Deputy chair of the board of CosmosID, Inc. Member of the boards of RiverMeadow LLC and Swedish-American Chamber of Commerce, Inc.

Education
1981-1984 PhD Cand. Industrial Management, Chalmers University of Technology
1977-1981 MSc., Business Economics, University of Gothenburg

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 0

Ms Eva Merete Søfelde Berneke

Born: 1969
Nationality: Danish
Residence: France
Position: Chief Executive Officer, Eutelsat SA

Position with Vestas Wind Systems A/S
First elected: 2019
Term: 2024
Positions: Member of the Board, the Nomination & Compensation Committee, and the Audit Committee.
Independence: Considered independent.

Positions and management duties in not listed companies
Member of the boards of École Polytechnique and LEGO A/S.

Member of the audit committee of LEGO A/S.

Education
1994-1995 MBA program, INSEAD
1988-1992 Master of Mechanical Engineering, Technical University of Denmark
1990-1991 Master studies, Economics, École Centrale Paris

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 17,295

Mr Kentaro Hosomi

Born: 1957
Nationality: Japanese
Residence: Japan
Position: Advisory Fellow, Mitsubishi Heavy Industries, Ltd

Position with Vestas Wind Systems A/S
First elected: 2021
Term: 2024
Positions: Member of the Board and the Audit Committee.
Independence: Considered independent.

Education
1976-1980 Bachelor of economics degree from University of Tokyo

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 0

* In accordance with recommendation 3.2.1 of the Danish Corporate Governance Recommendations as designated by Nasdaq Copenhagen.

Ms Lena Olving

Born: 1956
Nationality: Swedish
Residence: Sweden
Position: Founder & Partner of Olving & Ohberg AB

Position with Vestas Wind Systems A/S
First elected: 2022
Term: 2024
Positions: Member of the Board. Chair of the Technology & Manufacturing Committee.
Independence: Considered independent.

Positions and management duties in listed companies
Member of the boards of Assa Abloy AB, Investment AB Latour, and NXP Semiconductor NV.

Positions and management duties in not listed companies
Chair of the boards of ScandiNova Systems AB and The Royal Swedish Opera. Member of the board of Stena Metall AB.

Education
1981 Master of Science, Mechanical Engineering, Chalmers University of Technology

Holdings in Vestas securities
Trading in Vestas shares, 2023: +380
Number of shares, end 2023: 730

Ms Helle Thorning-Schmidt

Born: 1966
Nationality: Danish
Residence: UK
Position: Professional board member

Position with Vestas Wind Systems A/S
First elected: 2019
Term: 2024
Positions: Member of the Board and the Nomination & Compensation Committee.
Independence: Considered independent.

Positions and management duties in not listed companies
Chair of the Danish Football Union (DBU)'s Governance and Development Committee. Co-Chair of The Oversight Board. Member of the boards of Islamic Development Bank and Schwab Foundation for Social Entrepreneurship.

Member of foreign policy think tanks, including the US Council of Foreign Relations, the European Council for Foreign Relations, and the Atlantic Council International Advisory Board. Member of the Berggruen 21st Century Council.

Member of the Pan-European Commission on Health and Sustainable Development convened by the WHO Regional Office for Europe.

Education
1992-1993 Master's Degree in European Studies from the College of Europe in Bruges
1987-1994 Master's Degree in Political Science from the University of Copenhagen

Holdings in Vestas securities
Trading in Vestas shares, 2023: None
Number of shares, end 2023: 2,770

Mr Claus Skov Christensen

Employee representative

Born: 1968
Nationality: Danish
Residence: Denmark
Position: Lead Technician – Shop Steward for Danish Service Technicians, Vestas Northern Europe A/S

Position with Vestas Wind Systems A/S
First elected: 2022
Term: 2024
Position: Member of the Board.
Independence: Not considered independent* – due to employment in Vestas.

Positions and management duties in not listed companies
Member of the board of DM Skjern-Ringkøbing P/S.

Mr Michael Abildgaard Lisbjerg

Employee representative

Born: 1974
Nationality: Danish
Residence: Denmark
Position: Skilled Worker – Production and Shop Steward, Vestas Manufacturing A/S

Position with Vestas Wind Systems A/S
First elected: 2008
Term: 2024
Position: Member of the Board.
Independence: Not considered independent* – due to employment in Vestas.

Positions and management duties in not listed companies
Deputy chair of the boards of DM Skjern-Ringkøbing P/S and DMSR af 24. oktober 2016 ApS.

Ms Pia Kirk Jensen

Employee representative

Born: 1966
Nationality: Danish
Residence: Denmark
Position: Global Travel Manager, People & Culture, Vestas Wind Systems A/S

Position with Vestas Wind Systems A/S
First elected: 2020
Term: 2024
Position: Member of the Board.
Independence: Not considered independent* – due to employment in Vestas.

Ms Sussie Dvinge

Employee representative

Born: 1970
Nationality: Danish
Residence: Denmark
Position: Management Assistant, Power Solutions, Quality Improvements, and Processes, Vestas Wind Systems A/S

Position with Vestas Wind Systems A/S
First elected: 2005
Term: 2024
Position: Member of the Board.
Independence: Not considered independent* – due to employment in Vestas.

* In accordance with recommendation 3.2.1 of the Danish Corporate Governance Recommendations as designated by Nasdaq Copenhagen.

The Executive Management team

In 2023, the Board and CEO decided to strengthen the team with a new Chief People & Culture Officer, Anne Pearce, who joined the team at the beginning of 2024.

All members of the Executive Management team are appointed by the Board, with none of the members representing a stakeholder group. Furthermore, the Board decides in collaboration with the CEO on the split of responsibilities between individual executives.

The Executive Management team is responsible for the overall day-to-day management of the company. It observes the guidelines and recommendations issued by the Board and ensures timely reporting and provision of information to the Board, our shareholders, and other stakeholders. The Executive Management team strives to be globally visible to all Vestas' stakeholders, demonstrating the company's values and conveying its vision and strategy. The team meets at least once a month and often more frequently with at least two offsite gatherings annually.

In 2023, Kerstin Knapp stepped down as Chief People & Culture Officer (CPCO). Her replacement, Anne Pearce, joined the Executive Management team as of 2 January 2024.

Diversity in the Executive Management team*	2023	2022
Number of Executive Management team members	7	8
Nationality diversity		
Danish	5	5
Swedish	1	1
Spanish	1	1
Austrian	0	1
Age diversity		
40-49 years	2	4
50-59 years	5	4
Gender		
Women (number)	0	1
Women (%)	-	12.5
Men (number)	7	7
Men (%)	100	87.5

* As of January 2024, Ms Anne Pearce joined the Executive Management team, now consisting of eight members, representing four nationalities, and out of which six members are between 50-59 years old. The gender distribution is 12.5 percent women/87.5 percent men.

Composition, meetings, and shareholding of the Executive Management team

Key areas	Members of the Executive Management team	Born	Nationality	Appointed	Meeting attendance in 2023*	Fiduciary positions	Vested performance shares	Purchase	Sale	Holdings end year (number)
	Mr Henrik Andersen (CEO)	1967	Danish	2019	19/19 (100%)	Member of the boards of Copenhagen Infrastructure Partners GP Interests Holding K/S, Copenhagen Infrastructure Partners GP Interests Topco ApS, Copenhagen Infrastructure Partners Holding P/S, MHI Vestas Japan Co., Ltd., and Saxo Bank A/S. Member of the investment committee of Maj Invest Equity 4 & 5 K/S.	21,549	5,750	-	144,071
Finance	Mr Hans Martin Smith (CFO)	1979	Danish	2022	19/19 (100%)	Member of the Board of Aktieselskabet Schouw & Co. Chair of the Audit Committee of Aktieselskabet Schouw & Co.	5,214	-	-	12,652
Technoloy	Mr Anders Nielsen	1962	Swedish	2020	19/19 (100%)	Chair of the board of Concentric AB.	6,743	-	-	12,743
Operations	Mr Tommy Rahbek Nielsen	1970	Danish	2020	19/19 (100%)	-	10,854	-	4,500	36,307
Sales	Mr Javier Rodriquez Diez	1974	Spanish	2021	19/19 (100%)	-	5,747	-	4,204	8,981
Service	Mr Christian Venderby	1969	Danish	2019	19/19 (100%)	Member of the board of DNV.	23,150	-	-	42,529
Digital Solutions and Development	Mr Thomas Alsbjerg	1973	Danish	2022	19/19 (100%)	-	3,235	-	-	5,120
People & Culture	Ms Anne Pearce	1974	New Zealander/ Australian	2024						

* The first figure represents attendance, the second the possible number of meetings.

Governance principles

The Board ensures that guidelines and processes are in place so that management has the necessary framework to conduct business in line with Vestas' values – Accountability, Collaboration, Simplicity, and Passion.

To achieve our strategy and vision, it is essential we build and maintain strong foundations through our organisational principles and values. We therefore emphasise leadership and good corporate governance to anchor and embed these values. Underpinning everything we do, our values guide the actions we all need to take, individually and as one. To ensure our management's responsibilities are clearly defined, we have drawn up a number of policies and guidelines. These are reviewed by management on an annual basis to confirm we have the right governance processes in place.

Corporate Governance Report 2023

We report in accordance with the Danish Corporate Governance Recommendations designated by Nasdaq Copenhagen. In 2023, we followed these recommendations, either complying with them or explaining our approach. Further information about our corporate governance practices can be found in our Corporate Governance Report 2023, which is prepared in accordance with section 107b of the Danish Financial Statements Act.

Corporate Governance Report 2023
Our comments on each recommendation are available in the Corporate Governance Report. Find the report at: vestas.com/en/investor/reporting/2023

Business ethics

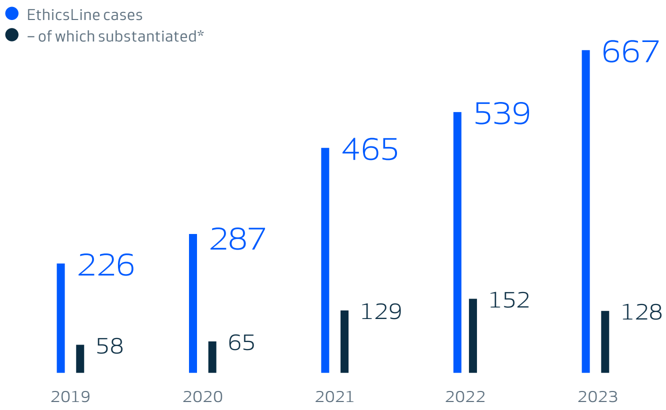
Communities, suppliers, and customers place their trust in Vestas to conduct business with integrity. They also expect us to respect human rights wherever we operate.

In January 2023, we launched our third Global Compliance Survey. This anonymous survey was sent to all office employees and service technicians to help us understand the perception of bribery and corruption risks within the business. The response rate was 57 percent, and more than 3,500 written comments were received. This created enough data to identify trends and improvement areas.

The results again fed into our Regional Compliance Programmes. These programmes are updated on a yearly basis and executed throughout the year via a series of initiatives to train, raise awareness, improve policies and procedures, and more across our different locations.

In 2023, we also introduced Global and Regional Ethics & Compliance Weeks, through which we ran initiatives to raise awareness about our Code of Conduct and business ethics topics. The initiatives included interviews with Executive Management, panel discussions with leaders, training sessions, awards for employee engagement with compliance, quiz activities, and more. There was a high level of engagement across all regions, and we will continue to drive initiatives to promote a good compliance culture.

Development in EthicsLine cases
Number



* Note that at the end of year, 78 cases from 2023 and one case from 2022 remain under investigation. The number of substantiated cases for the two years reflect current status and may change subsequently. See the Sustainability Report 2023, page 53, for more information on EthicsLine, and this report, page 130, for accounting policies.

"
We anchor internal control systems throughout the organisation to ensure systematic identification and management of all relevant risks.

Data ethics policy and report

The overall objective of our data ethics policy is to encourage and motivate all employees to handle data with care and respect, and to follow our guiding principles on data use and ethics.

Through the ethical use of our smart data capabilities and groundbreaking technologies, we aim to achieve our objectives and extend our position as the industry's leading global partner on sustainable energy. We report on these efforts in accordance with section 99d of the Danish Financial Statements Act.

Transactions with related parties

A related party transaction is defined as any transaction, direct or indirect, between Vestas or any of its subsidiaries and/or affiliates. Any related party transaction with a value greater than the lowest 10 percent of Vestas' total assets, and equalling more than 25 percent of Vestas' operating profit/loss, is published on our corporate website. For 2023, the threshold corresponded to a value of EUR 81m. During the year, there were no such significant transactions.

Financial and ESG assurance – internal control processes

We anchor internal control systems throughout the organisation to ensure systematic identification and management of all relevant risks. Processes and controls are continuously reviewed with the aim of achieving further automation, optimisation, and standardisation across Vestas.

The Board has ultimate responsibility for ensuring that Vestas has adequate internal control systems. Meanwhile, the Audit Committee is authorised by the Board to provide oversight of the reporting and audit process, systems for internal controls, and compliance with laws and regulations.

Internal control
Group Finance is responsible for the implementation, monitoring, and reporting of our global financial processes and internal control framework. Group Sustainability has responsibility for our ESG reporting.

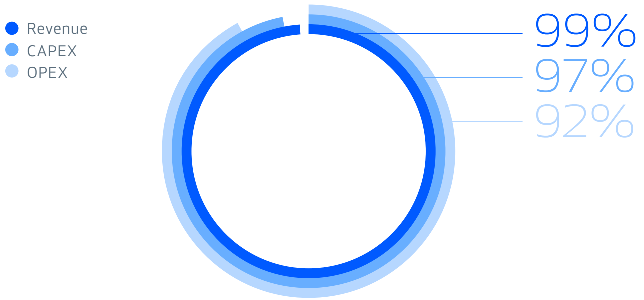
As part of our ongoing efforts to ensure robust governance and efficient processes, it has been decided that in 2024 Group Sustainability will transition the ESG data consolidation task to Group Finance.

This move will support our preparations for the new ESG reporting requirements. Group Sustainability will remain responsible for analysing and assessing data results, preparing and ensuring compliance on qualitative requirements, and managing progress reports and ESG rating platforms.

With this transition, we remain committed to ensuring the accuracy of our financial and ESG reporting. For additional information about our sustainability business governance, see page 42.

Audit
Our financial and non-financial reporting and internal reporting controls are audited by an independent audit firm elected at the General Meeting. As of 2024, this assurance on non-financials will be aligned with the requirements of the EU Corporate Sustainability Reporting Directive. The auditors' reports are available on pages 116-119.

EU Taxonomy alignment 2023



Percent	Eligible	Aligned
Revenue	99	99
Capital expenditure (CAPEX)	97	97
Operating expenditure (OPEX)	92	92

EU Taxonomy

Developed by the EU to direct capital into sustainable activities, the EU Taxonomy is a technical classification system to determine which economic activities that make a substantial contribution to environmental sustainability. The degree of substantial contribution to environmental sustainability is defined by the percentage of a company's revenue, capital expenditure (CAPEX), and operational expenditure (OPEX) that is aligned with the Taxonomy.

Sustainability Report 2023
For the required disclosure on our eligibility and alignment with the EU Taxonomy, see the Sustainability Report 2023, pages 66-71.

Diversity

We believe that a diverse and inclusive board, management, and workforce are vital for accelerating the green energy transition globally. We know that our differences make us stronger, more innovative, and better equipped to address the challenges that lie ahead.

Diversity at Group level

We believe we can achieve true diversity by ensuring that Vestas accurately reflects the diverse societies in which we operate. By making inclusion a fundamental aspect of every part of the employee experience, we will ensure we become the workplace we want to be. We report on these efforts in accordance with section 107d of the Danish Financial Statements Act.

Policy for Diversity, Equity, Inclusion, & Belonging
Read more in our DEIB Policy.

Our targets for the Vestas Group
At Vestas, we are committed to diversity and inclusion. Our primary focus is on gender diversity, which serves as a measurable indicator of our progress, although we acknowledge that diversity extends beyond this.

We have set clear targets to increase the representation of women in leadership roles.[1] Our aim is to achieve 25 percent female representation in our leadership by 2025, and 30 percent by 2030. Currently, women constitute 24 percent of our corporate leadership, indicating that we are on track to meet these objectives.

Over the past four years, we have seen a positive shift in gender diversity at Vestas, with the percentage of women in our workforce increasing from 14 percent in 2019 to 17 percent in 2023. This trend reflects our commitment to fostering a work environment that attracts and engages all gender identities.

This progress is not just a goal, but a cornerstone of our strategy to build a more inclusive and innovative company, powering the future of green energy.

Sustainability Report 2023
We report on the progress on our Group targets for gender and diversity in general in our Sustainability Report, pages 51, 57, and 78.

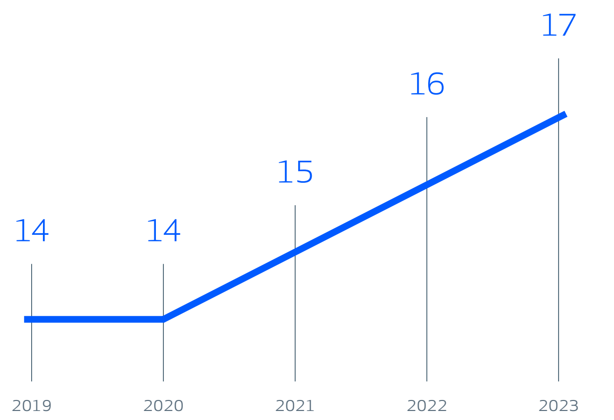
Gender diversity at parent company level

In 2022, the Danish Parliament passed new legislation on gender representation. The new laws introduced stricter requirements around target figures and policies relating to Danish legal entities. They include a focus on gender balance among shareholder-elected members of company boards and the two management levels below.[2]

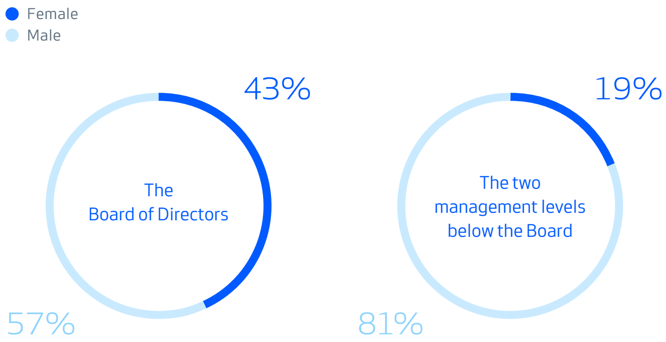
For Vestas, reporting must now be included in our management report and should include a short summary of our gender policy and target, plus information about our company activities and developments in 2023. The following constitutes the reporting of our parent company, Vestas Wind Systems A/S, in accordance with section 99b of the Danish Financial Statements Act.

Summary of our parent company's gender policy – Policy for Diversity, Equity, Inclusion, & Belonging (DEIB)
Acknowledging that the majority of positions within our parent company is still taken up by male employees (a trend consistent with the broader science, technology, engineering, and mathematics (STEM) industries), we are focused on enhancing gender representation. We are committed to achieving gender balance within the company's top management. This applies to both non-executive directors at board level, and in the two management levels below the Board of Directors[2] (the Board).

Development in female representation
Total workforce (%)



Gender diversity in parent company's management as at 31 December 2023



In the Vestas Group, and hence also in our parent company, we are committed to ensuring that all potential, future and current Vestas employees are guaranteed equal opportunities and fair treatment regardless of their gender identity.

Our parent company target

We have achieved equal gender distribution[3] among the board members elected by the shareholders since 2022. If this should change at a future Annual General Meeting, we will define a new target and target year according to applicable law. For the two management levels below the Board[2] in our parent company, we have set a realistic, yet ambitious, target to increase our share of the underrepresented gender to 25 percent by 2025.

We recognise the unique challenges in achieving gender diversity, especially in senior management. These challenges stem from the operational demands of many positions in the field and the historical underrepresentation of women in STEM educations. We are dedicated to overcoming these challenges and attracting more women to senior roles, despite the limited pool of female talent in the industry.

Our progress and activities in 2023

Diversity among board members elected by the shareholders

On 12 April 2023, our shareholders elected three female and four male board members, achieving equal gender distribution as defined by the Danish Business Authorities. Furthermore, all three board committees have equal gender distribution.

Diversity in the two management levels below the Board

In 2023, we took a number of key steps on our journey towards equal gender distribution among the two management levels below the Board in our parent company.

- **Increased focus on diversity in senior management positions**
  We increased our focus on women in senior management positions, working on retaining and developing our female succession pipeline. This process includes conducting a remuneration review, which is part of our ongoing focus on pay equity, as well as establishing a development plan and a women's network for our Vice Presidents.

- **Improving our ability to recruit female talent**
  In 2023, we examined our recruitment processes for bias within our parent company. To follow up on these results, we developed a plan to test debiasing methods in key recruitment moments: from the way we advertise our job openings to the way salary negotiations are carried out when hiring new employees.

- **Building an inclusive culture**
  To build on our efforts from 2022, and to maintain an inclusive culture where everyone thrives, in 2023 we introduced a mandatory Inclusive Leadership programme. In the first phase, we rolled out our 'Inclusive Leadership: Foundations' training to all of the company's people managers. In November 2023, we initiated the second phase of the programme, which encompasses all of our corporate leadership positions. This second phase also includes a new mandatory module for all company people managers, aiming to secure continuity in the creation of a psychologically safe and inclusive culture.

- **Salary review**
  Our commitment to pay equity also remains firm. In 2023, we implemented additional measures to promote pay equity, including comprehensive training and education for our People & Culture teams. This extended to Business Partners and Talent Acquisition to ensure responsible pay setting. Additionally, we incorporated guidelines and information on this subject into internal resources, enabling employees to access details regarding relevant actions taken. Furthermore, we undertook salary reviews to measure pay equity across the organisation, as well as in selected focus areas to address any pay disparities.

1 Comprises managers, specialists, project managers, and above.
2 Comprises the Executive Management team and employees of Vestas Wind Systems A/S who report directly to a member of the Executive Management team and who have managerial responsibilities.
3 According to the Danish Business Authorities' definition, see Danish Business Authorities: Guidelines on target figures, policies and reporting on gender composition of management. March 2016.

Gender diversity and targets	2030	2025	2023	2022	2021	2020	2019
The Vestas Group							
Women in leadership positions* (%)			24	23	21	19	19
Targets (%)	30	25					
Parent company – Vestas Wind Systems A/S							
Board of Directors							
Members elected by the shareholders (number)			7	8	8	8	7
Underrepresented gender (%)			43	38	25	25	43
Two management levels below the Board**							
Members (number)			47	45	48	44	42
Underrepresented gender (%)			19	20	17	16	17
Target (%)		25					

* Comprises managers, specialists, project managers, and above.
** Comprises the Executive Management team and employees of Vestas Wind Systems A/S who report directly to a member of the Executive Management team and who have managerial responsibilities.

Sustainable business governance

Vestas' sustainability programmes and activities are highlighted in the company's sustainability strategy and is supported by solid governance structures . They ensure that we drive strong progress and embed Sustainability in Everything We Do.

Four key goals
Our sustainability strategy is entitled Sustainability in Everything We Do. Committing to ambitious goals across key sustainability areas, we help elevate the industry benchmark around sustainability performance. Our strategy is divided into four key goals:

- Carbon neutrality by 2030 without carbon offsets
- Producing zero-waste wind turbines by 2040
- Becoming the safest, most inclusive and socially responsible company in the energy industry
- Leading the transition towards a world powered by sustainable energy

Sustainability Report 2023
We report on the progress against these four key goals in our Sustainability Report.

Vestas' strategic objectives are implemented via existing structures, and we aim to manage risk and opportunity with a supporting governance approach.

We are continuously working to integrate international standards and frameworks into our procedures and steering documents, such as the UN Global Compact, the OECD Guidelines, the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights, and now the Corporate Sustainability Reporting Directive (CSRD).

Getting ready for the CSRD
In 2023, we began preparing for the new governance disclosure requirements in the CSRD, especially regarding roles and responsibilities in the management of impacts, risks, and opportunities. Additional roles and responsibilities, based on requirements targeting the governance bodies with the highest decision-making authority, have been divided between the involved parties.

To achieve a high standard of reporting in line with the new requirements, this process will be handled in close collaboration with the Audit Committee and Group functions.

Key roles and responsibilities

Board of Directors – responsible for:
- Ensuring that relevant sustainability and ESG matters are incorporated into governance, strategy, decision making, and risk management.
- Ensuring high quality ESG reporting including identification and monitoring of targets and metrics.

Audit Committee – responsible for:
- Monitoring the integrated reporting process, including quality control, risk management, key accounting policies and assurance.
- Practicing oversight of impacts, risks, and opportunities (IROs), including stakeholder issues, policies, targets, actions resources, data collection, and controls.
- Risk management and strategy.

Executive Management team:
- CSO: Responsible for defining sustainability strategy and overseeing its implementation, including performance and monitoring of IROs.
- CFO: Responsible for integrated reporting, including ESG data, monitoring of targets, processes, risks, and controls, and reporting on risks of misstatement.

Risk Committee – responsible for:
- Overseeing sustainability risk as part of the overall Enterprise Risk Management (ERM).

Sustainability Committee – responsible for:
- Overseeing strategic sustainability activities and supporting their implementation across the organisation.
- Acting as coordinator and facilitator for sustainability activities that have potential impact beyond individual functions.

Group Sustainability – responsible for:
- Developing and coordinating our sustainability strategy.
- Driving and supporting on a practical level, in close collaboration with our functional areas, the execution of the strategy.
- Driving the double materiality assessment process together with topic-specific Subject Matter Experts.
- Reporting regularly to the Audit Committee and the Technology & Manufacturing Committee.

Risk governance and main risks

Our risk governance and management system supports our values and meeting our strategic goals. It supports our short- and medium-term objectives and help to establish the necessary foundations for business decisions.

Enterprise Risk Management
As a global company, we face various risks inherent to our industry and the countries in which we operate. The aim of Enterprise Risk Management (ERM) is to manage these risks and support the fulfilment of our operational and strategic objectives. ERM also aims to protect and create shareholder value, ensure risk awareness, and balance risk against reward.

The spectrum of risks we face includes operational risks relating to the design and manufacturing of wind turbines; execution risks relating to the transportation, installation, and servicing of wind turbines; commercial risks; and risks of a macroeconomic and regulatory nature often driven by geopolitics. We strive to ensure that such risks are understood, monitored, and managed with a view to preventing or minimising any negative impact on our strategic and financial ambitions.

Risk management is an integral part of the decision-making process at Vestas and is supported by our corporate ERM framework. The ERM framework provides a holistic view of meeting our strategic and operational risk position.

Main risks in 2023
The main risks for Vestas identified in 2023 are described on page 45. For each of these risks, we have described the present risk picture and our expectations as to how they will evolve. We have also explained the impact of such risks and examples of mitigating actions we deployed in 2023.

The geopolitical landscape changes rapidly these years, and with it the risks that Vestas must manage. We have in response thereto implemented scenario-based geopolitical risk scanning, including response scenarios, that support the Risk Committee in deciding what counter-measured shall be implemented by the organisation in order to manage such risks.

Strategic risks
In accordance with the ERM annual wheel, we conducted a strategic risk review in the first quarter of 2023. Strategy anchors across the organisation were engaged to obtain a company-wide perspectives on our strategic risk exposure. The input was processed and consolidated by Global Risk Management in collaboration with our Corporate Strategy team. The Risk Committee review of our consolidated strategic risk landscape enabled alignment with our corporate strategy process.

Geopolitical tension and protectionism, regulatory support of renewable energy growth, scalability, cyber risks, and talent attraction and retention were among the strategic risk themes identified in 2023.

Financial risks
Financial risks, including risks related to currency, interest rates, tax, credit, and commodity exposures, are addressed in the notes to our Consolidated financial statements. For more information, see the list of contents on page 48.

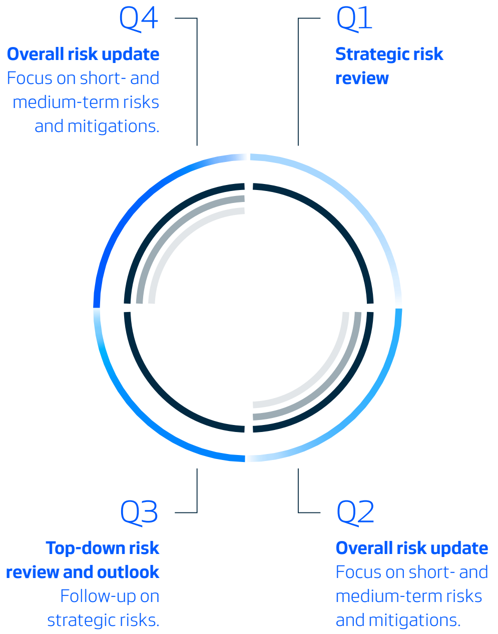
Climate risks
We address climate-related risks and opportunities as an integral part of our daily business, as they are directly linked to our business model and strategy. Our processes for identifying and assessing these risks are the same as for any other risks managed by ERM. Going forward, these processes will be connected to our double materiality assessment, ensuring full integration of material sustainability topics to further strengthen the resilience of our risk profile.

In our approach to climate risks, we follow recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), see page 127. We also report on climate risks and opportunities annually through the Carbon Disclosure Project (CDP).

> "We address climate-related risks and opportunities as an integral part of our daily business.

Enterprise Risk Management annual wheel

- Risk Committee
- Audit Committee
- Board of Directors



Our risk governance and reporting structure

Accountability for adequate risk and opportunity management follows our organisational structure. Our risk management reporting structure and roles and responsibilities are illustrated to the right.

Key risks are reported biannually by appointed Risk Officers and Risk Owners throughout the organisation. Once reviewed, the risks are challenged and consolidated by Global Risk Management and presented to the Risk Committee. The aim of this process is to drive understanding and improvements across our value chain, and to identify actions to remedy risks.

To ensure we work systematically with the various risks identified, whether they are assessed as short-term, medium-term or strategic risks, we follow the framework of the Vestas ERM annual wheel. The illustration of the annual wheel to the left shows the frequency of our Risk Committee meetings and higher-level reporting on ERM.

The Risk Committee consists of all members of the Executive Management team, except for the CEO. It is chaired by the CFO.

> "The aim of our reporting structure is to drive understanding and improvements across our value chain, and to identify actions to remedy risks.

Our risk management reporting structure

Board of Directors
- Reviews the enterprise risk profile of Vestas every half year
- Oversees the effectiveness of Enterprise Risk Management at Vestas

Audit Committee
- Reviews the enterprise risk profile of Vestas every half year
- Oversees the effectiveness of Enterprise Risk Management at Vestas

Risk Committee
- Challenges and decides on the company's enterprise risk profile
- Decides on and allocates accountability for actions to Risk Owners
- Reviews and approves enterprise risk reporting to the Audit Committee and Board of Directors every half year

Group Enterprise Risk Management (ERM)
- Works to consolidate Vestas' enterprise risks
- Plans and facilitates Risk Committee meetings
- Communicates feedback to Risk Owners and Risk Officers
- Promotes risk awareness and risk capabilities across the organisation

Local Risk Owners and Risk Officers
- Implement risk management reporting flow to Group ERM across area of responsibility
- Provide half-year briefing to Group ERM on new risks, trends, and changes
- Coordinate and monitor progress of risk mitigations

Our main risks identified in 2023

Risk & impact

Geopolitics & Regulatory Framework
Vestas continues to experience the effects and uncertainty that geopolitical tensions bring. Varying degrees of protectionism result in trade restrictions, such as tariffs and other barriers to trade. Also during 2023 new sanction regimes were introduced impeding free trad. Increased protectionism and trade regionalisation poses several risk scenarios for Vestas as a global OEM.

The ability to operate a cost-efficient and quality-focused supply chain is impacted by geopolitics and specific regulatory frameworks. For example, the wind industry is subject to local content requirements that oftentimes drive up costs and create supply chain inefficiencies. This requires particular efforts to ensure that the associated risks are adequately mitigated. Geopolitical and regulatory changes as well as inflation and increasing interest rates continued to create uncertainty for the global wind market in 2023 and posed additional risk. In 2023, severe permitting delays, developers cancelling or pausing offshore projects due to business cases uncertainty, and volatility in electricity market policy, all had consequences for the market in which Vestas operates.

People
With the energy transition gaining momentum, the number of jobs within the sector continues to increase significantly. As a result, competition for talent and specialised labour among industry players is intensifying, with increased workforce turnover and rising compensation expectations. In the coming years, we expect this industry trend to become even more prevalent.

Cyber
Due to the geopolitical environment, cyber threats continued to evolve during 2023.

Being a global provider of equipment and services to energy producers and critical infrastructure, Vestas is a potential target for cyber criminals and nation state-sponsored threat actors.

During 2023, Vestas' security measures were effective and no critical cyber security incidents took place.

Scalability
In 2023, there was a growing gap between projected targets for wind power and the pace at which projects are being realised. Governments around the world are increasing their targets for renewables, including wind, but projects are currently too slow in coming to market. Here is accordingly an imbalance between public policy, actual demand and the supply chain needed to support such targets and demand. Vestas perceives a risk in governments' ability to establish regulatory frameworks that will support renewable build-out ambitions and support a sustainable, scalable supply chain.

Vestas sees potential risks around logistical infrastructure, which may not be sufficiently developed within the required timeframe, particularly regarding offshore ports and vessels.

Vestas sees a risk, if the wind industry fails to become more industrial and standardised similar to what other industries have gone through historically, for example the car industry. Failure to industrialise and standardise, creates inefficiencies, and inhibits scalability within Vestas and the industry.

Mitigating measures

Geopolitics & Regulatory Framework
Vestas continues to track geopolitical movements, analyse scenarios, and implement mitigating actions. We exercise discipline in our supply chain, procurement and sales with indexations and financial hedging as key instruments.

We track and work with the regulatory frameworks in our regions and markets via our global public affairs efforts. This process includes dealing with wind-specific policies and broader energy policies, regulation and legislation, local content requirements, trade and tariffs.

Vestas benefits from having a regionalised manufacturing footprint with hubs in all major regions where we are commercially active. This enables us to make adjustments relative to geopolitical drivers and regulatory changes.

People
Through biannual employee engagement surveys, we measure the engagement of our employees and gather feedback on Vestas as a workplace. Based on the results, we prepare tailored actions to mitigate specific problem areas.

Further, we support employee engagement and retention through our dedicated priorities in Talent & Leadership. Key mechanisms include succession pipeline building, talent development programmes, inclusive leadership training, and tools for retention discussions and mitigations.

Cyber
Vestas manages cyber security cohesively within the Enterprise Cyber Security function. We continue to invest in our cyber security capabilities, employing a risk-based approach to medium- and long-term solutions. Vestas is currently in the process of making certain commercial cyber security services available, with the aim of supporting customers in their needs and responsibilities.

Scalability
Vestas' executive leadership is actively communicating about the need for industrialisation and standardisation. In 2023, Vestas divested its converter and controls business and will thereby contribute to standardisation and consolidation of key technology to the benefit of the industry. Vestas has reduced the pace of new product introductions. We continue to execute on our product modularisation strategy to enable a broader range of product configurations while driving efficiencies in the supply chain. We do this by reusing components, tools, designs, and value chain concepts. Our continued modularisation strategy improves cost-effectiveness and product quality, as well as execution efficiency at project sites.

Our focus on quality continues, and in 2023 we made organisational changes to ensure continuous quality risk management.

Tax governance

We are firmly committed to transparent and fair taxes as an essential part of making a positive contribution to local communities and creating a sustainable planet for future generations.

By continuously engaging in dialogue with stakeholders on tax, we reinforce our commitments and mitigate both reputational and financial risks. We constantly strive to understand external demands relating to tax transparency. Given our global footprint, we face scrutiny from tax authorities competing for the same tax revenue. This can result in tax audits, double taxation, arbitration, and lawsuits that can create a significant financial burden for us. We therefore recognise that reporting initiatives cannot stand alone, and focus on developing tools and governance mechanisms to limit the risk of double taxation. We apply withholding taxes and allocate income between Vestas companies in accordance with international regulations and standards.

The Vestas tax policy

As part of corporate governance, our tax policy is approved annually by the Board. During 2023, Vestas' tax department underwent a reorganisation to further strengthen integration with the business in the regions and centrally. This change was updated in our tax policy. The new structure will further enhance scalability and resilience in our tax function, emphasising our firm commitment to tax transparency and continued alignment with emerging best practice.

Vestas Tax Policy
Read more in our Tax Policy, which is updated annually.

In line with the commitments we set out in the 2022 Sustainability Report, in 2023 we published our first Tax Sustainability Report. In this report, we disclosed our tax practices and global tax footprint, ensuring traceability between financial information, disclosures to tax authorities, and our tax contribution report. We have therefore based our reporting on actual tax payments, external revenues, and employee headcount to provide an objective and transparent measure.

Tax Sustainability Report 2023
In March 2024, the 2023 report will be published at our corporate website.

The global tax environment

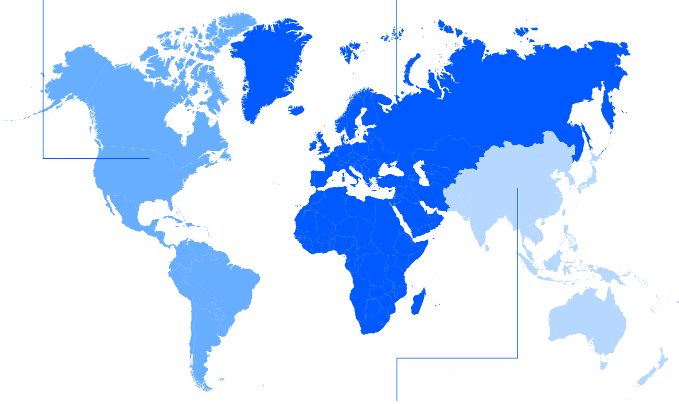
With a global presence in more than 80 countries, we are affected by international tax changes. We support fair tax harmonisation and cooperation between governments. In managing tax disputes, we aim to minimise the impact on cash flow through open dialogue, although some disputes can take more than a decade to resolve. While local tax policies influence our decisions, we don't make operational decisions solely for tax optimisation. We advocate for a level playing field in our industry and work with industry organisations and political stakeholders to promote renewable energy. We negotiate agreements to mitigate significant tax risks in the countries in which we operate, following an open dialogue with governments and tax authorities around the world.

On pages 125-126 we have included selected tax data such as total tax footprint representation and in note 5 to the Consolidated financial statements you will find details on income and deferred tax.

Overview of global tax contribution

Americas
Total taxes borne
EUR 271m
Total taxes collected
EUR 133m

Europe, Middle East & Africa
Total taxes borne
EUR 327m
Total taxes collected
EUR 1,442m



Asia Pacific
Total taxes borne
EUR 45m
Total taxes collected
EUR 107m

Summary of total taxes

mEUR	2023	2022
Europe, Middle East & Africa	1,769	1,278
Americas	404	314
Asia Pacific	152	111
Globally	**2,325**	**1,703**

Financial statements

→ Consolidated financial statements, financial performance, and notes

→ Parent company financial statements and notes

EUR 15.4bn

In 2023, we generated a revenue of EUR 15.4bn.

Consolidated financial statements, financial performance, and notes

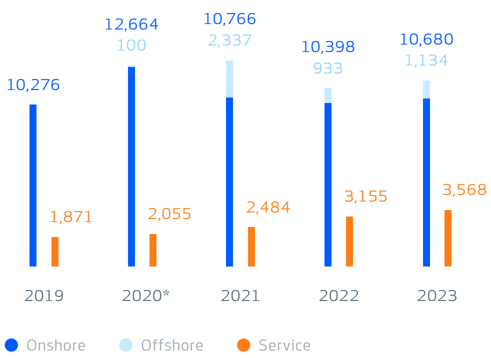
Financial performance

Result for the year

Revenue
Revenue in 2023 amounted to EUR 15,382m, an increase of 6.2 percent compared to 2022. The increase was attributable to both volumes delivered at higher prices in Power Solutions and increasing Service activity. Revenue in 2023 reflected a negative impact of EUR 760m from foreign exchange rates compared to 2022. Vestas closed the year with revenue in the upper end of the guided range of EUR 14.5bn-15.5bn.

Revenue in Europe, Middle East, and Africa (EMEA) delivered 50 percent of the total revenue (2022: 54 percent), the share of revenue from Americas increased to 37 percent (2022: 35 percent) and revenue in Asia Pacific accounted for 13 percent of the total revenue in 2023 (2022: 11 percent).

Revenue
mEUR



* In 2020, Offshore was included from 14 December 2020.

Geographical distribution of revenue

mEUR	2023	2022
EMEA	7,617	7,826
Americas	5,728	5,111
Asia Pacific	2,037	1,549
Total	**15,382**	**14,486**

Gross profit
Gross profit in 2023 amounted to EUR 1,283m, corresponding to a gross margin of 8.3 percent, a 7.5 percentage point increase compared to 2022. Gross profit was positively impacted by increased revenue in both segments as well as improved margins in Power Solutions from higher pricing and easing of supply chain disruptions. Gross profit is furthermore positively impacted by activity in the Development business, lower warranty costs as well as lower depreciations and impairments from V164/V174 offshore technology and related assets compared to 2022.

↑27%

In the past four years, we have managed to increase revenue by 27 percent – from EUR 12,147m in 2019 to EUR 15,382m in 2023.

Warranty provisions
The warranty costs in 2023 amounted to EUR 814m net of supplier claims, equivalent to a net warranty ratio of 5.3 percent of revenue in the year, 1.0 percentage points below the warranty ratio in 2022. The warranty costs in 2022 were negatively impacted by additional costs related to the V164/V174 offshore technology.

Research and development costs
Research and development costs recognised in the income statement amounted to EUR 371m (2022: EUR 457m). The decrease was mainly attributable to lower amortisation and impairments from V164/V174 technology. The total research and development expenditure prior to capitalisation and amortisation decreased slightly to EUR 500m in 2023 (2022: EUR 514m).

Distribution costs
Distribution costs amounted to EUR 452m in 2023 (2022: EUR 462m). The decrease was primarily due to lower depreciations and impairments from V164/V174 related assets, partially offset by increasing employee costs.

Administration costs
Administration costs amounted to EUR 424m (2022: EUR 351m) and constituted 2.8 percent of revenue in 2023. The higher costs in 2023 compared to 2022 were mainly due to higher employee incentive-related costs.

Depreciation, amortisation, and impairment
Depreciation, amortisation, and impairment amounted to EUR 797m before special items in 2023 (2022: EUR 1,089m). The decrease was mainly attributable to the lower depreciations and impairments in the Offshore business from V164/V174 technology and related assets in 2022.

Depreciations can be specified as depreciations related to transport equipment and tools EUR 246m (2022: EUR 267m), production equipment EUR 80m (2022: EUR 118m) and other tangible assets EUR 192m (2022: EUR 189m). Amortisations are driven by amortisation of technology EUR 191m (2022: EUR 221m) and other intangible assets EUR 81m (2022: EUR 104m).

Sale of technology
Sale of technology includes consideration received in 2023 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 48m in 2023. The income is mainly related to sale of development projects in the USA and Italy.

Financial performance – continued

Operating profit (EBIT)
EBIT before special items amounted to EUR 231m in 2023 (2022: negative EUR 1,152m), equivalent to an EBIT margin before special items of 1.5 percent and in the upper end of the guided 0-2 percent. The EBIT margin before special items increased by 9.5 percentage points compared to 2022. The increase was primarily driven by improved profitability in the Power Solutions segment including the sale of the converters and controls business and higher activity in Service.

Total income in special items amounted to EUR 61m in 2023 (2022: negative EUR 444m), impacted by income related to adjustments to the manufacturing footprint change in China and India announced in 2022. Consequently, EBIT after special items amounted to EUR 292m (2022: negative EUR 1,596m).

Income from investments in associates and joint ventures
Income from investments in associates and joint ventures amounted to a loss of EUR 26m in 2023 (2022: income of EUR 10m). The loss was mainly driven by Vestas' investment in Copenhagen Infrastructure Partners as well as EUR 10m write-down of a Vestas Ventures investment.

Net financial items
Financial items amounted to a net loss of EUR 164m in 2023 (2022: net loss of EUR 110m). The increase was mainly driven by losses from foreign currency transactions in Latin America as well as increasing interests and other financial expenses from increasing debt and interest levels in 2023. Currency losses amounted to a net loss of EUR 99m in 2023 (2022: net loss of EUR 70m).

Income tax
Income tax amounted to EUR 24m in 2023 (2022: positive EUR 124m), equivalent to an effective tax rate of 23.5 percent (2022: 7.3 percent).

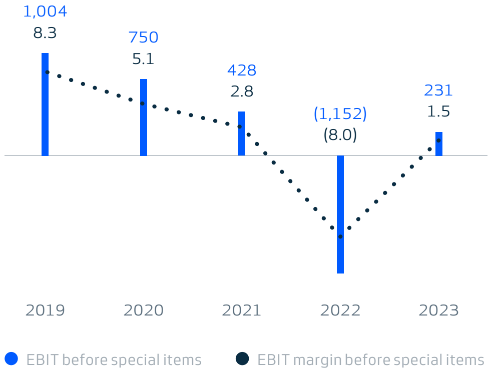
Net profit for the year
Profit for the year amounted to EUR 78m in 2023 (2022: loss of EUR 1,572m). The increased profitability was mainly driven by the improved EBIT margin.

Financial ratios
Earnings per share amounted to positive EUR 0.1 in 2023 (2022: negative EUR 1.6). The increase of EUR 1.7 was driven by improved earnings in 2023.

Return on capital employed (ROCE) was 2.9 percent in 2023 (2022: negative 18.5 percent), an improvement compared to 2022 driven by improved earnings.

Return on equity (RoE) was 2.6 percent in 2023 (2022: negative 43.9 percent). The increase was attributable to improved earnings.

Operating profit/(loss) (EBIT) before special items
mEUR – percent



Profitability

Operating profit recovering after challenging years with supply chain instability and cost inflation following the COVID-19 pandemic and the war in Ukraine, resulting in an EBIT margin in 2023 before special items of 1.5 percent.

Income statement

1 January – 31 December

mEUR	Note	2023	2022
Revenue	1.1, 1.2	**15,382**	**14,486**
Production costs	1.4, 1.5, 1.6, 2.2	(14,099)	(14,368)
Gross profit		**1,283**	**118**
Research and development costs	1.4, 1.5, 1.6	(371)	(457)
Distribution costs	1.5, 1.6	(452)	(462)
Administration costs	1.5, 1.6	(424)	(351)
Sale of technology	1.3	147	-
Income/(loss) from investments in joint ventures and associates	3.5	48	-
Operating profit/(loss) (EBIT) before special items		**231**	**(1,152)**
Special items	1.8	61	(444)
Operating profit/(loss) (EBIT)		**292**	**(1,596)**
Income/(loss) from investments in joint ventures and associates	3.5	(26)	10
Financial income	1.9	210	52
Financial costs	1.9	(374)	(162)
Profit/(loss) before tax		**102**	**(1,696)**
Income tax	5.1	(24)	124
Profit/(loss) for the year		**78**	**(1,572)**
Profit/(loss) is attributable to:			
Owners of Vestas Wind Systems A/S		77	(1,572)
Non-controlling interests		1	0
Earnings per share (EPS)	4.5		
Earnings per share (EUR), basic		0.08	(1.56)
Earnings per share (EUR), diluted		0.08	(1.56)

Statement of comprehensive income

1 January – 31 December

mEUR	Note	2023	2022
Profit/(loss) for the year		**78**	**(1,572)**
Other comprehensive income			
Items that may be subsequently reclassified to the income statement:			
Exchange rate adjustments relating to foreign entities		(92)	(4)
Fair value adjustments of derivative financial instruments	4.2	70	133
Gain/(loss) on derivative financial instruments transferred to the income statement	4.2	(133)	(133)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	3.5	(4)	14
Tax on fair value adjustments that may be subsequently reclassified to the income statement		24	4
Other comprehensive income after tax		**(135)**	**14**
Total comprehensive income		**(57)**	**(1,558)**
Total comprehensive income is attributable to:			
Owners of Vestas Wind Systems A/S		(56)	(1,558)
Non-controlling interests		(1)	0

Balance sheet

31 December

Assets

mEUR	Note	2023	2022
Intangible assets	3.1, 3.4	3,203	3,065
Property, plant and equipment	3.2, 3.3	1,911	1,752
Investments in joint ventures and associates	3.5	593	646
Other investments	4.3	99	88
Tax receivables	5.1	522	100
Deferred tax	5.2	795	497
Other receivables	2.5, 4.3	372	219
Financial investments	4.3	98	95
Total non-current assets		**7,593**	**6,462**
Inventories	2.2	6,530	6,373
Trade receivables	4.1, 4.3	1,305	1,280
Contract assets	2.3, 4.1, 4.3	1,777	1,399
Contract costs	2.4	505	753
Tax receivables	5.1	209	51
Other receivables	2.5, 4.3	1,274	1,221
Financial investments	4.3	3	-
Cash and cash equivalents	4.1, 4.3	3,318	2,378
Assets held for sale	6.2	-	173
Total current assets		**14,921**	**13,628**
Total assets		**22,514**	**20,090**

Liabilities

mEUR	Note	2023	2022
Share capital	4.4	27	27
Other reserves		(102)	15
Retained earnings		3,102	3,002
Equity attributable to Vestas		**3,027**	**3,044**
Non-controlling interests		15	16
Total equity		**3,042**	**3,060**
Provisions	3.6	1,225	944
Deferred tax	5.2	164	158
Financial debts	4.1, 4.3	3,224	2,179
Tax payables	5.1	635	177
Other liabilities	2.6, 4.1, 4.3	204	59
Total non-current liabilities		**5,452**	**3,517**
Financial debts	3.3, 4.1, 4.3	163	248
Contract liabilities	2.3	7,995	6,937
Trade payables	4.1, 4.3	3,738	4,089
Provisions	3.6	783	829
Tax payables	5.1	176	58
Other liabilities	2.6, 4.1, 4.3	1,165	1,349
Liabilities related to assets held for sale	6.2	-	3
Total current liabilities		**14,020**	**13,513**
Total liabilities		**19,472**	**17,030**
Total equity and liabilities		**22,514**	**20,090**

Shareholder return

Capital structure and financing items

Equity and solvency ratio
As at 31 December 2023, total equity amounted to EUR 3,042m, which is on the same level as at the end of 2022 (2022: EUR 3,060m). The equity was positively impacted by profit after tax of EUR 78m but negatively impacted by EUR 90m from translation of net assets in foreign currencies and development in hedge reserves of EUR 39m.

As at 31 December 2023, the solvency ratio was at 13.5 percent, a decrease of 1.7 percentage-points compared to 31 December 2022. The decrease was mainly a result of the issuance of two sustainability-linked Eurobonds of EUR 500m each during 2023 to finance the increasing investment levels and to strengthen the liquidity position. The issuance supplemented existing Eurobonds issued in 2022. The Eurobonds with a total notional amount of EUR 2,000m will mature in the period 2026 to 2034.

Net interest-bearing position and cash position
The ratio of net interest-bearing debt/EBITDA was 0.0 reflecting EBITDA of EUR 1,028m and net interest-bearing position of EUR 32m as at 31 December 2023. The ratio was not presented as at 31 December 2022 as the ratio is not meaningful based on negative EBITDA. EBITDA amounted to negative EUR 64m in 2022.

As at 31 December 2023, cash and cash equivalents amounted to EUR 3,318m (2022: EUR 2,378m).

Distribution to shareholders
The general intention of the Board of Directors (Board) is to recommend a dividend of 25-30 percent of the company's annual net result after tax.

The Board recommends no dividends will be distributed to the shareholders for the financial year 2023 due to the low level of profit that would result in a mere token dividend.

The financial year 2023
Pursuant to authorisation granted to the Board by the Annual General Meeting on 12 April 2023, Vestas has been authorised to acquire treasury shares at a nominal value not exceeding 10 percent of the share capital at the time of the authorisation on an ongoing basis until 31 December 2024. Vestas has acquired 398,924 treasury shares in 2023 for an average share price of EUR 27.3 per share amounting to EUR 11m.

Treasury shares	2023 Number of shares	2022 Number of shares	2023 % of share capital	2022 % of share capital
Treasury shares as at 1 January	3,689,702	4,723,160	0.4	0.5
Purchases	398,924	-	0.0	-
Vested treasury shares	(695,021)	(1,033,458)	(0.1)	(0.1)
Treasury shares as at 31 December	**3,393,605**	**3,689,702**	**0.3**	**0.4**

Statement of changes in equity

1 January – 31 December

	2023								2022							
		Reserves								Reserves						
mEUR	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling interest	Total	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling interest	Total
Equity as at 1 January	**27**	**10**	**(1)**	**6**	**15**	**3,002**	**16**	**3,060**	**27**	**14**	**16**	**(8)**	**22**	**4,635**	**13**	**4,697**
Impact from change in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)	-	(17)
Adjusted equity as at 1 January	**27**	**10**	**(1)**	**6**	**15**	**3,002**	**16**	**3,060**	**27**	**14**	**16**	**(8)**	**22**	**4,618**	**13**	**4,680**
Profit/(loss) for the year	-	-	-	-	-	77	1	78	-	-	-	-	-	(1,572)	0	(1,572)
Other comprehensive income for the year	-	(90)	(39)	(4)	(133)	-	(2)	(135)	-	(4)	4	14	14	-	(0)	14
Total comprehensive income for the year	**-**	**(90)**	**(39)**	**(4)**	**(133)**	**77**	**(1)**	**(57)**	**-**	**(4)**	**4**	**14**	**14**	**(1,572)**	**0**	**(1,558)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items, net	-	-	16	-	16	-	-	16	-	-	(21)	-	(21)	-	-	(21)
Transactions with owners:																
Transaction with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3
Dividends distributed	-	-	-	-	-	-	(0)	(0)	-	-	-	-	-	(50)	-	(50)
Dividends distributed related to treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	0
Acquisition of treasury shares	-	-	-	-	-	(11)	-	(11)	-	-	-	-	-	-	-	0
Share-based payment	-	-	-	-	-	34	-	34	-	-	-	-	-	7	-	7
Tax on equity transactions	-	-	-	-	-	0	-	0	-	-	-	-	-	(1)	-	(1)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**23**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**(44)**	**3**	**(41)**
Equity as at 31 December	**27**	**(80)**	**(24)**	**2**	**(102)**	**3,102**	**15**	**3,042**	**27**	**10**	**(1)**	**6**	**15**	**3,002**	**16**	**3,060**

Refer to note 4.4 for information on movements in share capital.

Cash flows

Working capital and cash flow

Net working capital
Net working capital amounted to a net liability of EUR 1,507m as at 31 December 2023, an improvement of EUR 158m compared to a net liability at the end of 2022 of EUR 1,349m. The development is mainly driven by increased prepayments in the Power Solutions segment.

Cash flow from operating activities
Cash flow from operating activities was EUR 1,027m in 2023, an increase of EUR 1,222m compared to 2022. The increase was mainly driven by the positive operating profit in 2023.

Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments
Cash flow from investing activities amounted to a net outflow of EUR 823m compared to a net outflow of EUR 758m in 2022. The higher net investments mainly reflect an increased level of investment in property, plant and equipment related to our offshore manufacturing footprint for the V236-15.0 MW™ turbine. In addition to cash investments, Vestas has made leasing additions of EUR 108m in properties, EUR 134m in vehicles and vessels and EUR 10m in other lease assets (2022: EUR 86m in properties, EUR 30m in vehicles and vessels and EUR 13m in other assets).

Free cash flow

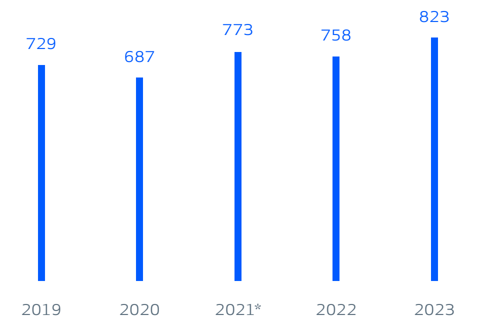
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments amounted to EUR 204m (2022: negative EUR 953m), an increase from 2022 primarily driven by the positive cash flow from operating activities.

Strategic acquisitions and divestments

In February 2023, Vestas completed an agreement with KK Wind Solutions to sell the controls and converters business including Vestas' three factories in Denmark, India and China and associated staff functions. The sale impacted EBIT positively with EUR 154m and free cash flow with EUR 173m.

Value-adding investments
Over the last five years, we have invested in a new modular platform, taken full ownership of the offshore business and invested in V236-15.0 MW™ technology and ramp-up activity.

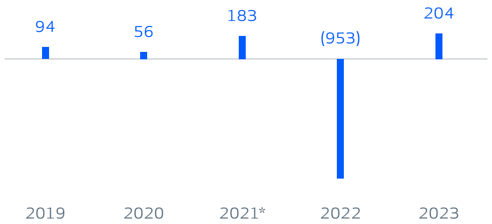
Net Investment
mEUR



EUR 204m

In 2023, Vestas generated free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments of EUR 204m.

Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments
mEUR



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

Statement of cash flows

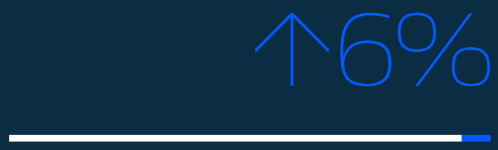
1 January – 31 December

mEUR	Note	2023	2022
Profit/(loss) for the year		78	(1,572)
Adjustments for non-cash transactions	6.5	1,177	1,713
Interest received		205	37
Interest paid		(205)	(37)
Income tax paid	5.1	(261)	(144)
Cash flow from operating activities before change in net working capital		**994**	**(3)**
Change in net working capital	2.1	33	(192)
Cash flow from operating activities		**1,027**	**(195)**
Purchase of intangible assets	3.1	(436)	(448)
Purchase of property, plant and equipment	3.2	(456)	(371)
Proceeds from sale of intangible assets		2	-
Proceeds from sale of property, plant and equipment		55	48
Dividends from investments in joint ventures and associates	3.5	12	13
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures and associates, and financial investments		**(823)**	**(758)**
Free cash flow before acquisitions of subsidiaries, joint ventures and associates, and financial investments		**204**	**(953)**

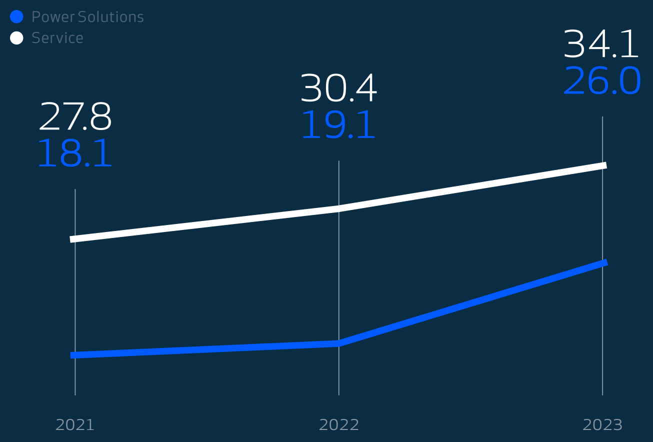
mEUR	Note	2023	2022
Purchase of shares in joint ventures and associates	3.5	(21)	(40)
Purchase of other financial assets		(16)	3
Proceeds from sale of other financial assets		3	-
Net cash flow from deconsolidation of subsidiary		(8)	-
Proceeds from sale of investments in joint ventures and associates	3.5	86	-
Purchase/disposal of financial investments		(3)	116
Cash flow from investing activities		**(782)**	**(679)**
Free cash flow		**245**	**(874)**
Acquisition of treasury shares		(11)	-
Dividends paid		-	(50)
Payment of lease liabilities	4.1	(162)	(147)
Proceeds from borrowings	4.1	1,137	1,756
Payment of financial debt	4.1	(221)	(713)
Cash flow from financing activities		**743**	**846**
Net increase in cash and cash equivalents		**988**	**(28)**
Cash and cash equivalents as at 1 January		2,378	2,420
Exchange rate adjustments on cash and cash equivalents		(48)	(14)
Cash and cash equivalents as at 31 December	**4.1**	**3,318**	**2,378**

1 Result for the year

Revenue
In 2023, Vestas generated a revenue of EUR 15.4bn.



Order backlog (mEUR)
In 2023, Vestas continued the trend of increasing the value of its total order backlog to EUR 60.1bn, an increase year over year of 21 percent.



1.1 Segment information

Power Solutions – Result for the period

The segment contains sale of onshore and offshore wind power plants, wind turbines, development sites, etc.

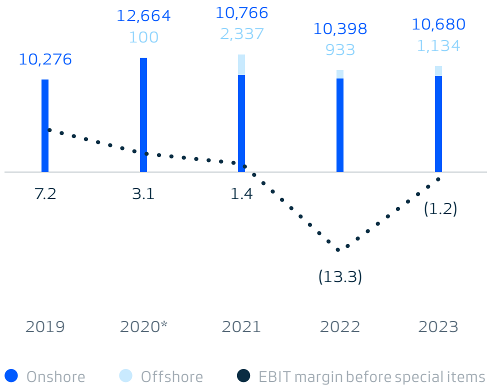
In 2023, revenue from the Power Solutions segment amounted to EUR 11,814m (2022: EUR 11,331m), an increase of 4.3 percent compared to 2022. Volumes delivered in 2023 were slightly lower than in 2022 but at a higher average price per MW across all regions. Revenue reflected a negative impact of EUR 553m from foreign exchange rates compared to 2022.

EBIT before special items from the Power Solutions segment amounted to negative EUR 141m (2022: negative EUR 1,512m). Consequently, the EBIT margin before special items was negative 1.2 percent (2022: negative 13.3 percent). This positive development in EBIT was primarily attributable to increased revenue and improved margins from higher pricing and easing of supply chain disruptions. In addition, the EBIT margin was positively impacted by the sale of the converters and controls business in the first quarter of 2023 and 2022 was negatively impacted by impairment losses and warranty provisions related to V164/V174 offshore technology.

Global development projects impacted EBIT in Power Solutions with EUR 80m in 2023 (2022: negative EUR 32m), the positive development was mainly driven by sales in the USA.

A net income amounting to EUR 61m was recognised in special items primarily relating to a reversal of a previously recognised write-down of inventories of EUR 45m and a previously recognised impairment loss on tangible assets of EUR 12m. For additional information, refer to note 1.8.

Revenue and EBIT margin before special items
mEUR – percent



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

15%

Revenue from Power Solutions increased by 15 percent from 2019 to 2023.

Service – Result for the period

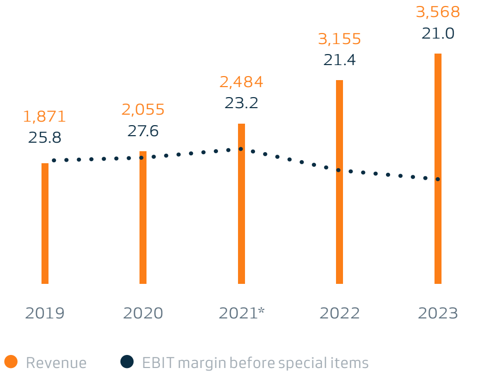
The segment contains sale of service contracts, spare parts, and related activities.

In 2023, the Service business generated revenue of EUR 3,568m, a year-on-year growth rate of 13.1 percent. The higher revenue was driven by higher contract activity as well as higher pricing from indexation of contracts. The service business was negatively impacted by decreasing revenue from transactional sales, primarily driven by lower level of repowering projects. Furthermore, revenue reflected a negative impact of EUR 207m from foreign exchange rates compared to 2022.

At the end of 2023, Vestas had approx. 50,400 wind turbines under service equivalent to 152 GW, a 5.5 percent increase compared to 144 GW end of 2022.

In 2023, the EBIT margin was 21.0 percent (2022: 21.4 percent). The EBIT margin was primarily impacted by higher employee costs and depreciations related to the fleet of vessels and vehicles.

Revenue and EBIT margin before special items
mEUR – percent



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

21%

The Service EBIT margin in 2023 of 21 percent constitutes a decrease of 4.8 percentage points compared to the level in 2019.

1.1 Segment information – continued

The measure of revenue is disclosed in accordance with how the segments are reported to the Vestas' chief operating decision maker. The reported revenue is in alignment with how the segments are internally committed for variable consideration under sales contracts. This is different to the external commitment of the segments.

	2023				2022			
mEUR	**Power Solutions**	**Service**	**Not allocated**	**Total**	**Power Solutions**	**Service**	**Not allocated**	**Total**
Revenue	11,814	3,568	-	15,382	11,331	3,155	-	14,486
Sale of technology	147	-	-	147	-	-	-	-
Income/(loss) from investments in joint ventures and associates	48	-	-	48	-	-	-	-
Total income	**12,009**	**3,568**	**-**	**15,577**	**11,331**	**3,155**	**-**	**14,486**
Total costs	(12,150)	(2,818)	(378)	(15,346)	(12,843)	(2,480)	(315)	(15,638)
Operating profit/(loss) (EBIT) before special items	**(141)**	**750**	**(378)**	**231**	**(1,512)**	**675**	**(315)**	**(1,152)**
Special items	61	-	-	61	(444)	-	-	(444)
Operating profit/(loss) (EBIT)	**(80)**	**750**	**(378)**	**292**	**(1,956)**	**675**	**(315)**	**(1,596)**
Income/(loss) from investments in joint ventures and associates	-	-	(26)	(26)	-	-	10	10
Financial items	-	-	(164)	(164)	-	-	(110)	(110)
Profit/(loss) before tax				**102**				**(1,696)**
Amortisation and depreciation included in total costs	(603)	(152)	(42)	(797)	(910)	(132)	(47)	(1,089)
Investments in joint ventures and associates, refer to note 3.5				593				646

Revenue

mEUR	2023	2022
USA	3,072	2,969
Denmark	473	569
Other countries	11,837	10,948
Total	**15,382**	**14,486**

The revenue split is based on geographical supply point. Revenue specified by country shows all countries with a revenue of more than 10 percent of Vestas' total revenue as well as revenue in Denmark.

Intangible assets and property, plant and equipment

mEUR	2023	2022
Denmark	3,711	3,521
Other countries	1,403	1,296
Total	**5,114**	**4,817**

Intangible assets and property, plant and equipment are based on the physical location of the assets.

With the exception of Denmark, no country has intangible assets and property, plant and equipment exceeding 10 percent of the Group's total intangible assets and property, plant and equipment as at 31 December 2023.

Accounting policies

The reportable segments are determined based on Vestas' management structures and the consequent reporting to the Chief Operating Decision Maker (CODM), which is defined as the Executive Management. Following the acquisition of MHI Vestas Offshore Wind A/S on 14 December 2020, a new offshore operating segment has been established. Vestas' reportable segment 'Power Solutions' includes respectively onshore and offshore operating segments. The onshore and offshore activities are combined in one reportable segment, as the nature of the businesses and the financial impact from the activities are similar in respect of product categories, production, distribution and customers. In addition, the long-term EBIT margins and investment requirements relative to revenue are expected at the same level.

The total external revenue is derived from the two reportable segments and comprises sale of wind turbines and associated service activities, Power Solutions and Service respectively. Certain income and costs relating to Vestas functions, investing activities, tax, etc. are managed on Vestas level. These items are not included in the reportable segments, and therefore, presented as 'Not allocated'.

The measure of revenue, costs, and EBIT included in the segment reporting are the same as those used in the Consolidated financial statements. No segment information is provided to CODM on a regular basis for assets and liabilities and the measures below EBIT.

Income and costs included in profit for the year are allocated to the extent that they can be directly or indirectly attributed to the segments on a reliable basis. Costs allocated as either directly or indirectly attributable comprise production costs, R&D costs, distribution costs, and administration costs.

The income and costs allocated, including depreciation and amortisation, as indirectly attributable to the segments, are allocated by means of allocation keys determined on the basis of the utilisation of key resources in the segment.

1.2 Revenue

From order intake to revenue recognition

Order backlog

The order backlog reflects the value of future deliveries and services. An order is included as order intake when firm and unconditional. The value of future contracts is measured at the end of the period. The order backlog comprises firm and unconditional orders from Power Solutions and Service, less deliveries made in Power Solutions and Service performance.

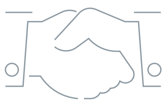
Deliveries

Deliveries in MW reflect the capacity of wind turbines delivered during the reporting period. The capacity is considered delivered, and is deducted from the wind turbine order backlog, when the related revenue is recognised.

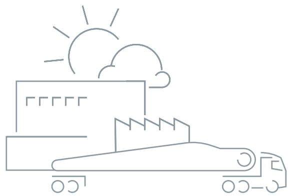
Sales from turnkey projects are deducted from the wind turbines backlog simultaneously as the customer has taken delivery of the wind turbines under the term of the contracts.

Service

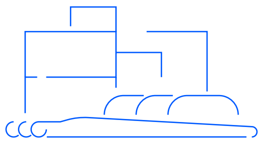
Sales from Service agreements are deducted from Service backlog simultaneously as revenue is recognised over the term of the agreement.



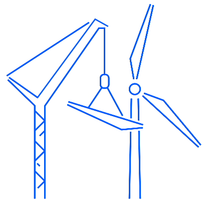
Order intake



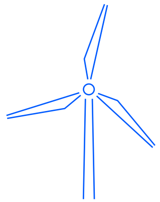
Manufacturing and transport



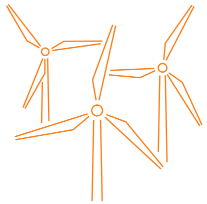
Delivery according to contract



Construction



Operational turbine



Operating wind power plants

Supply-only

2.2

Revenue EURbn

Revenue recognition

Revenue is recognised at a **point in time** when control is transferred to the customer. Control is generally transferred upon delivery of the components in accordance with the agreed delivery plan.

EPC / Turnkey projects

0.8

Revenue EURbn

Revenue recognition

Revenue is recognised **over time** as the wind power plant is constructed based on the stage of completion of the individual contracts.

Supply-and-installation

8.8

Revenue EURbn

Revenue recognition

Revenue is recognised **over time** for non-standard solutions with no alternative use as the turbine is installed based on the stage of completion of the individual contracts.

Revenue is recognised **at a point in time** for standard solutions with alternative use when control of the turbine is transferred to the customer. Control is transferred at a point in time when Vestas has proven a fully operational turbine.

Service

3.6

Revenue EURbn

Revenue recognition

Service contracts are normally recognised **over time** as the services are provided over the term of the agreement. Spare parts sales are recognised **at a point in time** when control has been transferred to the customer.

1.2 Revenue – continued

Disaggregation of revenue

In the following section, revenue is disaggregated by sale of projects and sale of service, by primary geographical market, major contract types and timing of revenue recognition.

For the financial year 2023, supply-and-installation projects recognised over time (percentage-of-completion) constituted 31 percent of the total supply-and-installation revenue compared to 37 percent in 2022.

Transaction price allocated to the remaining sales contracts

The following table includes revenue expected to be recognised in the future related to performance obligations that are unfulfilled (or partially unfulfilled) at the end of the financial year.

All considerations from contracts with customers are included in the amounts presented.

Order backlog

bnEUR	2023	2022
Power Solutions, onshore	20.7	16.4
Power Solutions, offshore	5.3	2.7
Wind turbines total	**26.0**	**19.1**
Service, onshore	29.3	26.6
Service, offshore	4.8	3.8
Service total	**34.1**	**30.4**

Disaggregation of revenue

mEUR	Power Solutions 2023	Power Solutions 2022	Service 2023	Service 2022	Total 2023	Total 2022
Timing of revenue recognition						
Products and services transferred at a point in time	8,324	7,519	491	653	8,815	8,172
Products and services transferred over time	3,490	3,812	3,077	2,502	6,567	6,314
Total	**11,814**	**11,331**	**3,568**	**3,155**	**15,382**	**14,486**
Revenue from contract types						
Supply-only (at a point in time)	2,210	2,590	-	-	2,210	2,590
Supply-and-installation (at a point in time)	6,114	4,929	-	-	6,114	4,929
Supply-and-installation (over time)	2,718	2,859	-	-	2,718	2,859
Turnkey (EPC) (over time)	772	953	-	-	772	953
Service	-	-	3,568	3,155	3,568	3,155
Total	**11,814**	**11,331**	**3,568**	**3,155**	**15,382**	**14,486**
Primary geographical markets						
EMEA	5,711	6,276	1,906	1,550	7,617	7,826
Americas	4,356	3,783	1,372	1,328	5,728	5,111
Asia Pacific	1,747	1,272	290	277	2,037	1,549
Total	**11,814**	**11,331**	**3,568**	**3,155**	**15,382**	**14,486**

At the end of 2023, the average remaining duration in the service order backlog is approx. 11 years (2022: 11 years), with a range up to 35 years (2022: 35 years). For the Power Solutions segment, projects are normally to be delivered within 1 to 3 years (2022: 1 to 3 years).

Power Solutions – order backlog
At the end of the year, the total wind turbine order backlog amounted to 25,315 MW corresponding to EUR 26.0bn. Of this, 21,014 MW corresponding to EUR 20.7bn relates to onshore wind turbines. Compared to last year, the onshore order backlog increased by 26 percent. The offshore backlog amounted to 4,301 MW corresponding to EUR 5.3bn as at 31 December 2023, an increase of 96 percent compared to 2022, driven by the new V236-15.0 MW™.

Service – order backlog
At the end of 2023, Vestas had service agreements in the order backlog with expected contractual revenue of EUR 34.1bn, which is an increase of EUR 3.7bn compared to 2022.

Accounting policies

Order backlog in EUR reflects the value of future deliveries and services under firm and unconditional orders and is measured as the expected revenue to be recognised in the future related to performance obligations that are unfulfilled or partially unfulfilled at the end of the period. The order backlog is forward-looking by nature and is a subset of Vestas' potential future revenue.

Order backlog in MW reflect the capacity of future turbine deliveries under firm and unconditional orders and is measured as the total capacity of turbines to be delivered under firm and unconditional orders less deliveries at the end of the period. The capacity of turbines delivered is included as deliveries when the related revenue is recognised.

1.2 Revenue – continued

Key accounting estimates and judgements

Estimate regarding revenue from contracts with multiple performance obligations
Management performs significant accounting estimates in connection with determining the appropriate income recognition of contract elements. In certain situations, Supply-only projects contain elements that in nature are associated with a high degree of estimations regarding allocation of consideration under a contract to elements already delivered and elements to be delivered in the future. Management has assessed that the project specific margin is a fair estimate of a reasonable margin used to allocate consideration under a contract to the contract elements. Significant judgement is also involved in assessing whether project or service contracts contain multiple performance obligations which should be accounted for separately.

Estimate regarding revenue from contracts accounted for by percentage-of-completion method
Vestas applies the percentage-of-completion method in accounting for service contracts and certain wind power plants, in general projects with a high degree of customisation. The use of the percentage-of-completion method requires Management to determine the stage of completion by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs (cost-to-cost method). This method is considered to best show the progression of the projects. Based on the estimated stage of completion, a respective portion of the consideration is recognised.

Judgement regarding method for recognition of revenue from Supply-and-installation contracts
Management applies judgement when determining whether revenue from Supply-and-installations contracts shall be recognised at a point in time or over time. Management has determined that Supply-and-installation projects based on standard solutions have an alternative use. Consequently, revenue from such contracts are recognised at the point in time when the turbine is fully operational and control is transferred to the customer. For certain projects, Vestas agrees to delivery of wind power plants based on non-standard solutions to the customer. Management assesses whether such non-standard solutions have an alternative use. The judgements made take into consideration technology used, the degree of customization and remoteness of the wind power plant. Revenue from sale of non-standard solutions, which are judged to have no alternative use is recognised over time (percentage-of-completion method).

Judgement regarding service contract modifications
Management applies judgement when determining whether a service contract modification should be accounted for as a separate contract or as if it is part of the original contract. The judgements made take into consideration whether the scope is changed, if price changes reflect stand-alone prices, whether a contract is won in a tender, if the modification is due to execution of a renewal option and other relevant facts and circumstances.

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer. Vestas recognises revenue when it transfers control over a product or service to a customer.

Revenue recognition
Revenue comprises sale of wind turbines and wind power plants, after-sales service, sale of spare parts and wind power plants under development. The following is a description of the principal activities from which Vestas generates its revenue.

Supply-only projects
Revenue from the sale of individual wind turbines based on standard solutions is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Vestas recognises revenue at a point in time, when control is transferred to the customer, and the consideration agreed is expected to be received. Control is deemed to be transferred upon delivery of the components in accordance with the agreed delivery plan.

Supply-and-installation projects (point in time)
Revenue from sale of wind power plants based on standard solutions with alternative use is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Vestas recognises revenue when control of the fully operational turbine is transferred to the customer, and the consideration agreed is expected to be received. Control is generally deemed to be transferred at the point in time when the turbine is fully operational.

Supply-and-installation projects (over time)
Revenue from sale of wind power plants based on non-standard solutions to the customer, where there is no alternative use for the wind power plant to be delivered and where we have an enforceable right to payment for the work completed is recognised over time using the percentage-of-completion method. Revenue excludes amounts collected on behalf of third parties.

EPC / Turnkey projects
Revenue from contracts to deliver wind power plants with a high degree of customisation are recognised over time as the wind power plants are constructed based on the stage of completion of the individual contracts. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the cost incurred to the extent that it is probable that the costs will be recovered.

Service sales
Revenue from service sales, comprising services and maintenance agreements as well as extended warranties regarding wind turbines and wind power plants sold, are recognised over the term of the agreement as the services are provided. Separate spare parts sales are recognised at a point in time when control has been transferred to the customer, and provided that consideration agreed is expected to be received.

Service contract modifications
Contract modifications treated as separate contracts are typically related to changes in scope, successful tender bids or renegotiated close to term expiry (signed). Contract modifications which are treated as part of the original contract, are typically related to renewals renegotiated far from term expiry (signed) or price changes agreed upon.

Contract modifications treated as separate contracts are accounted for on a prospective basis. Contract modifications treated as part of the original contract and accounted for on a cumulative catch-up basis.

Wind power plants under development
Revenue from the sale of wind power plants under development is measured based on the consideration specified in a contract with a customer and recognised at a point in time when the control of the project is transferred to the customer.

Transaction price
The transaction price for sale of wind turbines and wind power plants normally includes a fixed consideration. The transaction price for service contracts includes a fixed consideration and often a variable consideration. The estimated amount of variable consideration will be included in the transaction price only to the extent that a significant reversal in revenue recognised is highly unlikely to occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price recognised as revenue is furthermore reduced by penalties and payment of liquidated damages related to project and service contracts.

All wind turbine and wind power plant contracts include a standard warranty clause. For further details on warranty, refer to note 3.6.

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 6.2.

Accounting policies

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 Government grants

Government grants

mEUR	2023	2022
Government grants recognised in income statement	56	3
Government grants recognised in the balance sheet (receivable)	(53)	(1)
Government grants received in the year	**3**	**2**

Vestas receives Advanced Manufacturing Production Credits (AMPC) under the Inflation Reduction Act (IRA) as compensation for costs when manufacturing nacelles and blades in the US. Vestas treats the subsidy as a government grant, as it is paid by the US Federal Government.

Vestas has recognised AMPC grants of EUR 54m in the income statement for 2023 (2022: EUR 0m) where it is offset against productions costs.

In addition to AMPC, Vestas has recognised grants of EUR 2m in the income statement as compensation for R&D costs in 2023 (2022: EUR 3m).

Accounting policies

Government grants are recognised when there is reasonable assurance that Vestas complies with the conditions attaching to them, and the grants will be received. Grants received as compensation for costs are offset against the cost for which they compensate. Grants for investments and capitalised development projects are offset against the cost of the asset to which the grant relate.

The Avanced Manufacturing Production Credits (AMPC) grant is conditional on sale of manufactured nacelles and blades. Therefore, the grants are recognised at transfer of control of individual wind turbines or wind power plants that comprise parts eligible for AMPC, corresponding to the point in time of revenue recognition. The grants are recognised in the income statement where it is offset against production costs.

1.5 Costs

Research and development costs recognised in the income statement

mEUR	2023	2022
R&D costs	500	514
Capitalised development projects	(386)	(414)
Amortisation and depreciation	257	357
Total	**371**	**457**

Accounting policies

Production costs
Production costs, including warranty costs, comprise the costs incurred to achieve revenue for the year. Costs consist of raw materials, consumables, direct labour costs, transportation costs and indirect costs such as salaries, rental and lease costs as well as depreciation of production facilities. Furthermore, provisions for loss-making construction contracts are included in production costs.

Research and development costs
Research and development costs primarily comprise employee costs, internal and external costs related to innovation and new technologies, as well as amortisation, depreciation and impairment losses on capitalised development costs.

Distribution costs
Distribution costs comprise costs incurred for the sale and distribution of products, etc. sold during the year. Also included are costs relating to employees and depreciation.

Administration costs
Administration costs comprise costs incurred during the year for management and administration of Vestas and includes costs for administrative staff, management, office premises, office costs, and depreciation.

1.6 Employee costs

Staff costs

mEUR	2023	2022
Staff costs are specified as follows:		
Wages and salaries, etc.	1,904	1,581
Share-based payment, refer to note 1.7	34	7
Pension schemes, defined contribution schemes	108	94
Other social security costs	219	198
Total	**2,265**	**1,880**
Average number of employees	29,463	28,779
Number of employees as at 31 December	30,586	28,438

Board of Directors and Executive Management team

mEUR	2023	2022
Staff costs attributable to:		
Board of Directors		
Board remuneration	1	1
Total	**1**	**1**
Executive Management team		
Wages and bonus	11	7
Share-based payment	12	2
Total	**23**	**9**

The Board of Directors and Executive Management team are not covered by any pension schemes. In the event of change in control, members of the Executive Management do not receive any additional compensation.

In 2023, share-based payment and wages to the registered members of the Executive Management amounted to EUR 8m (2022: EUR 3m).

Key management personnel is defined as Executive Management team.

1.7 Share based payment

Restricted performance share programme

The purpose of the restricted performance shares is to ensure common goals for management, certain key employees, and shareholders. The number of shares available for grant may be adjusted in the event of changes in Vestas' capital structure. Further, in the event of a change of control, merger, winding-up or demerger of Vestas, an accelerated grant may extraordinarily take place. In the event of certain transfers of activities or changes in ownership interests within Vestas, adjustment, replacement of the programme and/or settlement in cash of the programme entirely may also take place.

In April 2023, the Board of Directors of Vestas Wind Systems A/S (Board) launched a new restricted performance share programme. The performance share programme has been revised for the sake of simplification. The 2023 performance share programme will fully vest after a three-year performance period with all shares vesting at once, instead of the previous split vesting in two portions. The performance measurements are based on financial key performance indicators as well as Vestas' market share as defined by the Board.

The terms and conditions governing the restricted performance share programmes are as follows:

- Only participants employed by Vestas at the time of announcement of the programme or later in the financial year are eligible for participation in the restricted performance share programme.
- The number of restricted performance shares available for distribution depends on Vestas' performance as per table below.
- Depending on the performance, the total number of shares to be granted will range between 0 percent and 150 percent of the target level and is determined by Vestas' performance in the financial year.
- A cap for value at vesting for CEO and CFO equal to 300 percent of base pay.

In 2023, the total number of shares granted amounts to 1,716,826 shares with a fair value of EUR 41m (out of which 653,00 shares with a fair value of EUR 16m were granted to the Executive Management team). The fair value calculated is based on share price at grant date, close of Nasdaq Copenhagen on 26 April 2023, EUR 24.

Employee elected members of the Board, had 0 restricted shares outstanding as at 31 December 2023 (2022: 0).

Refer to note 1.6 for the total expense recognised in the Income statement for restricted performance shares (share-based payment) granted to Executive Management team and other executives.

Accounting policies

Vestas operates a number of share-based compensation schemes (restricted share programmes) under which it awards Vestas shares to members of the Executive Management team and certain key employees in Vestas Wind Systems A/S or its subsidiaries.

The value of the services received in exchange for the awarding/granting of shares is measured at the fair value of the shares.

Restricted shares granted to employees are measured at fair value at the time of granting and are recognised in staff expenses in the income statement over the vesting period. The opposite entry is recognised directly in equity.

On initial recognition of the restricted shares, the number of shares expected to vest is estimated. Subsequently, the estimate is revised so that the total expense recognised is based on the actual number of shares vested.

The fair value of restricted shares is determined based on Vestas quoted share price at grant date.

Management's incentive programmes	2023	2022	2021	2020	2019
Year awarded:	April 2023	April 2022	April 2021	May 2020	May 2019
Performance year[1]	2023-2025	2022-2024	2021-2023	2020-2022	2019-2021
Vesting conditions (KPIs):	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share	EPS, ROCE, Market share
Vesting years:	2026	2025	2024	2023/25	2022/2024

1 Performance years defined as Vestas' financial year.

Number of restricted performance shares	Executive Management team pcs	Other executives pcs	Total pcs
Outstanding as at 1 January 2023	**689,289**	**1,921,808**	**2,611,097**
Adjusted	386,645	964,829	1,351,474
Granted	653,000	1,063,826	1,716,826
Vested	(100,351)	(594,670)	(695,021)
Cancelled	(334,832)	(835,242)	(1,170,074)
Outstanding as at 31 December 2023	**1,293,751**	**2,520,551**	**3,814,302**
Outstanding as at 1 January 2022	**1,021,888**	**2,587,229**	**3,609,117**
Adjusted	(119,077)	436,143	317,066
Granted	329,998	581,060	911,058
Vested	(212,234)	(821,224)	(1,033,458)
Cancelled	(331,286)	(861,400)	(1,192,686)
Outstanding as at 31 December 2022	**689,289**	**1,921,808**	**2,611,097**

Adjusted includes adjustments due to final calculation of entitlement based on performance in prior year and transfers between categories due to changes in management.

Allocation of performance shares for the 2021, 2022 and 2023 performance programmes will be adjusted based on the level of target achievement in the measurement period.

1.8 Special items

Russian invasion of Ukraine

In April 2022, Vestas announced that we 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 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 were 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 2023, a net income of EUR 65m was recognised in special items relating to the adjustment of the manufacturing footprint in China and India. The net income comprise mainly a reversal of a previously recognised write-down of inventories of EUR 48m and a previously recognised impairment loss on tangible assets of EUR 12m, and further a reversal of accruals for other costs of net EUR 5m.

Basis for recognition
The reversal of write-down 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 and reassessment of expected sales prices. Other costs primarily related to purchase commitments towards suppliers and costs of closing the factories.

Key accounting judgements

Judgement regarding classification in the income statement
The use of special items entails management judgement in the separation from other items in the income statement. In connection with the use of special items, it is crucial that these are of a significant unusual and/or infrequently occurring nature that are not attributable to Vestas' normal operations, as such classification highlights to users of financial statements the items to which the least attention should be given when understanding current and future performance.

Estimate regarding the valuation of assets and liabilities in Russia and Ukraine
Measurement of the provisions related to the ceasing of activities in Russia and Ukraine as well as write-down of inventory located in Russia and Ukraine is associated with significant estimation uncertainty due to the current situation in Russia and Ukraine. The recognised write-downs and provisions reflect management's best estimate based on the current expectations.

Accounting policies

Special items comprise significant unusual and/or infrequently occurring items that are not attributable to Vestas' normal operations. Special items comprise income and costs related to significant organisational restructuring and significant adjustments to production capacity and the product programme.

Special items

mEUR	2023	2022
Write-down of inventory	45	(260)
Provisions	-	(87)
Impairment loss on intangible and tangible assets	12	(69)
Staff costs	(1)	(5)
Other costs	5	(23)
Special items	**61**	**(444)**

1.9 Financial items

Financial income

mEUR	2023	2022
Interest income	205	37
Hedging instruments	1	2
Other financial income	4	13
Total	**210**	**52**

Financial costs

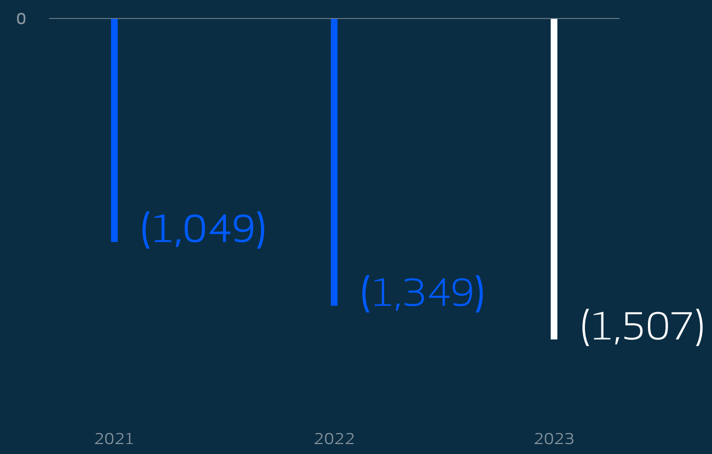
mEUR	2023	2022
Interest costs	219	51
Interest on lease liabilities	16	12
Foreign exchange losses	99	70
Other financial costs	40	29
Total	**374**	**162**

Accounting policies

Financial items comprise interest income and costs, realised and unrealised foreign exchange gains and losses, gains and losses related to derivatives used to hedge assets and liabilities and ineffective part of derivatives used to hedge future cash flows.

2 Working capital

Net working capital (mEUR)
Net working capital amounted to a net liability of EUR 1.5bn as at 31 December 2023.



2.1 Change in net working capital

mEUR	2023	2022
NWC as at 1 January	(1,349)	(1,049)
Change in inventories and contract costs	(91)	763
Change in trade receivables	25	(251)
Change in other receivables	53	116
Change in contract assets / liabilities	(680)	(585)
Change in trade payables	351	197
Change in other liabilities	184	(540)
NWC as at 31 December	**(1,507)**	**(1,349)**

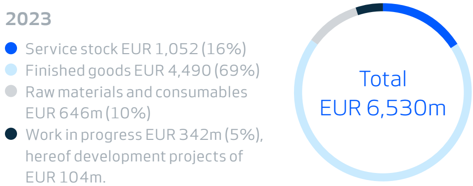
The change in net working capital (NWC) includes non-cash adjustments and exchange rate adjustments with a total amount of EUR negative 125m (2022: EUR negative 492m). Consequently, the cash flow impact of change in NWC is EUR 33m (2022: EUR negative 192m).

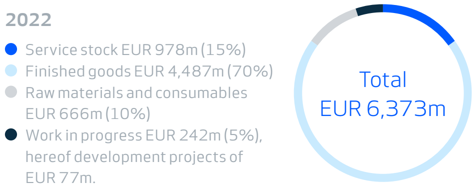
Vestas is facilitating a supply chain financing program funded by credit institutions. Use of this programme by suppliers takes place in the ordinary course of business with the same payment terms offered to other suppliers and without credit enhancement. Supplier financing therefore fulfils the criteria as trade payables and has been presented in the balance sheet as ordinary trade payables with a total amount of EUR 545m (2022: EUR 696m).

2.2 Inventories

mEUR	2023	2022
Inventories consumed		
Inventories consumed for the year, which are included in production costs	7,647	7,750
Write-downs of inventories		
Write-downs of inventories in the year	5	283
Utilised write-downs in the year	(3)	(4)
Reversal of write-downs in the year[1]	(59)	(25)

1 The reversal of write-downs in the year are due to goods previously written down being used or sold at or above original cost.





In 2023, Vestas has reversed EUR 48m relating to adjustments of manufacturing footprint. In 2022, write-down of inventories included EUR 159m relating to the Russian invasion of Ukraine and EUR 101m relating to adjustments to the manufacturing footprint. For further details, refer to note 1.8.

Key accounting estimates

Estimate of net realisable value
Vestas estimates the net realisable value at the amount at which inventories are expected to be sold. Inventories are written down to net realisable value when the cost of inventories is estimated to be non-recoverable due to obsolescence, damage or declining selling prices. Estimates are used when accounting for or measuring inventory provisions, and these estimates depend upon subjective and complex judgements about certain circumstances, taking into account fluctuations in prices, excess quantities, condition of the inventory, nature of the inventory, and the estimated variable costs necessary to make the sale.

Accounting policies

Inventories are measured at the lower of cost, using the weighted average method, and net realisable value (NRV).

The cost of raw materials and service stock comprise purchase price of materials, consumables, duties, and transportation costs.

The cost of work in progress and finished goods comprises the cost of raw materials, consumables, direct labour, and indirect production costs. Indirect production costs comprise materials and labour costs as well as maintenance and depreciation of the machinery, factory buildings, and equipment used in the manufacturing process together with costs of factory administration and management.

The NRV of inventories is measured at sales price less costs of completion and selling costs. NRV is determined taking into account marketability, obsolescence, and development in the expected selling price.

2.3 Contract balances

mEUR	2023 Contract assets	2023 Contract liabilities	2022 Contract assets	2022 Contract liabilities
1 January	**1,399**	**6,937**	**1,227**	**6,180**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	(3,848)	-	(3,283)
Increases as a result of changes in the measure of progress and other adjustments	978	-	733	-
Payments received, excluding amounts recognised as revenue during the period (prepayments)	-	4,993	-	3,986
Transfers from contract assets recognised at the beginning of the period to receivables	(558)	-	(559)	-
Exchange rate adjustments	(42)	(87)	(2)	54
31 December	**1,777**	**7,995**	**1,399**	**6,937**
Contract assets and liabilities comprise the following:				
Construction contracts in progress (turnkey)	13	166	58	193
Service contracts	1,698	891	1,245	930
Supply-only contracts	-	1,328	-	744
Supply-and-installation contracts point in time	-	2,882	-	2,993
Supply-and-installation over time	66	2,728	96	2,077
Total	**1,777**	**7,995**	**1,399**	**6,937**

← The table provides information about development in contract assets and contract liabilities from contracts with customers, as well as a disaggregation of the contract balances on contract type.

Accounting policies

Contract assets/liabilities comprise agreements to deliver wind power plants based on non-standard solutions (supply-and-installation projects over time) and wind power plants with a high degree of customisation (turnkey projects), as well as service and maintenances agreements. Contract liabilities also comprise prepayments from customers for supply-only and supply-and-installation projects ordered but not yet delivered.

Vestas receives payments from customers based on billing schedules established in the contracts. The scheduled payments from customers typically preceed the satisfaction of performance obligations under the contracts.

Contract assets relate to Vestas' conditional right to consideration for Vestas' completed performance under the contract. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) Vestas performs under the contract.

Contract assets/liabilities are measured at the selling price of the work performed based on the stage of completion less progress billing and expected losses.

The stage of completion is measured as the proportion of the costs related to the contract incurred relative to the estimated total costs related to the contract. Where it is probable that total costs will exceed total revenues from a contract, the expected loss is recognised immediately as a cost and a provision.

The value of self-constructed components is recognised as contract assets/liabilities upon installation of the components to the specific wind power plant's construction site.

If the selling price of the work performed exceeds progress billings and expected losses it is recognised as an asset. If interim billings and expected losses exceed the selling price it is recognised as a liability.

Costs relating to sales work and the pursuing of contracts are recognised in the income statement as incurred.

2.4 Contract costs

mEUR	2023	2022
Asset recognised from costs to fulfill a contract	505	753
Total	**505**	**753**

Capitalised costs as a result of fulfilling sales contracts are recognised as part of production cost in the income statement when related revenues are recognised. In 2023, EUR 891m (2022: EUR 958m) was recognised as cost.

Accounting policies

Costs incurred for supply-only and supply-and-installation projects in fulfilling the contracts with customers that are directly associated with the contract, comprising installation cost and transportation cost, are recognised as an asset (contract costs), if those costs are expected to be recoverable.

2.5 Other receivables

mEUR	2023	2022
Prepayments	190	157
Supplier claims	84	71
VAT[1]	366	582
Derivative financial instruments	461	366
Other receivables	545	264
Total	**1,646**	**1,440**
Specified as follows:		
0–1 year	1,274	1,221
> 1 year	372	219
Total	**1,646**	**1,440**

1 Includes loss provisions on VAT receivables of EUR 44m as at 31 December 2023 (2022: EUR 55m).

Key accounting estimates

Estimate of allowance for doubtful VAT receivables
Management makes allowance for doubtful VAT receivables in anticipation of estimated future receipt of payments. If certain circumstances result in lack of receipt of payments, an additional allowance could be required. When evaluating the adequacy of the allowance for doubtful VAT receivables, Management analyses the nature of the individual VAT receivables and takes into account any relevant historical information that is applicable to the specific circumstance.

Accounting policies

Other receivables are measured at amortised cost or net realisable value equivalent to nominal value less allowances for doubtful receivables, whichever is lower. Prepayments recognised as assets comprise prepaid expenses and are measured at cost. Derivative financial instruments are measured at fair value.

2.6 Other liabilities

mEUR	2023	2022
Staff costs	417	182
Taxes and duties	198	365
Derivative financial instruments	459	364
Other liabilities	295	497
Total	**1,369**	**1,408**
Specified as follows:		
0-1 year	1,165	1,349
> 1 year	204	59
Total	**1,369**	**1,408**

Accounting policies

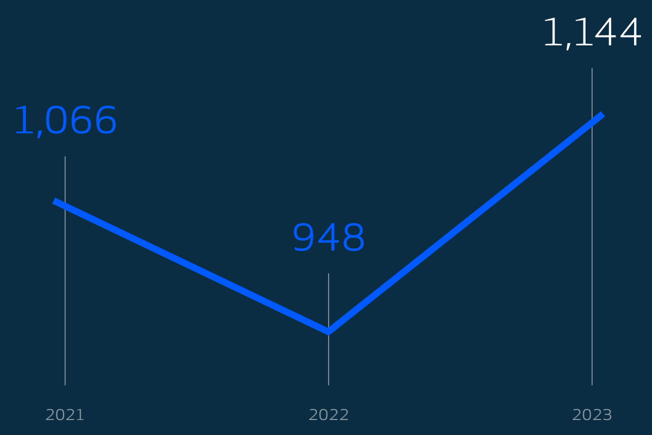
Other liabilities are measured at amortised cost.

Derivative financial instruments are measured at fair value.

Obligations relating to defined contribution plans, where Vestas continuously makes fixed pension contributions to independent pension funds, are recognised in the income statement in the period to which they relate. Any contributions outstanding are recognised in the balance sheet under other liabilities.

3 Other operating assets and liabilities

Total investments (mEUR)
In 2023, Vestas made investments of EUR 1,144m.



3.1 Intangible assets

mEUR	2023 Goodwill	2023 Completed development projects	2023 Software	2023 Other intangible assets	2023 Development projects in progress	2023 Total	2022 Goodwill	2022 Completed development projects	2022 Software	2022 Other intangible assets	2022 Development projects in progress	2022 Total
Cost as at 1 January	**1,617**	**2,725**	**409**	**562**	**612**	**5,925**	**1,611**	**2,561**	**366**	**560**	**376**	**5,474**
Exchange rate adjustments	(7)	(6)	(2)	(2)	(1)	(18)	7	-	1	1	1	10
Additions	-	-	28	-	408	436	-	-	2	1	445	448
Disposal	-	-	(29)	(2)	-	(31)	-	-	(6)	-	-	(6)
Transfers	-	83	41	-	(124)	-	-	164	46	-	(210)	-
Transfer to assets held for sale	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Cost as at 31 December	**1,610**	**2,802**	**447**	**558**	**895**	**6,312**	**1,617**	**2,725**	**409**	**562**	**612**	**5,925**
Amortisation and impairment losses as at 1 January	103	2,277	294	186	-	2,860	103	1,942	244	123	-	2,412
Exchange rate adjustments	-	(5)	(1)	(1)	-	(7)	-	-	-	1	-	1
Amortisation for the year	-	191	46	35	-	272	-	221	55	49	-	325
Impairment losses for the year	-	-	-	-	-	-	-	114	1	13	-	128
Disposal	-	-	(29)	(2)	-	(31)	-	-	(6)	-	-	(6)
Transfers	-	15	-	-	-	15	-	-	-	-	-	-
Amortisation and impairment losses as at 31 December	**103**	**2,478**	**310**	**218**	**-**	**3,109**	**103**	**2,277**	**294**	**186**	**-**	**2,860**
Carrying amount as at 31 December	**1,507**	**324**	**137**	**340**	**895**	**3,203**	**1,514**	**448**	**115**	**376**	**612**	**3,065**
Internally generated assets included above	-	324	49	-	895	1,268	-	394	42	-	611	1,047
Amortisation period		2-5 years	3-5 years	3-7 years				2-5 years	3-5 years	3-7 years		

Amortisation, intangible assets

2023
- Production costs EUR 23m (8%)
- Research and development costs EUR218m (80%)
- Distribution costs EUR 2m (1%)
- Administration costs EUR29m (11%)
- Special items EUR 0m (0%)

2022
- Production costs EUR 56m (17%)
- Research and development costs EUR 232m (71%)
- Distribution costs EUR 3m (1%)
- Administration costs EUR 34m (11%)
- Special items EUR 0m (0%)

Impairment loss, intangible assets

2023

No imparment

2022
- Production costs EUR 13m (10%)
- Research and development costs EUR 90m (70%)
- Distribution costs EUR 0m (0%)
- Administration costs EUR 0m (0%)
- Special items EUR 25m (20%)

3.1 Intangible assets – continued

Development projects and other intangible assets

Vestas continually invests in the development of new technologies and, for this reason, development projects constitute a significant part of the total intangible assets. The continuous investments include a wide portfolio of development projects. Vestas does not have one individually significant development assets.

Impairment relating to offshore activity
As part of the acquisition of MHI Vestas Offshore Wind (MVOW) in 2020, Vestas acquired intangible assets and tangible assets relating to the offshore activity.

As at 31 December 2023, the acquired assets were tested for impairment. Based on the impairment test, no impairment or reversal of prior year impairments was recognised.

The impairment test was performed due to revised assumptions on profitability and increasing cost of capital. The recoverable amount is based on the discounted value of future expected cash flows from the V164/V174 offshore activity. A discount rate before tax of 12.0 percentage was used in the updated impairment test. The test is performed based on firm orders. Further order intake on the V164/V174 technology is not expected but the test remains sensitive to changes in key assumptions, including project and service margins. A change of 1 percentage point in the assumed project margin will result in a EUR 14m change to the recoverable amount and a change of 1 percentage point in the service margin will result in a EUR 21m change to the recoverable amount.

In 2022, Vestas recognised an impairment loss of EUR 177m relating to the V164/174 offshore activity, impacting the Power Solutions segment by EUR 165m and the Service segment by EUR 12m. Intangible assets were written down by EUR 96m and tangible assets were written down by EUR 81m.

Key accounting estimates

Estimate of recoverable value used for impairment test of acquired assets relating to MVOW
In performing the impairment test, the carrying amount of the assets is compared to the recoverable value, which is the discounted value of expected future cash flows from the offshore activity (value-in-use). The expected future cash flows are based on key assumptions including order intake and project margins and service contract margins, which are by nature subject to significant uncertainty.

Accounting policies

Goodwill
Goodwill is initially recognised in the balance sheet as the difference between the fair value of net assets acquired and consideration transferred. Subsequently, goodwill is measured at this value less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill has been allocated to Vestas' operating segments. Identification of operating segments is based on management structure and internal financial reporting.

The carrying amount of goodwill is tested at least annually for impairment, together with the other non-current assets of the operating segment to which goodwill has been allocated. If the recoverable amount is lower than the carrying amount of the operating segment, goodwill is written down to its lower recoverable amount in the income statement.

The recoverable amount is usually calculated as the net present value of expected future net cash flows from the operating segments to which the goodwill has been allocated. Alternatively, the recoverable amount is calculated as fair value less costs to sell. Impairment losses on goodwill are recognised in the income statement, either in production costs, research and development costs, distribution costs or administration costs.

Impairment losses on goodwill are not reversed.

Development projects
Projects for the development and testing of new wind turbines are recognised as intangible assets when they are clearly defined, identifiable, and for which technical feasibility, sufficient resources and a potential future market or application in the enterprise can be demonstrated. In addition, it is the intention with these projects to manufacture, market or use the project for future commercial purposes. This applies if cost can be measured reliably and sufficient certainty exists that future earnings or the net selling price can cover production costs, distribution costs, and administration costs as well as research and development costs. At Vestas, this is underpinned by a gate process, where these judgements are made at specific gates. Other development costs not qualifying for capitalization are recognised in the income statement as research and development costs.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, amortisation and other costs attributable to Vestas' development activities.

Following completion of the development work, development projects are amortised on a straight-line basis over their estimated useful lives. The amortisation period is two to five years. The basis of amortisation is calculated net of any impairment losses.

The carrying amount of development projects in progress is tested for impairment at least annually, and where the carrying amount exceeds the net present value of the future net cash flows expected to be generated by the development project, the project is written down to its recoverable amount in the income statement. Finished development projects are tested for impairment if there is indication of impairment from the annual review.

Patents and licences included in development projects are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised over the patent period or term of agreement, the life of the development project or the estimated useful life, whichever is shorter. The basis of amortisation is calculated net of any impairment losses.

Software
Acquired software licences and internally developed software is measured at cost less accumulated amortisation and impairment losses. Cost includes both direct internal and external costs. Software is amortised on a straight-line basis over three to five years. The basis of amortisation is calculated net of any impairment losses.

Other intangible assets
Customer relationship, order backlog, and trademarks with a finite useful life acquired from third parties, either separately or as part of the business combination, are capitalised at cost and amortised over their remaining useful lives. Other intangible assets that are not Customer relationship, order backlog, or trademarks are measured at cost less amortisation and impairment losses.

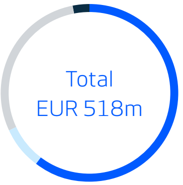
3.2 Property, plant and equipment

mEUR	2023						2022					
	Land and buildings	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Right-of-use assets**	**Total**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Right-of-use assets**	**Total**
Cost as at 1 January	**1,023**	**989**	**1,905**	**150**	**884**	**4,951**	**1,135**	**1,104**	**1,778**	**136**	**808**	**4,961**
Exchange rate adjustments	(26)	(11)	(34)	1	(8)	(78)	8	8	14	1	(1)	30
Additions	4	9	123	320	252	708	9	11	160	191	129	500
Disposals	4	(41)	(53)	-	(50)	(140)	(69)	(150)	(129)	(3)	(45)	(396)
Transfers	54	46	124	(224)	-	-	5	69	101	(175)	-	-
Transfer to assets held for sale	-	-	-	-	-	-	(65)	(53)	(19)	-	(7)	(144)
Cost as at 31 December	**1,059**	**992**	**2,065**	**247**	**1,078**	**5,441**	**1,023**	**989**	**1,905**	**150**	**884**	**4,951**
Depreciation and impairment losses as at 1 January	618	783	1,352	-	446	3,199	625	781	1,179	-	285	2,870
Exchange rate adjustments	(10)	(8)	(20)	-	(4)	(42)	3	7	10	-	2	22
Depreciation for the year	31	80	246	-	161	518	34	118	270	-	152	574
Impairment losses for the year	-	-	-	-	-	-	55	66	29	-	36	186
Reversal of impairment	(7)	(3)	(2)	-	-	(12)	(39)	(8)	-	-	(7)	(54)
Transfers	-	(12)	17	-	(20)	(15)	-	(1)	1	-	-	-
Transfers to assets held for sale	-	-	-	-	-	-	(37)	(32)	(12)	-	(4)	(85)
Reversal of depreciation of disposals in the year	-	(41)	(48)	-	(29)	(118)	(23)	(148)	(125)	-	(18)	(314)
Depreciation and impairment losses as at 31 December	**632**	**799**	**1,545**	**-**	**554**	**3,530**	**618**	**783**	**1,352**	**-**	**446**	**3,199**
Carrying amount as at 31 December	**427**	**193**	**520**	**247**	**524**	**1,911**	**405**	**206**	**553**	**150**	**438**	**1,752**
Depreciation period	10–40 years	3–10 years	3–5 years		2–20 years		10–40 years	3–10 years	3–5 years		2–20 years	

Depreciation, property, plant and equipment

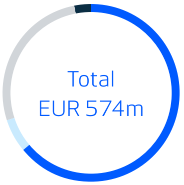
2023

- Production costs EUR 315m (61%)
- Research and development costs EUR 39m (8%)
- Distribution costs EUR 150m (29%)
- Administration costs EUR 14m (3%)
- Special items EUR 0m (0%)



2022

- Production costs EUR 369m (64%)
- Research and development costs EUR 34m (6%)
- Distribution costs EUR 156m (27%)
- Administration costs EUR 15m (3%)
- Special items EUR 0m (0%)



Impairment loss, property, plant and equipment

2023

No imparment

2022

- Production costs EUR 61m (33%)
- Research and development costs EUR 4m (2%)
- Distribution costs EUR 19m (10%)
- Administration costs EUR 3m (2%)
- Special items EUR 99m (53%)

3.2 Property, plant and equipment – continued

Key accounting estimates

Estimates of future cash flows used for impairment test of acquired assets relating to MVOW
Refer to note 3.1 for further details.

Accounting policies

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of construction of own assets, cost comprises direct and indirect costs for materials, components, sub-suppliers, and labour. Estimated costs for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is decomposed into separate components which are depreciated separately.

Subsequent costs, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that the costs incurred will result in future economic benefits to Vestas. The carrying amount of the replaced components is derecognised in the balance sheet and recognised as costs in the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Installations capitalised as land and buildings which are related to leased assets are depreciated over the term of the related lease contract. Such lease contracts range with a lease term from 10 to 20 years.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings (including installations)	10–40 years
Plant and machinery	3–10 years
Other fixtures and fittings, tools and equipment	3–5 years
Right-of-use assets	2-20 years

Land is not depreciated.

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

The depreciation periods are determined based on estimates of the expected useful lives and future residual value of the assets. The estimates are based on historical experience. A reassessment is made once a year to ascertain that the depreciation basis reflects the expected life and future residual values of the assets.

If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change in accounting estimate.

Depreciation is recognised in the income statement as either production costs, research and development costs, distribution costs or administration costs to the extent that depreciation is not included in the cost of assets of own construction.

The carrying amounts of non-current assets are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less estimated costs to sell and value in use.

Value in use is calculated as the net present value of expected future net cash flows from the asset or a group of assets.

An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation/amortisation had the asset not been impaired.

3.3 Leases

Right-of-use assets

mEUR	2023 Property	2023 Vehicles	2023 Equipment	2023 Vessels	2023 Total	2022 Property	2022 Vehicles	2022 Equipment	2022 Vessels	2022 Total
Carrying amount as at 1 January	**242**	**51**	**40**	**105**	**438**	**300**	**59**	**45**	**119**	**523**
Exchange rate adjustments	(4)	-	-	-	(4)	(3)	-	-	-	(3)
Depreciation charge for the year	(65)	(41)	(16)	(39)	(161)	(77)	(37)	(19)	(19)	(152)
Impairment losses for the year	-	-	-	-	-	(36)	-	-	-	(36)
Reversal of impairment	-	-	-	-	-	7	-	-	-	7
Addition of right-of-use assets for the year	108	80	10	54	252	86	25	13	5	129
Disposal of right-of-use assets for the year	(6)	(12)	(3)	-	(21)	(27)	-	-	-	(27)
Transfers	20	-	-	-	20	(5)	4	1	-	-
Transfer to assets held for sale	-	-	-	-	-	(3)	-	-	-	(3)
Carrying amount as at 31 December	**295**	**78**	**31**	**120**	**524**	**242**	**51**	**40**	**105**	**438**

Vestas leases several assets including properties, vehicles, vessels, and equipment. Rental contracts are typically made for fixed periods of one to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, index-regulations, maintenance, deposits, and guarantees etc.

Some property leases contain variable payment terms that are linked to an index e.g. a consumer price index. Overall, the variable payments constitute less than 1 percent of Vestas' entire lease payments.

Total lease expenses recognised in the income statement

mEUR	2023	2022
Variable lease payments not included in the measurement of lease liabilities	0	0
Expenses relating to short-term leases and leases of low-value	69	51

Total leases recognised in the statement of cash flows

mEUR	2023	2022
Short-term leases and leases of low value	69	51
Payment of lease liability including interest	178	159
Total cash outflow for leases	**247**	**210**

Lease liabilities

Lease liabilities are included in financial debts and amount to EUR 556m as at 31 December 2023 (2022: EUR 493m). Refer to note 4.1 for disclosure on contractual cash flows.

Accounting policies

Vestas as Lessee
Vestas assesses whether a contract is or contains a lease at inception of the contract. Vestas recognises right-of-use assets and corresponding lease liabilities at the lease commencement date, except for short-term leases and leases of low value. For these leases, Vestas normally recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.
The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted in accordance with lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Vestas' incremental borrowing rate. Generally, Vestas uses its incremental borrowing rate taking into account the specific countries.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if Vestas is reasonably certain to exercise the options; and
- amounts expected to be payable under residual value guarantees.

The lease liabilities are subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if Vestas changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

3.4 Impairment test

Goodwill

Vestas has performed the annual impairment tests of goodwill and it did not result in any impairment loss (2022: No impairment loss).

In the impairment tests, the carrying amount of the assets are compared to the discounted value of future expected cash flows. The annual tests of goodwill were performed for the three CGUs: Power Solutions Onshore, Power Solutions Offshore, and Service, these being the lowest level of cash-generating units as defined by Management.

The main part of the carrying amount of goodwill in Vestas subject to impairment testing are related to several acquisitions specified as follows.

- The acquisition of NEG Micon A/S in 2004, included acquisition of goodwill of EUR 180m allocated to Vestas Power Solutions Onshore and EUR 35m allocated to the Service segment.
- The acquisition of UpWind Solutions, Inc. in 2015, included acquisition of goodwill of EUR 40m, which was allocated to the Service segment.
- The acquisition of Availon GmbH in 2016 included acquisition of goodwill of EUR 56m, which was allocated to the Service segment.
- The acquisition of Utopus Insights, Inc. in 2018 included acquisition of goodwill of EUR 70m, which was allocated to the Service segment.
- The acquisition of MHI Vestas Offshore Wind A/S in 2020 included acquisition of goodwill of EUR 1,126m. The goodwill arising from the acquisition was allocated with EUR 893m to Power Solutions Offshore and EUR 233m to the Service segment.

Assumptions underpinning impairment test of goodwill
Budgets and business plans for the next three years are based on Vestas' investments in progress and contracted investments, and the risks relating to the key parameters have been assessed and incorporated in the expected future cash flows underpinning the impairment test of goodwill. In addition, the budgets and business plans are based on management's expectations of the current market conditions and future growth expectations.

For the Power Solutions Onshore and Service, projections for 2027 and onwards are based on general market expectations and risks in the impairment test.

The acquisition of MHI Vestas Offshore Wind A/S in 2020 was primarily based on a business case for introduction of the new offshore turbine V236-15.0 MW. The impairment test of Power Solutions Offshore include the updated business case based on firm orders, preferred supplier agreements and identified opportunities. An extended budget and forecast period including the years 2024 to 2030 is applied. Projections for year 2031 and onwards are based on general market expectations and risks in the impairment test.

The terminal value in the projection period is determined taking into account general growth expectations for the segments in question. Long-term growth rate has been assumed at 2 percent.

Power Solutions Onshore	Power Solutions Offshore	Service
Order backlog of EUR 20.7bn as at 31 December 2023	Order backlog of EUR 5.3bn as at 31 December 2023	Service order backlog of EUR 34.1bn as at 31 December 2023
Expectations on changing market environment, including future market prices and high cost pressure	Expectations on changing market environment, including future market prices and high cost pressure	Expectations on changing market environment, including future market prices and future development in cost reductions
Expectations on future orders received, among other things based on expected market share of the global market outlook	Expectations on future orders received, among other things based on expected market share of the global market outlook including expectation of high growth in offshore market	Expectations on continued servicing of the existing installed base of wind turbines as well as future service contracts received, among other things based on expected market share
Expectations on continuing developments in mature and emerging markets	Expectations on continuing developments in mature and emerging markets	Capture full potential and accelerate profitable growth strategy from historically technology acquisitions and developments
Expectations on support schemes in both mature and emerging markets	Expectations on support schemes in both mature and emerging markets	Growth supported by market developments and organic growth

↑ The above main information is used in determining revenue, EBIT, and capital expenditure.

	2023			2022		
	Discount rate before tax (%)	**Growth rate in terminal period (%)**	**Carrying amount of goodwill (mEUR)**	**Discount rate before tax (%)**	**Growth rate in terminal period (%)**	**Carrying amount of goodwill (mEUR)**
Power Solutions Onshore	12.1	2	178	10.6	2	178
Power Solutions Offshore	11.5	2	885	10.2	2	894
Service	12.3	2	444	10.9	2	442

3.5 Investments in joint ventures and associates

Income/(loss) from investments in joint ventures and associates

mEUR	2023	2022
Joint ventures	48	-
Associates	-	-
Income/(loss) from investments in joint ventures and associates above EBIT	**48**	**-**
Joint ventures	-	(7)
Associates	(26)	17
Income/(loss) from investments in joint ventures and associates below EBIT	**(26)**	**10**

Investments in joint ventures and associates

	Joint ventures		Associates	
mEUR	2023	2022	2023	2022
Cost as at 1 January	122	91	588	585
Additions	15	21	6	4
Disposals	(60)	-	-	-
Effect of exchange rate adjustment	(3)	10	(1)	(1)
Cost as at 31 December	**74**	**122**	**593**	**588**
Value adjustments as at 1 January	(80)	(66)	16	(1)
Dividends received	(12)	(2)	(2)	(3)
Impairment losses	-	-	(10)	(8)
Share of profit/(loss)	25	(7)	(16)	17
Share of other comprehensive income	-	-	(4)	14
Disposals	7	-	-	-
Effect of exchange rate adjustment	2	(5)	-	(3)
Value adjustments as at 31 December	**(58)**	**(80)**	**(16)**	**16**
Carrying amount as at 31 December	**16**	**42**	**577**	**604**

Name of entity	Place of business	% of ownership	Measurement method	Investment type
Copenhagen Infrastructure Partners Holding P/S	Copenhagen, Denmark	25	Equity	Associate
Blakilden Fäbodberget Holding AB	Solna, Sweden	40	Equity	Associate

Material investments

In 2023, Vestas made no material investments in associates or joint ventures. In February 2021, Vestas acquired a 25 percent stake in Copenhagen Infrastructure Partners P/S' parent companies. The total consideration of EUR 500m included a EUR 180m upfront payment and a EUR 320m contingent consideration related to performance in the period 2023 to 2029. Refer to note 4.3 for further information on the fair value measurement of the contingent consideration.

The associated companies listed above are material to Vestas and have share capital consisting solely of ordinary shares, which are held directly by Vestas.

Accounting policies

Associates are entities over which Vestas has significant influence, but not control. A joint venture is an arrangement in which Vestas has joint control. Joint ventures and associates are accounted for using the equity method. Under the equity method, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise Vestas' share of the post-acquisition profits or losses and movements in other comprehensive income. When Vestas' share of losses in a joint venture and associate equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of Vestas' net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

Timing in revenue recognition may be different between Vestas and joint ventures and associates where Vestas recognises revenue when control of the wind turbines have been transferred to joint ventures and associates but joint ventures and associates do not recognise revenue until they have transferred the risk of the same wind turbines to the end customer. Such timing difference results in part of Vestas' profit from wind turbines delivered being eliminated in the net result from joint ventures and associates, until joint ventures and associates have recognised their revenue. This timing difference may vary between quarters and year end but will even out over time.

Unrealised gains on transactions between Vestas and its joint ventures and associates are eliminated to the extent of Vestas' interest in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by Vestas.

Income/(loss) from investments in joint ventures and associates which are deemed to pertain to our core business activities is included in EBIT before special items.

The profit/(loss) from investments in joint ventures and associates will be presented below EBIT before special items when deemed outside Vestas' core business activities.

3.5 Investments in joint ventures and associates – continued

Summarised financial information for joint ventures and associates

Set out below is the summarised financial information for Copenhagen Infrastructure Partners P/S and Blakliden Fäbodberget Holding AB as of 31 December 2023, which are accounted for using the equity method. The profit/(loss) from the investments is presented below EBIT before special item as they are deemed outside Vestas' core business activitiy. The information below reflects the amounts presented in the financial statements of the entities (and not Vestas' share of those amounts) material to Vestas in 2023.

The investment in Copenhagen Infrastructure Partners P/S includes investment in companies related to and managed by Copenhagen Infrastructure Partners P/S and for this reason the financial amounts presented below include financial information from several consolidated and non-consolidated entities related to Copenhagen Infrastructure Partners P/S.

Other joint ventures and associates that are individually and aggregated immaterial to Vestas, have not been included in the summarised financial information.

Summarised statement of comprehensive income	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2023	2022	2023	2022
Revenue	200	141	-	-
Depreciation and amortisation	(3)	(4)	-	-
Interest cost	1	0	(13)	(9)
Profit before tax	(117)	294	(28)	(13)
Post-tax profit from continuing operations	**(117)**	**294**	**(28)**	**(13)**
Other comprehensive income	-	-	(6)	31
Total comprehensive income	**(117)**	**294**	**(34)**	**18**

Summarised balance sheet	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2023	2022	2023	2022
Current				
Cash and cash equivalents	52	18	4	19
Other current assets (excluding cash)	30	26	6	21
Total current assets	**82**	**44**	**10**	**40**
Other current liabilities				
Total current liabilities	(34)	(10)	(4)	(89)
Non-current				
Total non-current assets	406	555	326	348
Total non-current liabilities	(15)	(16)	(284)	(289)
Net assets	**439**	**573**	**48**	**10**

Reconciliation of summarised financial information	Associate, 25 percent Copenhagen Infrastructure Partners P/S		Associate, 40 percent Blakliden Fäbodberget Holding AB	
mEUR	2023	2022	2023	2022
Opening net assets as at 1 January	573	324	10	(28)
Acquired net assets	-	-	-	-
Distributions	(17)	(45)	-	-
Contributions	-	-	72	20
Profit/(loss) for the year	(117)	294	(28)	(13)
Other comprehensive income	-	-	(6)	31
Closing net assets	**439**	**573**	**48**	**10**
Interest in joint venture and associate (ownership of net assets)	55	60	19	4
Goodwill and other intangible assets, and other adjustments	479	480	21	47
Carrying value	**534**	**540**	**40**	**51**

3.6 Provisions

Provisions mEUR	2023 Warranty provision	2023 Other provisions	2023 Total provisions	2022 Warranty provision	2022 Other provisions	2022 Total provisions
Carrying amount as at 1 January	1,490	283	1,773	1,197	135	1,332
Impact on change in accounting policy	-	-	-	-	22	22
Adjusted carrying amount as at 1 January	**1,490**	**283**	**1,773**	**1,197**	**157**	**1,354**
Exchange rate adj.	-	(1)	(1)	-	-	-
Addition during the year	845	83	928	926	196	1,122
Utilised during the year	(588)	(93)	(681)	(633)	(59)	(692)
Reversed during the year	-	(11)	(11)	-	(11)	(11)
Carrying amount as at 31 December	**1,747**	**261**	**2,008**	**1,490**	**283**	**1,773**
Non-current	1,031	194	1,225	765	179	944
Current	716	67	783	725	104	829
Carrying amount as at 31 December	**1,747**	**261**	**2,008**	**1,490**	**283**	**1,773**

Warranty provision charged to the income statement

mEUR	2023	2022
Gross warranty provision	845	926
Supplier reclaims	(31)	(11)
Net warranty provision	814	915

← The table shows movements in warranty provision and other provisions. Other provisions mainly relate to provisions for legal claims and loss making contracts.

Product risks

Vestas invests significant resources in improving products and increasing their reliability to mitigate major warranty provisions. This work comprises design, production, installation, and continuous maintenance. The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, and increase the competitiveness of the products.

Key accounting estimates

Provisions for warranties
The product warranties, which in the great majority of cases includes component defects and functional errors, are usually granted for a two-year period from legal transfer of the wind turbine. In certain cases, a warranty of up to five years is provided. For the customer, the specific warranty period and the specific warranty terms are part of the basis of the individual contract.

Warranty provisions include only standard warranty, whereas services purchased in addition to the standard warranty are included in the service contracts.

In addition to the above, provisions are made for wind turbines sold in prior years, but where component defects and functional error are identified later. It should be emphasised that the complexity of some of the cases identified may lead to adjustments of previous estimates, upwards as well as downwards, in light of new factual information about population size, costs of repair and the timing of such repairs.

During 2023, net warranty provisions charged to the income statement amounted to EUR 814m (2022: EUR 915m), equivalent to 5.3 percent of revenue (2022: 6.3 percent). The net amount consists of a gross warranty provision of EUR 845m less supplier claims of EUR 31m. The warranty provisions in 2022 included additional warranty provisions of EUR 124m due to increased repair costs caused by external cost inflation, hereof EUR 93m related to offshore projects.

In 2023, warranty consumption amounted to EUR 588m compared to EUR 633m in 2022.

Management assesses the likely outcome of pending and future negotiations with sub-suppliers for compensation. Compensation from sub-suppliers may be recognised only when it is virtually certain that we will receive compensation from the sub-suppliers.

Accounting policies

Provisions are recognised as a consequence of a past event when Vestas has a legal or constructive obligation and it is probable that there will be an outflow of Vestas' financial resources to settle the obligation. Provisions are measured at management's best estimate of the costs required to settle the obligation. Discounting is applied where relevant.

Vestas accrues for the estimated cost of the warranty upon recognition of the sale of the product. The costs are estimated based on actual historical costs incurred and on estimated future costs related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced to those affected no later than the balance sheet date.

A provision for loss-making contracts is made where the expected benefits to Vestas from the contract are lower than the unavoidable costs of meeting obligations under the contract. Loss making construction contracts in progress are, however, recognised in construction contracts in progress.

Provision for legal disputes are recognised where a legal or constructive obligation has been incurred as a result of past events and it is possible that there will be an outflow of resources that can be reliably estimated. In this case, Vestas arrives at an estimate on the basis of an evaluation of the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities, refer to note 6.4.

4 Risk management and capital structure

EUR 32m

The interest bearing position (net), at the end of 2023.

4.1 Financial risk management

Vestas' policy for managing financial risks

Financial risk management is an integrated part of Vestas' operating activities. Vestas is exposed to a number of financial risks through its international operations. Financial risks are monitored and managed centrally. The Treasury Policy outlines the overall objectives and policies for Vestas' financial risk management. The Treasury Policy is approved by the Board, and revised on a continuous basis to adapt to the changing financial risks and market situation. The Treasury Policy sets the limits for the various financial risks as well as Vestas' hedging policy. It is Vestas' policy only to use derivatives to hedge commercial exposures and not to enter into any speculative transactions.

Capital structure

The Board and Executive Management regularly assess whether Vestas' capital structure is in the shareholders' best interest. The objective is to create the necessary flexibility and stability to implement strategic development work, while in the long-term achieving Vestas' financial ambitions and maintain our capital structure target of a net interest-bearing debt/ EBITDA ratio below 1x. Furthermore, Vestas has an Investment Grade Baa2 rating with Stable Outlook from Moody's Investors Services.

Financial risk	How Vestas manages the risk
Liquidity risk	Cash and cash equivalents, supplemented by availability of committed credit lines and borrowing facilities
Credit risk	Diversification of bank exposure, credit limits and guarantees
Market risk, foreign exchange	Currency forward contracts and currency swaps
Market risk, interest risk	Fixed interest loans and interest rate derivatives
Market risk, commodity price risk	Fixed price agreements with suppliers and commodity contracts

Liquidity risks

Vestas manages its liquidity risk in line with the Treasury Policy to ensure having sufficient and diversified financial resources to service its financial obligations. Financial resources are managed through a combination of cash, money market deposits and highly rated marketable securities as well as committed and uncommitted credit facilities with a diversified group of long-standing banking partners and access to the public bond markets through the EMTN programme.

Vestas' main credit facility, a EUR 2,000m committed revolving multi-currency credit facility with a group of leading banks is available for general corporate purposes, including guarantees issuance, with a final maturity in 2028. As at end of 2023, EUR 771m of this revolving credit facility was converted into ancillary bank guarantees issuance facilities leaving EUR 1,229m available for cash drawings. The revolving credit facility is subject to customary undertakings, a change of control clause resulting in repayment of the credit facility in the event of change in control and a financial covenant that is subject to testing under certain circumstances. In 2023, the financial covenant has not been subject to testing and is not expected to be subject to testing in 2024.

Additionally, Vestas in March 2023 signed a EUR 750m committed revolving multi-currency credit facility with a group of leading banks. The facility has a tenor of 1 year and includes a 6-month extension option at lenders discretion.

Vestas maintains its access to liquidity and long-term funding through the existing EUR 3,000m EMTN programme. The programme is a versatile platform available for quick access to the corporate bond market from short maturities (1-year) to very long maturities (15+ years).

Liquidity is managed and optimised centrally by using cash pools, in-house bank solutions, and ongoing diligent cash- and working capital management practices. As part of managing short term liquidity, Vestas also has access to and make use of a number of uncommitted money market facilities (EUR 475m in total) granted by core relationship banks. The committed revolving credit facilities combined with the uncommitted money market lines provide additional financial headroom for the Group. Further funding can be provided by the EMTN programme.

On 15 March 2023, Vestas secured further long-term funding with a new EUR 500m sustainability-linked bond. This bond will mature in 2026. Furthermore, on 22 November 2023, Vestas strengthened its liquidity position with a EUR 500m sustainability-linked bond. This bond will mature in 2031. In addition, Vestas have two EUR 500m bonds issued in 2022 maturing in 2029 and 2034. The EMTN programme's remaining capacity is EUR 1,000m.

Accounting policies

Cash and cash equivalents included in Vestas' cash management comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalents with disposal restrictions are included in day-to-day cash management and fulfils the criteria as cash and cash equivalents. Cash with disposal restrictions includes cash pledged to guarantee providers as security for guarantee obligations to obtain lower commission rates.

↓ The table shows Vestas' liquidity position and available credit facilities.

Available financial resources

mEUR	2023	2022
Liquidity position		
Financial investments	101	95
Cash and cash equivalents without disposal restrictions	3,288	2,352
Cash and cash equivalents with disposal restrictions	30	26
Cash and cash equivalents as at 31 December	**3,318**	**2,378**
Credit facilities		
Main credit facility	1,229	1,229
Other credit facilities	80	80
Total available financial resources	**4,728**	**3,782**

4.1 Financial risk management – continued

Maturity of financial assets and liabilities mEUR	2023 Contractual cash flows 0-1 year	2023 1-2 years	2023 >2 years	2023 Total	2023 Carrying amount financial instruments	2022 Contractual cash flows 0-1 year	2022 1-2 years	2022 >2 years	2022 Total	2022 Carrying amount financial instruments
Total financial assets, non-current and current	**7,586**	**281**	**13**	**7,880**	**7,853**	**5,990**	**112**	**13**	**6,115**	**6,083**
Financial liabilities, non-current and current										
Leasing liabilities	154	133	442	729	556	142	104	371	617	493
Other financial debts	138	80	2,795	3,013	2,513	175	26	1,658	1,859	1,613
Total financial debts	**292**	**213**	**3,237**	**3,742**	**3,069**	**317**	**130**	**2,029**	**2,476**	**2,106**
Foreign currency derivatives	353	76	22	451	451	305	37	6	348	348
Commodity derivatives	8	-	-	8	8	14	2	-	16	16
Other liabilities	200	102	-	302	302	257	6	-	263	263
Other liabilities and derivative financial instruments	**561**	**178**	**22**	**761**	**761**	**576**	**45**	**6**	**627**	**627**
Trade payables	3,738	-	-	3,738	3,738	4,089	-	-	4,089	4,089
Contingent consideration	139	146	43	328	318	115	32	181	328	321
Financial guarantee contracts	33	-	-	33	-	46	-	-	46	-
Total financial liabilities, non-current and current	**4,763**	**537**	**3,302**	**8,602**	**7,886**	**5,143**	**207**	**2,216**	**7,566**	**7,143**

Changes to financial liabilities mEUR	2023 Lease liabilities	2023 Issued bonds	2023 Credit facilities	2023 Contingent consideration	2023 Total	2022 Lease liabilities	2022 Issued bonds	2022 Credit facilities	2022 Contingent consideration	2022 Total
Balances as at 1 January	**493**	**991**	**622**	**321**	**2,427**	**545**	**0**	**571**	**320**	**1,436**
Proceeds from borrowings	-	991	146	-	1,137	-	990	766	-	1,756
Additional lease liabilities	237	-	-	-	237	102	-	-	-	102
Payment of lease liabilities	(162)	-	-	-	(162)	(147)	-	-	-	(147)
Disposal of right-of-use asset	(6)	-	-	-	(6)	(1)	-	-	-	(1)
Payments of financial debt	-	-	(221)	(5)	(226)	-	-	(713)	-	(713)
Unwinding of financial liabilities	-	-	-	2	2	-	1	-	1	2
Transfer to liabilities held for sale	-	-	-	-	-	(4)	-	-	-	(4)
Exchange rate adjustments	(6)	-	(16)	-	(22)	(2)	-	(2)	-	(4)
Balances as at 31 December	**556**	**1,982**	**531**	**318**	**3,387**	**493**	**991**	**622**	**321**	**2,427**

4.1 Financial risk management – continued

Credit risks

Credit risks are managed according to the Treasury Policy. Vestas is exposed to credit risks arising from cash and cash equivalents, including money market deposits, investments in marketable securities, derivative financial instruments, and trade and other receivables. The Treasury Policy sets limits for the credit risk exposure. For financial institution counterparties, this is based on the counterparty's credit rating, for other counterparties, this is based on mitigating actions, such as third-party quaranties.

As at 31 December 2023, Vestas considers the maximum credit risk related to financial institution counterparties to be EUR 3,419m (2022: EUR 2,473m), and the total credit risk is considered to be EUR 7,293m (2022: EUR 5,719m).

Trade receivables and contract assets
Trade receivables are mainly with counterparties within the energy sector. The credit risk depends, among other things, on the development within this sector and the country in which the individual customer operates.

Upon signing a contract for the delivery of wind turbines or wind power plants with a customer, a prepayment is received. The remaining consideration is usually invoiced and paid in instalments at different stages of the project. For service contracts, customers are usually invoiced in equal instalments over the duration of the service contract. Payment terms are typically one month from the invoice date.

Contract assets are by nature not overdue. Vestas does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, Vestas does not adjust any of the transaction prices for the time value of money.

Trade receivables from customers are grouped based on loss patterns in assessing the expected credit losses. Contract assets are grouped with trade receivables as these relate to unbilled work in progress with same credit risk as trade receivables.

The allowance for expected lifetime credit losses is determined using a provisional matrix based on past due dates, historical loss rates and current and forward-looking information, including geographical risk, the level of security obtained as well as individual assessment.

The past due date analysis and expected credit loss allowance for trade receivables and contracts assets is set out in the following tables.

As at 31 December 2023, Vestas' trade receivables and contract assets per geographical areas can be specified as follows: 57 percent in EMEA, 33 percent in Americas, and 10 percent in Asia Pacific (2022: 59 percent in EMEA, 30 percent in Americas, and 11 percent in Asia Pacific).

As at 31 December 2023, no single customer accounted for more than 10 percent of Vestas' total trade receivables (2022: 0).

The commercial credit risk relating to the outstanding trade receivables balance as of 31 December 2023 was mitigated by EUR 595m (2022: EUR 535m) received as security, such as third-party guarantees. Historically, Vestas has not incurred significant losses on trade receivables.

Financial instruments and cash deposits
Group Treasury manages balances with financial institutions and the associated credit risk in accordance with Vestas' Treasury Policy assessing the individual counterparty's credit rating.

95 percent of Vestas' exposure towards financial institutions are with counterparties with a credit rating in the range of A to AAA.

Vestas has entered into ISDA agreements with all financial institution counterparties used for trading derivative financial instruments under which Vestas has a right to set-off should certain credit events occur, which means that Vestas' actual credit risk is limited to the net assets per counterparty.

Expected credit losses on trade receivables and contract assets	2023			2022		
mEUR	Carrying amount	Expected loss rate	Loss allowance	Carrying amount	Expected loss rate	Loss allowance
Not overdue	2,679	0.2%	(5)	2,404	0.1%	(2)
Overdue 0-60 days	207	0.3%	(1)	115	0.2%	0
Overdue 61-120 days	38	2.3%	(1)	39	1.8%	(1)
Overdue 121-180 days	28	3.0%	(1)	21	4.8%	(1)
Overdue 181-365 days	42	9.3%	(4)	52	5.9%	(3)
Overdue more than 365 days	88	14.0%	(14)	48	33.9%	(25)
Total	**3,082**		**(26)**	**2,679**		**(32)**
Write-down as at 1 January			(32)			(36)
Reversal of write-downs			10			7
Write-downs realised			-			2
Write-downs in the year			(4)			(5)
Write-down as at 31 December			**(26)**			**(32)**

Netting of financial assets and liabilities	2023			2022		
mEUR	Carrying amount balance sheet	Netting agreements not offset in the balance sheet	Net amount	Carrying amount balance sheet	Netting agreements not offset in the balance sheet	Net amount
Derivatives	461	(236)	225	349	(197)	152
Financial assets	**461**	**(236)**	**225**	**349**	**(197)**	**152**
Derivatives	459	(236)	223	364	(197)	167
Financial liabilities	**459**	**(236)**	**223**	**364**	**(197)**	**167**

↑
The table details financial assets and liabilities which are subject to netting in case of certain credit events.

4.1 Financial risk management – continued

Market risks

Vestas is exposed to various market risks with the main risks being foreign currency risks, commodity price risks and interest rate risk. All market risks are managed in accordance with the Treasury Policy.

Foreign currency risks
Vestas' international business activities involves local Vestas entities making transactions in currencies other than the entity's functional currency. Consequently, Vestas's income statement, balance sheet and cash flows are exposed to fluctuations in foreign currencies. The foreign currency exposures arise primarily from purchases of materials and the sales of wind turbines and service agreements.

Vestas objective is to reduce the impact from short-term fluctuations in foreign currencies on the income statement and to increase the predictability of the financial results. Foreign currency risks are reduced by purchasing and producing in local markets and by hedging the foreign currency exposures in according to the Treasury Policy.

Vestas hedges foreign currency exposures related to its firm wind turbine order backlog. For committed exposures with durations of 18 months or more, hedging is performed with shorter maturity (12-18 months). Furthermore, Vestas hedges foreign currency exposure relating to monetary balances on the balance sheet, i.e. accounts receivables, accounts payables, cash at bank, cash in in-house bank accounts and loan/overdraft items.

Foreign currency risks related to long-term investments and it's service business are not hedged based on an overall risk, liquidity and cost perspective.

Foreign currency exposures are primarily hedged through foreign currency forward contracts and foreign currency swaps. Vestas hedge strategy is to centralise foreign currency exposure in Vestas Wind Systems A/S through internal contracts and trade the net currency exposures in the market. The majority of Vestas' sales are in USD and EUR. The EUR exchange rate risk is regarded as low in Danish entities due to Denmark's fixed exchange rate policy towards EUR. EUR sales outside Europe are limited. Despite the significant sales in USD, Vestas' currency exposure in USD has decreased as a result of increased sourcing of materials and components in USD. Due to Vestas being by nature a project business, the risk exposures towards specific foreign currencies changes from one year to another, depending on the geographical areas in which Vestas has its activities.

Commodity price risks
Commodity price risks in Vestas mainly relate to fluctuations in raw materials which are used directly or indirectly in the production and delivery of wind turbines. The commodity price risk can be divided into a direct exposure and an indirect exposure. The direct exposure is related to purchase of the raw material. The indirect exposure is related to the purchase of components as well as transportation costs, primarily by sea, where the price is linked to the prices of commodities such as metals and bunker fuel. The risk is managed by a combination of customer indexation, fixed price agreements with suppliers and by entering into commodity derivatives.

Interest rate risks
Interest rate risk mainly relates to interest-bearing debt with floating interest rates, interest rate derivatives used to hedge and cash and cash equivalents. As at 31 December 2023, 81 percentage (2022: 71percentage) of Vestas' long-term debt financing in the form of bonds and loans was entered into with fixed interest rates.

As at 31 December 2023, cash and cash equivalents amounted to EUR 3,318m and interest-bearing debt with floating interest rates amounted to EUR 531m. An increase in relevant interest rates of 1 percentage point would have increased profit before tax in 2023 by EUR 28m (2022: increased by EUR 19m).

Sensitivity analysis mEUR	Change	2023 Effect on profit/ (loss) before tax	2023 Effect on equity before tax	2022 Effect on profit/ (loss) before tax	2022 Effect on equity before tax
Foreign currency risk					
USD	10%	36	182	(49)	159
AUD	10%	(5)	(92)	6	(81)
BRL	10%	17	(93)	15	(59)
GBP	10%	(16)	(91)	(13)	(88)
TWD	10%	1	(93)	(12)	(107)
PLN	10%	15	20	-	-
CNY	10%	(5)	(83)	(16)	72
Commodity price risks					
Metals	10%	-	14	-	16
Fuels	10%	-	1	-	4

↑
The sensitivity analysis shows the impact on net profit/(loss) before tax and other comprehensive income of a 10 percent increase in our most significant currencies towards the Euro as well as our most significant commodities. The analysis includes the impact from cash flow hedging instruments on equity before tax and excludes the impact from the hedged exposures such as future purchases or sales since these are not recognised in the balance sheet. If the hedged exposures were included the impact from hedge instruments would be offset in their entirety. The analysis is based on the assumption that all other variables remain constant.

4.2 Hedge accounting

In 2023, Vestas used derivative financial instruments to hedge foreign currency risk and commodity price risk.

Foreign currency risks
The risks relating to purchases and sales in foreign currencies as well as monetary balances denominated in foreign currencies are hedged using foreign currency forward contracts and foreign currency swaps. Currency forward contracts and currency swaps relating to highly probable forecasted sales and purchases are designated as cash flow hedges. Currency forward contracts and currency swaps relating to recognised monetary balances are designated as fair value hedges.

Some sales agreements contain foreign currency elements. In sales agreements where the sales currency is not closely related to the functional currency nor a commonly used currency in the country in which the sales takes place, the foreign currency element is treated as an embedded financial derivative. The embedded financial derivative is designated as a cash flow hedge of forecasted purchases.

As at 31 December 2023, the average exchange rates for cash flow hedges in EUR contracts were AUD 0.6 (2022: AUD 0.6), BRL 0.2 (2022: BRL 0.2), CNY 0.1 (2022: CNY 0.1), GBP 1.1 (2022: GBP 1.1), TWD 0.03 (2022: TWD 0.03) and USD 0.9 (2022: USD 0.9). The average exchange rates for fair value hedges in EUR contracts were USD 0.9 (2022: USD 0.9), CNY 0.1 (2022: CNY 0.1) and GBP 1.2 (2022: GBP 1.2).

Commodity price risk
The commodity price risks relating to fluctuations in the prices of raw materials used directly or indirectly in the production is hedged using commodity forward contracts. Commodity forward contracts related to highly probable forecasted purchases are designated as cash flow hedges.

As at 31 December 2023, the average forward price in EUR per metric tonne for cash flow hedges were for copper: 9,536 (2022: 9,604), coking coal: 304 (2022: 332), iron ore: 107 (2022: 127), aluminium: 2,547 (2022: 2,506), bunker fuel: 571 (2022: 697).

In general, the primary sources of ineffectiveness are changes to planned purchases or planned payments leading to overhedging. In 2023, no hedge ineffectiveness was identified (2022: No ineffectiveness).

Maturity of hedging instruments	**2023**				**2022**			
	Contract notional amount	**Expected recognition**			**Contract notional amount**	**Expected recognition**		
mEUR		**2024**	**2025**	**After 2025**		**2023**	**2024**	**After 2024**
Cash flow hedges								
Foreign currency risk	**(2,398)**	**(745)**	**(1,186)**	**(467)**	**(2,098)**	**(512)**	**(907)**	**(679)**
AUD	(636)	(517)	(119)	-	(863)	(449)	(414)	-
BRL	(823)	(520)	(303)	-	(1,100)	(467)	(633)	-
CNY	1,105	897	179	29	876	592	283	1
GBP	(761)	(208)	(130)	(423)	(746)	(244)	(159)	(343)
TWD	(463)	(315)	(147)	(1)	(951)	(298)	(315)	(338)
USD	558	636	(147)	69	1,455	731	700	24
Other	(1,378)	(718)	(519)	(141)	(769)	(377)	(369)	(23)
Commodity	**210**	**195**	**15**	**-**	**213**	**177**	**36**	**-**
Metals	191	176	15	-	171	136	35	-
Fuels	19	19	-	-	42	41	1	-
Fair value hedges	**1,883**	**1,635**	**248**	**-**	**510**	**510**	**-**	**-**
USD	940	940	-	-	34	34	-	-
GBP	101	101	-	-	205	205	-	-
CNY	498	498	-	-	367	367	-	-
Other	344	96	248	-	(96)	(96)	-	-
Total	**(305)**	**1,085**	**(923)**	**(467)**	**(1,375)**	**175**	**(871)**	**(679)**

Accounting policies

Derivative financial instruments are initially measured at fair value at the trade date and subsequently remeasured at fair value at the reporting date. The fair value of derivative financial instruments are presented in other receivables or other liabilities.

Changes in the effective portion of the fair value of cash flow hedges are recognised in other comprehensive income. Upon realisation of the hedged item, gains or losses on the cash flow hedges are transferred from the equity hedging reserve into the initial carrying amount of the hedged item. Changes in any ineffective portion of the fair value of cash flow hedges are recognised in the income statement as financial items. Ineffectiveness is mainly resulting from differences in the timing of the cash flows of the hedged items and the hedging instruments and resulting from changes to the forecasted amount of cash flows of hedged items. Changes in the fair value of fair value hedges are recognised in the income statement as financial items.

← The table shows the contract notional amount and expected timing of recognition of hedging instruments as at 31 December 2023. Positive amounts reflect that Vestas on a net basis have contracts to purchase the respective foreign currencies or commodities, and negative amounts reflect that Vestas on a net basis have contracts to sell the respective foreign currencies or commodities.

4.2 Hedge accounting – continued

Carrying amount of hedging instruments mEUR	2023 Contract notional amount	2023 Carrying amount Asset	2023 Carrying amount Liabilities	2022 Contract notional amount	2022 Carrying amount Asset	2022 Carrying amount Liabilities
Foreign currency risk						
Cash flow hedges	(2,398)	403	430	(2,098)	321	311
Fair value hedges	1,883	37	21	510	24	30
Commodity price risk						
Cash flow hedges	210	14	8	213	3	23
Interest rate risk						
Cash flow hedges	170	7	-	480	17	-
Total	**(135)**	**461**	**459**	**(895)**	**365**	**364**
Recognised in income statement	2,053	44	21	990	41	30
Recognised in other comprehensive income	(2,188)	417	438	(1,885)	324	334
Total	**(135)**	**461**	**459**	**(895)**	**365**	**364**

↑
In the table the effect from hedging instruments on the balance sheet, profit and loss and other comprehensive income is shown.

Carrying amount of hedged items mEUR	2023 Carrying amount of hedged items Asset	2023 Carrying amount of hedged items Liabilities	2023 Change in fair value used for measuring ineffectiveness	2022 Carrying amount of hedged items Asset	2022 Carrying amount of hedged items Liabilities	2022 Change in fair value used for measuring ineffectiveness
Currency risk						
Forecast sales and purchases	-	-	59	-	-	185
Monetary balances	3,394	1,088	15	1,230	1,950	(6)
Commodity risk						
Forecast sales and purchases	-	-	11	-	-	(19)
Total	**3,394**	**1,088**	**85**	**1,230**	**1,950**	**160**

Cash flow hedge reserve

mEUR	2023	2022
Hedge reserve as at 1 January	**(1)**	**16**
Change in fair value		
Foreign currency hedges	59	171
Commodity price hedges	11	(5)
Amount reclassified to profit and loss		
Foreign currency hedges recognised in revenue	(63)	(46)
Foreign currency hedges recognised in production costs	(70)	(86)
Interest rate hedge recognised in financial items	-	(2)
Amount transferred to non-financial items		
Foreign currency hedges recognised as prepayment from customers	(45)	4
Foreign currency hedges recognised as inventory	59	(49)
Commodity hedges recognised as inventory	7	(14)
Tax effect	19	10
Hedge reserve as at 31 December	**(24)**	**(1)**

↑
The risk categories recognised in the cash flow hedge reserve is reconciled in the table below with items impacting other comprehensive income for the period.

←
The carrying amounts of hedged items on the balance sheet are shown in the table.

4.3 Financial assets and liabilities

mEUR	Note	2023 Total carrying amount in the balance sheet	2023 Carrying amount non-financial instruments	2023 Carrying amount financial instruments	2023 Categories of financial instruments: Fair value – hedging instruments	2023 Categories of financial instruments: Fair value through profit or loss	2023 Categories of financial instruments: Amortised cost	2022 Total carrying amount in the balance sheet	2022 Carrying amount non-financial instruments	2022 Carrying amount financial instruments	2022 Categories of financial instruments: Fair value – hedging instruments	2022 Categories of financial instruments: Fair value through profit or loss	2022 Categories of financial instruments: Amortised cost
Financial assets, non-current and current													
Other investments		99	-	99	-	64	35	88	-	88	-	62	26
Financial investments		101	-	101	-	101	-	95	-	95	-	95	-
Foreign currency derivatives	2.5	440	-	440	440	-	-	346	-	346	346	-	-
Commodity derivatives	2.5	14	-	14	14	-	-	3	-	3	3	-	-
Other derivatives	2.5	7	-	7	7	-	-	17	-	17	17	-	-
Other receivables	2.5	1,187	395	792	-	-	792	1,075	598	477	-	-	477
Trade receivables		1,305	-	1,305	-	-	1,305	1,280	-	1,280	-	-	1,280
Contract assets	2.3	1,777	-	1,777	-	-	1,777	1,399	-	1,399	-	-	1,399
Cash and cash equivalents		3,318	-	3,318	-	-	3,318	2,378	-	2,378	-	-	2,378
Total financial assets, non-current and current		**8,248**	**395**	**7,853**	**461**	**165**	**7,227**	**6,681**	**598**	**6,083**	**366**	**157**	**5,560**
Financial liabilities, non-current and current													
Financial debts		3,069	-	3,069	-	-	3,069	2,106	-	2,106	-	-	2,106
Foreign currency derivatives	2.6	451	-	451	451	-	-	348	-	348	348	-	-
Commodity derivatives	2.6	8	-	8	8	-	-	16	-	16	16	-	-
Other liabilities	2.6	917	615	302	-	-	302	1,044	781	263	-	-	263
Trade payables		3,738	-	3,738	-	-	3,738	4,089	-	4,089	-	-	4,089
Contingent consideration		318	-	318	-	318	-	321	-	321	-	321	-
Total financial liabilities, non-current and current		**8,501**	**615**	**7,886**	**459**	**318**	**7,109**	**7,924**	**781**	**7,143**	**364**	**321**	**6,458**

At 31 December 2023, financial debts comprise green loan facility EUR 475m (2022: EUR 475m), sustainability-linked bonds EUR 1,982m (2022: EUR 991m), other credit facilities EUR 56m (2022: EUR 147m) and lease liability EUR 556m (2022: EUR 493m). As at 31 December 2023, the fair value of sustainability-linked bonds amounted to EUR 1,931m (2022: EUR 859m). The fair value of the long-term interest-bearing bonds is based on their listed market price (Level 1).

Accounting policies

Other investments include investments in non-listed equity shares and rental deposits. Equity investments are irrevocably designated at fair value through profit and loss.

Financial investments comprise short-term deposits and marketable securities managed on a fair value basis with a continuously observation of their performance. Financial investments do not meet the definition of cash and cash equivalents. On initial recognition financial investments are recognised in the balance sheet at fair value. Subsequently, assets held to maturity are measured at amortised cost and assets held to sell are measured at fair value through profit or loss. Any changes in the fair value of financial investments remeasured at fair value is recognised in the income statement as financial items.

Bond debt and bank debt (financial debts) are recognised at inception at fair value (typically proceeds received) net of transaction costs incurred. In subsequent periods, the liabilities are measured at amortised cost, so that the difference between the cost (proceeds) and the nominal value is recognised in profit (loss) for the year as interest expenses over the term of the loan, using the effective interest rate method.

Contingent consideration relating to Vestas' acquisition of a 25 percent stake in Copenhagen Infrastructure Partners P/S (CIP) is classified as financial debt and measured at fair value.

4.3 Financial assets and liabilities – continued

Fair value hierarchy

Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments.
Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.
Level 3: Valuation techniques primarily based on unobservable prices.

Other investments and Financial Investments
Other investments in non-listed equity shares are measured at fair value determined using generally accepted valuation techniques based on unobservable inputs, and are categorised as Level 3. Financial investments in marketable securities are measured at fair value based on market prices, and are categorised as Level 1.

Derivatives
Foreign currency forward contracts, embedded derivatives and commodity forward contracts are measured at fair value using generally accepted valuation techniques based on observable market prices and forward market rates, and are categorised as Level 2.

Renewable energy certificates
Vestas has a commitment in the US to purchase Renewable Energy Certificates (RECs) during a 4 year period from 2028 to 2031 based on production of MW in this period at a fixed price. The contract qualifies as a financial instrument. The fair value measurement is based on Level 3 input. As per 31 December 2023, the estimated maximum nominal commitment under the contract is EUR 18m (2022: EUR 19m for a 10 year commitment period). Given the uncertainties underpinning the future market for selling RECs, Management has determined that the best evidence of fair value for the RECs is the transaction price. Consequently, the net fair value of the contract has been measured at EUR 0 (2022: EUR 0).

Financial instruments measured at fair value		2023					2022				
			Fair value					Fair value			
mEUR	Valuation technique	Carrying amount	Total	Level 1	Level 2	Level 3	Carrying amount	Total	Level 1	Level 2	Level 3
Other investments	Market prices/ Discounted cash flow	64	64	-	-	64	62	62	-	-	62
Financial investments	Market prices	101	101	101	-	-	95	95	95	-	-
Foreign currency derivatives	Forward pricing and swap models	440	440	-	440	-	346	346	-	346	-
Commodity derivatives	Forward pricing	14	14	-	14	-	3	3	-	3	-
Interest derivatives	Swap model	7	7	-	7	-	17	17	-	17	-
Financial assets		**626**	**626**	**101**	**461**	**64**	**523**	**523**	**95**	**366**	**62**
Foreign currency derivatives	Forward pricng and swap models	451	451	-	451	-	348	348	-	348	-
Commodity derivatives	Forward pricing	8	8	-	8	-	16	16	-	16	-
Contingent consideration	Discounted cash flow	318	318	-	-	318	321	321	-	-	321
Financial liabilities		**777**	**777**	**-**	**459**	**318**	**685**	**685**	**-**	**364**	**321**

Contingent consideration
Contingent consideration relating to Vestas' acquisition of a 25 percent stake in CIP's parent companies in February 2021 is measured at fair value based on expected total payments of EUR 326m in the period 2024 to 2026 discounted using a 1 percent normalised financing interest rate (Level 3 in fair value hierarchy).

Expected payments depend on expected management fees earned from funds managed by CIP. As at 31 December 2023, the fair value amounted to EUR 318m (2022: EUR 321m). During 2023, instalments paid amounted to EUR 5m (2022: EUR 0) and interest amounted to EUR 2m (2022: EUR 1m).

4.4 Share capital

Number of shares	2023	2022
Number of shares as at 1 January	1,009,867,260	1,009,867,260
Number of shares as at 31 December	**1,009,867,260**	**1,009,867,260**
Shares outstanding	1,006,473,655	1,006,177,558
Treasury shares	3,393,605	3,689,702
Number of shares as at 31 December	**1,009,867,260**	**1,009,867,260**

Vestas Wind Systems A/S has acquired treasury shares as follows:

	2023	2022
Average share price, purchases (DKK)	203	-
Purchase amount (mEUR)	27	-

Treasury shares are acquired to cover issues of shares under Vestas' incentive programmes or as part of its capital structure strategy. The share capital has been fully paid.

Net proposed cash distribution to shareholders

mEUR	2023	2022
Dividend	-	-

Dividend excluding treasury shares.

Movements in share capital

During 2019, there was a reduction of share capital by DKK 6,974,040 nominally by cancelling 6,794,040 shares from Vestas' holding of treasury shares. During 2020, there was a reduction of share capital by DKK 1,977,848 nominally by cancelling 1,977,848 shares from Vestas' holding of treasury shares. Vestas Wind Systems A/S has completed a capital increase of nominally DKK 5,049,337, representing 5,049,337 shares of nominally DKK 1 each. During 2021, a share split of Vestas' shares with a ratio 1:5 was carried out with effect as of 28 April 2021. Consequently, each share of nominally DKK 1.00 was split into five new shares of nominally DKK 0.20. Except for these five transactions, the share capital has not changed in the period 2018 to 2023. All shares rank equally.

Accounting policies

Treasury shares

Treasury shares are deducted from the share capital upon cancellation at their nominal value of DKK 0.20 per share. Differences between this amount and the amount paid to acquire treasury shares are deducted directly in equity.

Dividend

A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The proposed dividend for the year is included in retained earnings.

4.5 Earnings per share

	2023	2022
Profit for the year (mEUR) – owners of Vestas Wind Systems A/S	**77**	**(1,572)**
Weighted average number of ordinary shares	1,009,867,260	1,009,867,260
Weighted average number of treasury shares	(3,507,394)	(3,689,702)
Weighted average number of ordinary shares outstanding	**1,006,359,866**	**1,006,177,558**
Dilutive effect of restricted performance shares	3,439,847	-
Average number of shares outstanding including restricted performance shares	**1,009,799,713**	**1,006,177,558**
Earnings per share, basic, EPS (EUR)	0.08	(1.56)
Earnings per shares, diluted, EPS-D (EUR)	0.08	(1.56)

5 Tax

24%

The effective tax rate 2023
Our Corporate Tax Policy can be downloaded from our corporate website.

5.1 Income tax

Income tax for the year

mEUR	2023	2022
Current tax on profit for the year	(54)	134
Deferred tax on profit for the year	97	(317)
Tax on profit for the year	**43**	**(183)**
Change in income tax rate	2	-
Adjustments relating to previous years (net)	(21)	59
Income tax for the year recognised in the income statement, expense/(income)	**24**	**(124)**
Deferred tax on other comprehensive income for the year	(20)	(15)
Tax recognised in other comprehensive income, expense/(income)	**(20)**	**(15)**
Deferred tax on equity transactions	0	1
Tax recognised in equity	**0**	**1**
Total income taxes for the year, expense/(income)	**4**	**(138)**

Computation of effective tax rate

Percent	2023	2022
Income tax rate in Denmark	22	22
Adjustment relating to previous years (net)	(20)	(4)
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	50	(2)
Income and expenses non-taxable	4	(4)
Change in write-down of deferred tax assets and tax provisions	(32)	(5)
Income/loss from investments in joint ventures	-	-
Effective tax rate	24	7

Key accounting estimates

Income taxes and uncertain tax position
The Group continuously wants to be a compliant corporate tax citizen in collaboration with our operations and stakeholders and to support shareholder interest and our reputation. To ensure compliance, national and international tax laws as well as the OECD Guidelines are acknowledged and followed throughout the world.

The Group is subject to income taxes around the world and therefore recognise that significant judgement is required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities and provision for uncertain tax positions.

The global business implies that the Group may be subject to disputes on allocation of profits between different jurisdictions. Management judgement is applied to assess the expected outcome of such tax disputes which is provided for in provision for uncertain tax positions. Management believes that provisions made for uncertain tax positions not yet settled with local tax authorities at year end is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

The provision for uncertain tax positions has been derived by applying probability weighted outcomes for all uncertainties with multiple potential outcomes and in scenarios where the outcome is determined by a single point it is determined by the most probable outcome.

Accounting policies

Tax for the year consists of current tax and deferred tax including adjustments to previous years and changes in provision for uncertain tax positions. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax expense relating to items recognised in other comprehensive income is recognised in other comprehensive income

Following developments in ongoing tax disputes primarily related to transfer pricing cases, uncertain tax positions are assessed individually and are generally presented as part of non-current tax receivables or non-current tax payables. The uncertain tax positions that materialise and become certain or virtually certain are classified as current tax.

Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

5.1 Income tax – continued

Income tax assets and liabilities

mEUR	2023	2022
Income tax as at 1 January, net assets/(liabilities)	(84)	(70)
Exchange rate adjustments	(4)	6
Income tax for the year	54	(134)
Adjustments relating to previous years	(352)	(50)
Settlements against VAT receivables	45	20
Income tax paid in the year	261	144
Income tax as at 31 December, net assets/(liabilities)	**(80)**	**(84)**
Receivables specified as follows:		
0-1 year	209	51
> 1 year	522	100
Income tax receivables	**731**	**151**
Liabilities specified as follows:		
0-1 year	(176)	(58)
> 1 year	(635)	(177)
Income tax liabilities	**(811)**	**(235)**

OECD Pillar Two model rules
Vestas is within the scope of the OECD Pillar Two model rules also known as the Global Anti-Base Erosion (GloBE) Rules. Pillar Two legislation has been enacted in Denmark, the jurisdiction in which Vestas Group is incorporated and will come into effect from 1 January 2024. The Pillar Two legislation was not effective at the reporting date and therefore no related current tax exposure has been recognised. Vestas applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued by IASB in May 2023.

Under the legislation, Vestas is liable to pay a top-up tax for the difference between the GloBE effective tax rate per jurisdiction and the 15 percentage minimum rate. All Vestas entities have an effective tax rate that exceeds 15 percentage in a normalised commercial cycle. However, analysis shows that individual entities, based on historical data, can drop below the threshold in individual years. The calculated theoretical historic top-up tax, adjusted for one-off events, impact on the Vestas Group effective tax rate is immaterial.

Vestas management is in the process of assessing Vestas' exposure to the Pillar Two legislation for when it comes into effect. Vestas is operating in an Industry that is rapidly changing in terms of growth, markets and products. Combined with the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15 percentage, there may still be Pillar Two tax implications. Vestas' tax specialists are working with colleagues across the value chain to define with application of the legislation.

5.2 Deferred tax

No provision is made for deferred tax regarding undistributed earnings in subsidiaries, as Vestas controls the release of the obligation.

Deferred tax recognised on tax losses is mainly in jurisdictions where there are no expiry limits. As at 31 December 2023, the value of recognised deferred tax assets amounted to EUR 795m (2022: EUR 497m), of which EUR 582m (2022: EUR 399m) relates to tax loss carry-forwards. Out of recognised tax loss carry forwards of EUR 582m (2022: EUR 399m), EUR 20m (2022: EUR 8m) are subject to expiry if not used within 5-10 years whereas the remaining EUR 562m (2022: EUR 391m) are not subject to any limitations. Following Vestas' transfer pricing policy, these losses are expected to be utilised.

Of the total deferred tax relating to tax loss carry-forwards write down, EUR 20m (2022: EUR 60m) relates to Denmark. The recognised loss carry-forward relating to Denmark amounts to EUR 2,408m (2022: EUR 1,727m).

As many other multinational businesses, Vestas recognises the increased focus on the transfer pricing and the consequent allocation of profits to the relevant countries. Even though the Vestas' subsidiaries pay corporate tax in the countries in which they operate, Vestas is still part of a number of tax audits on different locations. Some of these disputes concern significant amounts and uncertainties. Vestas believes that the provisions made for uncertain tax positions not yet settled with the local tax authorities is adequate. However, the actual obligation may differ and is subject to the result of the litigations and settlements with the relevant tax authorities.

Key accounting estimates

Valuation of deferred tax assets
The Group recognises deferred tax assets, including the tax value of tax loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future for set-off against positive taxable income. The assessment is made on an annual basis and is based on the budgets and business plans for future years, including planned business initiatives. Key parameters are expected revenue and EBIT development considering expected allocation of future taxable income based on the transfer pricing policy in place. Due to the uncertainties relating to allocation of profits, Management has limited the forecast period used to determine the utilisation to three years.

Of the total tax loss carry-forwards, EUR 147m (2022: EUR 61m) is expected to be realised within 12 months, and EUR 482m (2022: EUR 416m) is expected to be realised later than 12 months after the balance sheet date.

The assessment in 2023 resulted in a reduction of the write-down of deferred tax assets of EUR 38m (2022 EUR 21m additional write-down) with the write down being primarily due to the fact that certain jurisdictions have more tax assets than what is expected to be utilised in the foreseeable future.

The value of non-recognised tax assets totals EUR 83m (2022: EUR 122m), of which EUR 83m (2022: EUR 122m) relates to write-down of tax assets that are not expected to be utilised in the foreseeable future.

5.2 Deferred tax – continued

mEUR	2023	2022
Deferred tax as at 1 January, net assets	339	16
Exchange rate adjustments	(5)	1
Deferred tax on profit for the year	(97)	317
Adjustment relating to previous years	373	(9)
Changes in income tax rate	1	-
Deferred tax on equity transactions	0	(1)
Addition related to acquisitions and equity adjustments	-	-
Tax on other comprehensive income	20	15
Deferred tax as at 31 December, net assets	**631**	**339**
Deferred tax assets specified as follows:		
Tax value of tax loss carry-forwards (net)	629	477
Intangible assets	(290)	(328)
Property, plant and equipment	(3)	(18)
Current assets	226	236
Provisions	211	131
Write-down of tax assets	(83)	(122)
Other[1]	105	121
Deferred tax assets	**795**	**497**
Deferred tax provisions specified as follows:		
Intangible assets	0	1
Property, plant and equipment	26	43
Current assets	102	89
Provisions	44	13
Other	(8)	12
Deferred tax provisions	**164**	**158**

1 Other mainly relates to deferred revenue and share-based payment and hedges.

Accounting policies

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognised in respect of temporary differences on initial recognition of goodwill and other items, apart from business acquisitions, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in other non-current assets at the value at which the asset is expected to be realised, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets are reviewed on an annual basis and are only recognised when it is probable that they will be utilised in future periods.

Adjustments are made to deferred tax to take account of the elimination of unrealised inter-company profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement except for items recognised directly in equity.

6 Other disclosures

>130 entities

registered in more than 70 different countries.

6.1 Audit fees

mEUR	2023	2022
Audit PricewaterhouseCoopers	3	3
Assurance engagements PricewaterhouseCoopers	1	1
Tax assistance	1	1
Other services	0	1
Total	**5**	**6**

Vestas' policy is to follow the 70 percent fee cap restriction on non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, the auditor of the parent company. PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is compliant with the 70 percent fee cap restriction in 2023.

Non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to EUR 1m, relating to advisory services and tax compliance advices. Assurance engagements now include local statutory audit fees for EUR 1m and assurance engagements for 2022 of EUR 1m are a reclassification from "Audit".

6.2 Assets held for sale

Vestas has no assets classified as held for sale at 31 December 2023.

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.

6.3 Related party transactions

mEUR	2023	2022
Joint ventures		
Revenue for the period	29	139
Proceeds from investments in joint ventures	10	2
Capital contribution	15	21
Receivables as at 31 December	2	4
Prepayments received balance as at 31 December	-	14
Other receivables balance as at 31 December	-	1
Associates		
Revenue for the period	2	15
Reversal of revenue	-	(64)
Proceeds from investments in associates	2	11
Capital contributions	5	9
Payable capital contribution as at 31 December	-	36
Receivables as at 31 December	-	-
Other liabilities as at 31 December	85	85
Prepayments paid balance as at 31 December	-	-
Other assets balance at 31 December	3	-

← Vestas has had the following material transaction with joint ventures and associates.

Related parties are considered to be the Board of Directors (Board) and the Executive Management of Vestas Wind Systems A/S together with their immediate families. Related parties also include entities which are controlled or jointly controlled by the aforementioned individuals.

Transactions with the Board and Executive Management
Transactions with the Executive Management only consist of normal management remuneration, refer to note 1.6.

With the exception of the board members elected by the employees, no members of the Board have been employed by Vestas in 2023.

6.4 Contingent assets, liabilities, and contractual obligations

Guarantees and indemnities

Vestas provides indemnities and guarantees to third parties on behalf of non-Vestas entities and joint ventures with a notional amount of EUR 33m (2022: EUR 46m). No guarantees have been utilised during 2023 or in previous years and none of the indemnities are expected at the balance sheet date to be utilised.

Contractual obligations

Vestas has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2024 and future periods at a value of EUR 64m (2022: EUR 91m).

Vestas has made commitments to invest in funds managed by Copenhagen Infrastructure Partners P/S. As at 31 December 2023, undrawn commitments amounted to EUR 272m (2022: EUR 182m).

Contingent liabilities

In March 2022, a number of lawsuits was filed against Vestas in relation to a framework agreement which Vestas contends has expired. Vestas believes the claims to be without merit and hence has made no provision in relation to the complaints. In the event that Vestas is not succesful in its defence of these cases, there potentially could be a financial impact on Vestas.

Vestas is also involved in a number of litigation proceedings and disputes. It is Management's assessment that these proceedings and disputes will not have a material effect on the financial position of the Group beyond what is already recognised in assets and liabilities as at 31 December 2023.

Refer to note. 5.2 concerning contingent liabilities on transfer pricing.

Contingent assets

Vestas has made supplier claims for faulty deliveries. Further, Vestas is pursuing certain claims against suppliers for faulty deliveries, as well as claims for supplier implementation and application of faulty manufacturing processes, in litigation proceedings. However, it is Management's opinion that settlement of these and any settlement amounts are not virtually certain, and therefore not recognised in the financial position of Vestas, except for supplier claims accounted for as other receivables, refer note 2.5.

6.5 Non-cash transactions

mEUR	2023	2022
Amortisation, impairment and depreciation for the year of intangible assets and property, plant and equipment	789	1,088
Profit/(loss) from investments in joint ventures and associates, incl. other relating transactions	(22)	(11)
Write-down of fixed assets	(3)	-
Write-down of inventory	(52)	260
Warranty provisions in the year (net)	257	293
Other provisions in the year	(21)	127
Interest income	(205)	(37)
Interest expenses	205	37
Income tax for the year	24	(146)
Cost of share-based payments	34	7
Gains/(losses) from property, plant and equipment	-	(8)
Other adjustments for non-cash transactions incl. foreign currency adjustments	171	103
Total	**1,177**	**1,713**

6.6 Subsequent events

No events have occurred subsequent to 31 December 2023 which could have a significant impact on the Consolidated financial statements.

6.7 Legal entities[1]

Name and country	Ownership (%)
Parent company	
Vestas Wind Systems A/S, Denmark	
Production units	
Vestas Americas A/S, USA	100
Vestas Blades America Inc., USA	100
Vestas Nacelles America Inc., USA	100
Vestas Wind Technology (China) Co. Ltd., China	100
Vestas Manufacturing A/S, Denmark	100
Vestas Blades Deutschland GmbH, Germany[2]	100
WPT Nord GmbH, Germany	100
Vestas Nacelles Deutschland GmbH, Germany[2]	100
Vestas Blades Italia S.r.l., Italy	100
Vestas Control Systems Spain S.L.U., Spain	100
Vestas Manufacturing Spain S.L.U., Spain	100
Vestas Manufacturing Poland 2 Sp. z o.o., Poland	100
Vestas Assembly Poland Sp. z o.o., Poland	100
Sales and service units	
Vestas Argentina S.A., Argentina	100
Vestas Mediterranean A/S Sucursal, Bolivia	100
UpWind Solutions Canada Ltd., Canada	100
Vestas Chile Turbinas Eólica Limitada Santiago, Chile	100
Vestas Colombia S.A.S, Colombia	100
Vestas Costa Rica S.A., Costa Rica	100
Vestas Wind Systems Dominican Republic S.R.L., Dominican Republic	100
Vestas El Salvador S.A. De C.V., El Salvador	100
Vestas Guatemala, Guatemala	100
Vestas Honduras S.A. De C.V., Honduras	100
Vestas Jamaica Wind Technology Ltd., Jamaica	100
Vestas WTG Mexico S.A. de C.V., Mexico	100
Vestas Mexicana del Viento S.A. de C.V., Mexico	100
Vestas Nicaragua SA, Nicaragua	100
Vestas Overseas Panamá S.A., Panama	100
Vestas Peru S.A.C., Peru	100
Vestas Turbinas Eólicas de Uruguay S.A., Uruguay	100
Vestas – American Wind Technology Inc., USA	100
Availon Inc., USA	100
Vestas – Portland HQ LLC, USA	100
Vestas Upwind Solutions Inc.. USA	100
Vestas – Canadian Wind Technology Inc.. USA	100
UpWind Holdings LLC, USA	100
Vestas America Holding Inc., USA	100
Steelhead Americas LLC, USA	100
Steelhead Wind 1 LLC, USA	100
Steelhead Wind 2 LLC, USA	100
Steelhead Wind 2a LLC, USA	100
Steelhead Wind 9 LLC, USA	100
Utopus Insights Inc., USA	100
Roaring Fork Wind LLC, USA	100
Vestas – Australian Wind Technology Pty. Ltd., Australia	100
NEG Micon Australia Pty. Ltd., Australia	100
Vestas Wind Technology (Beijing) Co. Ltd., China	100
Vestas Wind Technology India Pvt Limited, India	100
Vestas Japan Co. Ltd., Japan	100
Vestas Mongolia LLC, Mongolia	100
Vestas New Zealand Wind Technology Ltd., New Zealand	100
Vestas Wind Technology Pakistan (Private) Limited, Pakistan	100
Vestas Asia Pacific Wind Technology Pte. Ltd., Singapore	100
Vestas Korea Wind Technology Ltd., South Korea	100
Vestas Wind Lanka (PVT) Ltd., Sri Lanka	100
Vestas Taiwan Ltd., Taiwan	100
Vestas Offshore Wind Taiwan Ltd., Taiwan	100
Vestas Wind Technology (Thailand) Ltd., Thailand	100
Vestas Wind Technology Vietnam LLC, Vietnam	100
Vestas Österreich GmbH, Austria	100
Vestas Belgium NV, Belgium	100
Vestas Offshore Wind Belgium NV, Belgium	100
Vestas Bulgaria EOOD, Bulgaria	100
Vestas Central Europe – Zagreb d.o.o, Croatia	100
Vestas MED (Cyprus) Ltd., Cyprus	100
Vestas Czech Republic s.r.o., Czech Republic	100
Vestas Asia Pacific A/S , Denmark	100
Vestas Central Europe A/S, Denmark	100
Vestas Mediterranean A/S, Denmark	100

1 Companies of immaterial significance have been left out of the overview.
2 Vestas Deutschland GmbH, Vestas Blades Deutschland GmbH, Vestas Nacelles Deutschland GmbH, Vestas Services GmbH and Availon GmbH, wholly owned subsidiaries of Vestas Wind Systems A/S, claiming not to prepare notes and management report to its financial statements pursuant to the relief provision of section 264 Abs. 3 HGB.
3 The companies are in a liquidation process.
4 Vestas Benelux B.V., wholly owned subsidiary of Vestas Wind Systems A/S, claiming neither to prepare notes and management report to its financial statements nor conduct a statutory audit on its financial statements pursuant to the relief provision of section 2:403 DCC.

6.7 Legal entities[1] – continued

Name and country	Ownership (%)
Vestas Northern Europe A/S, Denmark	100
Covento A/S, Denmark[3]	100
Vestas Estonia OÜ, Estonia	100
Vestas Finland Oy, Finland	100
Vestas France SAS, France	100
Vestas Offshore Wind France SAS, France	100
Vestas Georgia LLC, Georgia	100
Vestas Deutschland GmbH, Germany[2]	100
Vestas Services GmbH, Germany[2]	100
Availon Holding GmbH, Germany	100
Availon GmbH, Germany[2]	100
Vestas Hellas Wind Technology S.A., Greece	100
Vestas Hungary Kft., Hungary	100
Vestas Ireland Ltd., Ireland	100
Vestas Italia S.r.l., Italy	100
Vestas Kazakhstan LLP, Kazakhstan	100
Vestas Eastern Africa Ltd., Kenya	100
Vestas Moroc SARLAV, Morocco	100
Vestas Norway AS, Norway	100
Vestas Poland Sp.z.o.o., Poland	100
Vestas Portugal LDA, Portugal	100

Name and country	Ownership (%)
Portugal Unipessoal Lda. , Portugal	100
Availon LDA Portugal, Portugal	100
Vestas CEU Romania S.R.L, Romania	100
Vestas Saudi Arabia Limited Co., Saudi Arabia	100
Vestas Senegal S.A.R.L.U, Senegal	100
Vestas Central Europe d.o.o. Beograd, Serbia	100
Vestas Slovakia spol S.r.o., Slovakia	100
Vestas Southern Africa Pty. Ltd., South Africa	74.8
Vestas Eólica S.A., Spain	100
Availon Iberia S.L., Spain	100
Vestas Middle East S.L.U., Spain	100
Vestas Northern Europe AB, Sweden	100
Vestas Offshore Wind Sweden AB, Sweden	100
Vestas Benelux B.V., The Netherlands[4]	100
Vestas CV Limitada, The Republic of Cape Verde	100
Vestas Rüzgar Enerjisi Sistemleri Sanayi Ve Ticaret Ltd. Sirketi, Turkey	100
Vestas Kompozit Kanat Sanayi Ve Ticaret Anonim Şirketi Şirketi, Turkey	100
Vestas Ukraine LLC, Ukraine	100
Vestas – Celtic Wind Technology Ltd., United Kingdom	100

Name and country	Ownership (%)
Vestas Offshore Wind UK Ltd., United Kingdom	100
Vestas Offshore WInd Blades UK Ltd., United Kingdom	100
NEG Micon UK Ltd., United Kingdom	100
Other subsidiaries	
Vestas Wind Systems (China) Co. Ltd., China	100
Vestas Technology R&D (Beijing) Co. Ltd., China	100
Vestas Technology R&D Chennai Pte. Ltd., India	100
Vestas Services Philippines Inc., Philippines	100
Vestas Development A/S, Denmark	100
Vestas India Holding A/S, Denmark	100
Wind Power Invest A/S, Denmark	100
Vestas Shared Service A/S, Denmark	100
Vestas Service Delivery Center – Szczecin sp Z.o.o., Poland	100
Vestas Shared Service (Spain) S.L.U., Spain	100
Vestas Cantabria Prototype SL, Spain	100
Vestas Switzerland AG, Switzerland	100
Vestas Technology (UK) Limited, United Kingdom	100

Name and country	Ownership (%)
Joint ventures	
Clearview Solar LLC, USA	50
Emerging Markets Power (Holdings) Limited, Ireland	50
Associates	
Blakliden Fäbodberget Holding AB, Sweden	40
Copenhagen Infrastructure Partners P/S, Denmark	25
SoWITec Group GmbH, Germany	25

1 Companies of immaterial significance have been left out of the overview.
2 Vestas Deutschland GmbH, Vestas Blades Deutschland GmbH, Vestas Nacelles Deutschland GmbH, Vestas Services GmbH and Availon GmbH, wholly owned subsidiaries of Vestas Wind Systems A/S, claiming not to prepare notes and management report to its financial statements pursuant to the relief provision of section 264 Abs. 3 HGB.
3 The companies are in a liquidation process.
4 Vestas Benelux B.V., wholly owned subsidiary of Vestas Wind Systems A/S, claiming neither to prepare notes and management report to its financial statements nor conduct a statutory audit on its financial statements pursuant to the relief provision of section 2:403 DCC.

7 Basis for preparation

7.1 Material accounting policy information

The Annual Report of Vestas Wind Systems A/S comprises the Consolidated financial statements of Vestas Wind Systems A/S and its subsidiaries and separate financial statements of the parent company, Vestas Wind Systems A/S.

The Consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Basis of preparation

The Consolidated financial statements have been prepared under the historical cost method, except for certain derivative financial instruments and marketable securities, which are measured at fair value and assets held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

The Consolidated financial statements are presented in million Euro.

This note describes the general accounting policies. Other accounting policies are described in the separate notes to the Consolidated financial statements.

Materiality in the financial reporting

For the preparation of the Consolidated financial statements, Vestas discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.

A judgement is made of whether more detailed specifications are necessary in the presentation of Vestas' assets, liabilities, financial position, and results. All judgements are made with due consideration of legislation and the Consolidated financial statements as a whole presenting a true and fair view.

Consolidated financial statements

The Consolidated financial statements comprise Vestas Wind Systems A/S (the parent company) and the subsidiaries over which Vestas Wind Systems A/S exercises control. Vestas Wind Systems A/S and its subsidiaries together are referred to as the Group.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Vestas has assessed the nature of its joint arrangements and determined them to be joint ventures.

An overview of Vestas legal entities is provided on pages 98-99.

The Consolidated financial statements are prepared from the financial statements of the parent company and subsidiaries by combining accounting items of a uniform nature, with subsequent elimination of intercompany income and expenses, shareholdings, intercompany balances and dividends as well as unrealised profits and losses on transactions between consolidated entities.

The Consolidated financial statements are based on financial statements prepared under the accounting policies of Vestas.

Translation policies

Functional currency and presentation currency
Assets, liabilities and transactions of each of the reporting entities of Vestas are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK); however, due to Vestas' international relations, the Consolidated financial statements are presented in Euro (EUR).

Translation into presentation currency
The balance sheet is translated into the presentation currency at the Euro rate at the balance sheet date. In the income statement the transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transactions.

Translation of transactions and amounts
Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial costs in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial costs in the income statement.

Translation of Vestas entities
On recognition in the Consolidated financial statements of foreign entities with a functional currency that differs from the presentation currency of Vestas, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign entities at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Exchange adjustments of balances with foreign entities that are treated as part of the total net investment in the entity in question are recognised in other comprehensive income in the Consolidated financial statements.

On recognition in the Consolidated financial statements of investments accounted for using the equity method with functional currencies that differ from the presentation currency of Vestas, the shares of results for the year are translated at average exchange rates. The shares of equity including goodwill are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign investments accounted for using the equity method at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

On full or partial disposal of foreign entities, resulting in a loss of control or on repayment of balances treated as part of the net investment, the share of the accumulated exchange adjustments recognised in other comprehensive income, is recognised in the income statement at the same time as any profit or loss on the disposal.

Equity

Translation reserve
The translation reserve in the Consolidated financial statements comprises exchange rate adjustments arising on the translation of the financial statements of foreign entities from their functional currencies into the presentation currency of Vestas (EUR).

Upon full or part realisation of the net investment in foreign entities, exchange adjustments are recognised in the income statement.

Cash flow hedging reserve
The cash flow hedging reserve in the Consolidated financial statements comprises gains and losses on fair value adjustments of forward exchange contracts concerning future transactions as well as hedging in connection with commodities.

7.1 Material accounting policy information – continued

Cash flow statement

The cash flow statement shows Vestas' cash flows for the year, broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as Vestas' cash and cash equivalents at the beginning and end of the year. Cash flows relating to acquired entities are recognised from the date of acquisition. Cash flows relating to entities disposed of are recognised until the date of disposal.

Cash flows from operating activities
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions, changes in working capital, interest received and paid and income tax paid. Working capital comprises current assets less short-term debt, which does not include current bank loans.

Cash flows from investing activities
Cash flows from investing activities comprise cash flows from business acquisitions and disposals and from acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets. The cash flow effect of business acquisitions and sales is shown separately. The establishment of leases is treated as non-cash transactions.

Cash flows from financing activities
Cash flows from financing activities comprise changes to the amount or composition of Vestas' share capital and related expenses as well as the raising of loans, repayment of interest-bearing debt, repayment of lease liabilities, acquisition and sale of treasury shares together with distribution of dividends to shareholders.

iXBRL reporting

Vestas is required to file the annual report in the European Single Electronic Format (ESEF) using the XHTML format and tag the Consolidated financial statements including notes using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process, financial statement line items and notes are marked up to elements in the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created.

The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named VWS-2023-12-31.zip.

7.2 Change in accounting policies

Implementation of new accounting standards, amendments and interpretations
The following new and amended accounting standards have been implemented as of 1 January 2023:
- Issurance 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
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.

The adoption of the new and amended accounting standards has not had any material impact on the recognition and measurement in the Consolidated financial statements.

New accounting standards, amendments and interpretations
The IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the Consolidated financial statements for 2023. Vestas expects to adopt the accounting standards and interpretations when they become mandatory.

Based on the current nature of the business and level of activities, none of the new or amended standards and interpretations are expected to have a material impact on the recognition and measurement in the Consolidated financial statements.

Income/(loss) from 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. The changed presentation is due to an expected significant increase in income from investments in joint ventures and associates related to Development activitites.

7.3 Key accounting estimates and judgements

When preparing the Consolidated financial statements of Vestas, Management makes several accounting estimates and assumptions which impact the recognition and measurement of Vestas' financial statements.

The key accounting estimates and judgements which may have a significant impact on the financial statements are listed below. The nature of accounting impact of key accounting estimates and judgements is described in the relevant notes.

The impact of key accounting estimates and judgements is divided into three categories from low to high. The rating is based on a combined assessment of materiality, complexity, subjectivity and estimation uncertainty and indicates the impact on amounts recognised and carrying values of assets or liabilities.

Climate-related risks
Vestas continuously monitors risks related to climate change and has considered them while preparing Consolidated financial statements, where they may affect reported amounts materially. The Group performed an extended and improved risk assessment in 2023 relating to assets in our manufacturing facilities that significantly contribute to property, plant and equipment, presented in note 3.2.

Further reference is made to 'climate risks' in the Risk governance section on page 43 for more details on this process.

Key accounting estimates

The key accounting estimates made are based on assumptions, that are supported by experience, historical trends and other factors that Management assesses to be reasonable, but that by nature are associated with inherent uncertainty and unpredictability.

The estimates and underlying assumptions are reviewed on an ongoing basis. If necessary, changes are recognised in the period in which the estimate is revised. Management considers the key accounting estimates to be reasonable and appropriate based on currently available information.

Key accounting judgements

Key accounting judgements are made when applying certain accounting policies. Management considers the accounting judgements made are consistent and reflect the most fair and true view of Vestas' financial position and results of the Group's operations.

Note	Key accounting estimates and judgements	Estimate/ judgement	Impact of accounting estimates and judgements
1.2 Revenue	Estimate regarding revenue from contracts with multiple performance obligations	Estimate	Medium
	Estimate regarding revenue from contracts acccounted for by percentage-of-completion method	Estimate	High
	Judgement regarding method for recognition of revenue from Supply-and-installation contracts	Judgement	Medium
	Judgement regarding service contract modifications	Judgement	Low
1.8 Special items	Judgement regarding classification in the income statement	Judgement	Low
	Estimate regarding the valuation of assets and liabilities in Russia and Ukraine	Estimate	Medium
2.2 Inventories	Estimate of net realisable value	Estimate	Low
2.5 Other receivables	Estimate of allowance for doubtful VAT receivables	Estimate	Medium
3.1 intangible assets 3.2 Tangible assets	Estimate of recoverable value used for impairment test of acquired assets relating to MVOW	Estimate	Medium
3.6 Provisions	Estimates for warranty provisions	Estimate	High
5.1 Income tax	Estimates of income taxes and uncertain tax position	Estimate	High
5.2 Deferred tax	Estimate of deferred tax assets valuation	Estimate	Medium

Parent company financial statements and notes

Income statement

1 January – 31 December

mEUR	Note	2023	2022
Revenue	1.1	**1,632**	**835**
Production costs	1.2	(1,718)	(2,258)
Gross profit/(loss)		**(86)**	**(1,423)**
Administration costs	1.2	(570)	(473)
Other operating income	1.3	174	-
Operating profit/(loss) (EBIT)		**(482)**	**(1,896)**
Income/(loss) from investments in subsidiaries	3.4	1	5
Income/(loss) from investments in associates	3.4	(0)	(1)
Financial income	4.3	469	118
Financial costs	4.3	(430)	(181)
Profit/(loss) before tax		**(442)**	**(1,955)**
Income tax	5.1	430	281
Profit/(loss) for the year		**(12)**	**(1,674)**
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		1	5
Retained earnings		(13)	(1,679)
Profit/(loss) for the year		**(12)**	**(1,674)**

Balance sheet

31 December

Assets

mEUR	Note	2023	2022
Intangible assets	3.1	**2,639**	**2,547**
Property, plant and equipment	3.2, 3.3	**360**	**352**
Investments in subsidiaries	3.4	2,657	2,755
Investments in associates	3.4	3	3
Marketable securities		98	95
Other investments		23	13
Other receivables		223	61
Tax receivables		507	241
Total financial fixed assets		**3,511**	**3,168**
Total non-current assets		**6,510**	**6,067**
Inventories	2.1	**270**	**234**
Receivables from subsidiaries		4,424	5,198
Other receivables		348	357
Prepayments	3.5	24	29
Deferred tax	5.2	309	157
Tax receivables		-	17
Total receivables		**5,105**	**5,758**
Cash and cash equivalents		**2,521**	**1,731**
Total current assets		**7,896**	**7,723**
Total assets		**14,406**	**13,790**

Equity and liabilities

mEUR	Note	2023	2022
Share capital		27	27
Reserve for net revaluation under the equity method		660	783
Reserve for capitalised development costs		951	846
Translation reserve		9	14
Retained earnings		889	980
Total equity		**2,536**	**2,650**
Warranty provisions	3.6	1,029	762
Other provisions	3.6	136	136
Total non-current provisions		**1,165**	**898**
Other liabilities		28	17
Financial debts	4.2	1,616	594
Total non-current debt		**1,644**	**611**
Total non-current liabilities		**2,809**	**1,509**
Financial debts	4.2	25	38
Warranty provisions	3.6	715	724
Trade payables		391	390
Payables to subsidiaries		7,691	8,249
Other liabilities		239	230
Total current liabilities		**9,061**	**9,631**
Total liabilities		**11,870**	**11,140**
Total equity and liabilities		**14,406**	**13,790**

Statement of changes in equity

1 January – 31 December 2023

		Reserves					
mEUR	Share capital	Reserve under the equity method	Reserve for capitalised development costs	Translation reserve	Dividends	Retained earnings	Total
Equity as at 1 January	**27**	**783**	**846**	**14**	**-**	**980**	**2,650**
Exchange rate adjustments relating to foreign entities	-	(84)	-	-	-	-	(84)
Exchange rate adjustments	-	-	-	(5)	-	-	(5)
Fair value adjustments of derivative financial instruments	-	(30)	-	-	-	-	(30)
Tax on fair value adjustments of derivative financial instruments	-	(6)	-	-	-	-	(6)
Capitalised development costs	-	-	135	-	-	(135)	-
Tax on capitalised development costs	-	-	(30)	-	-	30	-
Share-based payments	-	(4)	-	-	-	38	34
Tax on share-based payments	-	-	-	-	-	0	0
Acquisition of treasury shares	-	-	-	-	-	(11)	(11)
Profit for the year	-	1	-	-	-	(13)	(12)
Equity as at 31 December	**27**	**660**	**951**	**9**	**-**	**889**	**2,536**

1 Result for the year

1.1 Revenue

Revenue in the parent company consists of sale of spare parts and royalty income from other Group companies.

1.2 Costs

For information regarding remuneration to the Board of Directors and to the Executive Management for the parent company, refer to note 1.6 to the Consolidated financial statements. Pension schemes in the parent company consist solely of defined contribution plans and the company does therefore not carry the actuarial risk or the investment risk. For management incentive programmes, refer to note 1.7 to the Consolidated financial statements.

Staff costs

mEUR	2023	2022
Staff costs are specified as follows:		
Wages and salaries, etc.	392	288
Pension schemes	21	19
Other social security costs	3	3
Total	**416**	**310**
Average number of employees in Vestas Wind Systems A/S	3,025	2,843

1.3 Other operating income

Other operating income primarily includes consideration 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. Refer to note 1.3 to the Consolidated financial statements. The remainder comprise income for sale of operating fixtures and equipment, IT licenses and intellectual property rights.

2 Working capital

2.1 Inventories

Inventories relate to spare part activities.

mEUR	2023	2022
Raw materials and consumables	264	228
Work in progress	6	6
Total	**270**	**234**

3 Other operating assets and liabilities

3.1 Intangible assets

Included in software are internally completed IT projects amounting to EUR 49m as at 31 December 2023 (2022: EUR 42m).

For development projects in progress, refer to note 3.1 to the Consolidated financial statements.

Goodwill
Goodwill is included in the item "Goodwill" or in the item "Investments accounted for using the equity method" and is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is a maximum of 20 years.

mEUR	Goodwill	Completed development projects	Software	Other intangible assets	Development projects in progress	Total
Cost as at 1 January	1,145	2,700	543	509	611	5,508
Exchange rate adjustments	(3)	(5)	(1)	(1)	(1)	(11)
Additions	-	-	28	-	404	432
Disposals	-	-	(29)	-	-	(29)
Transfers	-	83	36	-	(119)	-
Cost as at 31 December	**1,142**	**2,778**	**577**	**508**	**895**	**5,900**
Amortisation as at 1 January	135	2,265	440	121	-	2,961
Exchange rate adjustments	-	(5)	(1)	-	-	(6)
Amortisation for the year	53	191	42	34	-	320
Disposals	-	-	(29)	-	-	(29)
Transfers	-	15	-	-	-	15
Amortisation as at 31 December	**188**	**2,466**	**452**	**155**	**-**	**3,261**
Carrying amount as at 31 December	**954**	**312**	**125**	**353**	**895**	**2,639**
Amortisation period	**20 years**	**2–5 years**	**3–5 years**	**3–7 years**		

3 Other operating assets and liabilities – continued

3.2 Property, plant and equipment

mEUR	Land and buildings	Plant and machinery	Other fixtures and fittings, tools, and equipment	Property, plant and equipment in progress	Right-of-use assets	Total
Cost as at 1 January	205	130	302	31	253	921
Additions	1	4	41	5	62	113
Disposals	-	-	(19)	-	(10)	(29)
Exchange rate adjustments	-	-	(1)	-	(1)	(2)
Transfers	-	27	9	(36)	-	-
Cost as at 31 December	**206**	**161**	**332**	**-**	**304**	**1,003**
Depreciation as at 1 January	158	106	197	-	108	569
Exchange rate adjustments	(1)	(1)	-	-	-	(2)
Depreciation for the year	7	13	55	-	37	112
Depreciation on disposals for the year	-	-	(14)	-	(7)	(21)
Transfers	-	(15)	-	-	-	(15)
Depreciation as at 31 December	**164**	**103**	**238**	**-**	**138**	**643**
Carrying amount as at 31 December	**42**	**58**	**94**	**-**	**166**	**360**
Depreciation period	10–40 years	3–10 years	3–5 years		2–20 years	

3.3 Leases

Vestas leases several assets including properties, vehicles, and equipment. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, index-regulations, maintenance, deposits, and guarantees, etc.

Some property leases contain variable payment terms that are linked to an index e.g. a consumer price index. Overall, the variable payments constitute less than 1 percent of Vestas' entire lease payments. Extension and termination options may be included in leases. These terms are used to maximise operational flexibility in terms of managing contracts.

Right-of-use assets

mEUR	2023 Property	2023 Vehicles	2023 Equipment	2023 Total	2022 Property	2022 Vehicles	2022 Equipment	2022 Total
Right-of-use assets as at 1 January	**114**	**5**	**26**	**145**	**139**	**6**	**27**	**172**
Exchange rate adjustments	-	-	-	-	(1)	-	-	(1)
Depreciation charge for the year	(25)	(4)	(8)	(37)	(24)	(4)	(10)	(38)
Addition of right-of-use assets for the year	52	8	1	61	-	3	9	12
Disposal	-	(2)	(1)	(3)	-	-	-	-
Right-of-use assets as at 31 December	**141**	**7**	**18**	**166**	**114**	**5**	**26**	**145**

Maturity analysis – contractual undiscounted cash flow

mEUR	2023	2022
Less than one year	33	38
One to five years	122	81
More than five years	59	48
Total undiscounted lease liabilities as at 31 December	**214**	**167**
Lease liabilities included in the statement of financial position as at 31 December	**174**	**157**
Current	25	38
Non-current	149	119

Lease liabilities

Lease liabilities are included in financial debts which amounts to EUR 174m as at 31 December 2023 (2022: EUR 157m). The lease liabilities included in financial debts can be specified as described above.

Total lease expenses recognised in the income statement

mEUR	2023	2022
Interest expense on lease liabilities	3	2
Expenses relating to short-term leases and leases of low-value assets	23	17

3 Other operating assets and liabilities – continued

3.4 Investments in subsidiaries and associates

Refer to note 6.7 to the Consolidated financial statements for an overview of the legal entities within the Group.

Investments in subsidiaries and associates

mEUR	2023	2022
Subsidiaries	2,657	2,755
Associates	3	3
Carrying amount as at 31 December	**2,660**	**2,758**

Income/(loss) from investments in subsidiaries and associates

mEUR	2023	2022
Subsidiaries	1	5
Associates	(0)	(1)
Total	**1**	**4**

Income from subsidiaries

mEUR	2023	2022
Share of profit in subsidiaries after tax	35	39
Amortisation of goodwill	(34)	(34)
Total	**1**	**5**

Investments in subsidiaries

mEUR	2023	2022
Cost as at 1 January	1,972	3,402
Exchange rate adjustments	(7)	-
Additions	-	4
Disposals	(0)	(1,434)
Cost as at 31 December	**1,965**	**1,972**
Value adjustments as at 1 January	783	843
Impact on change in accounting policy	-	(17)
Exchange rate adjustments	(84)	(13)
Share of profit/loss for the year after tax	35	39
Changes in equity, share-based payment	(4)	(6)
Changes in equity, derivative financial instruments	(36)	19
Disposal	-	(48)
Amortisation of goodwill	(34)	(34)
Negative net assets in subsidiaries set off against receivables from subsidiaries	32	-
Value adjustments as at 31 December	**692**	**783**
Carrying amount as at 31 December	**2,657**	**2,755**
Remaining positive difference included in the above carrying amount as at 31 December	439	506

Of the total carrying value, negative net assets in subsidiaries, EUR 32m have been set off against receivables from subsidiaries.

Accounting policies

Investments in subsidiaries and associates are recognised and measured in the financial statements of the parent company under the equity method.

On acquisition of subsidiaries and associates, the difference between cost of acquisition and net asset value of the entity acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the entity acquired. Any remaining positive differences in connection with the acquisition of subsidiaries and associates are included in the items "Investments in subsidiaries" and "Investments in associates". The items "Income/(loss) from investments in subsidiaries" and "Income/ (loss) from investments in associates" in the income statement include the proportionate share of the profit after tax less goodwill amortisation.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the entities calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of the positive differences (goodwill).

Subsidiaries and associates with a negative net assets value are measured at EUR 0, and any receivables from these are written down by the parent company's share of the negative net asset value, if impaired. Any legal or constructive obligation of the parent company to cover the negative balance of the subsidiaries and associates including is recognised as provisions.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity.

Gains and losses on disposals or winding up of subsidiaries and associates are calculated as the difference between the sales value or cost of winding up and the carrying amount of the net assets at the date of acquisition including goodwill and expected loss of disposal or winding up. The gains or losses are included in the income statement.

3 Other operating assets and liabilities – continued

3.5 Prepayments

Prepayments comprise of prepaid software license, insurance, and rent.

3.6 Provisions

In line with accounting policies, potential product warranties are recognised as warranty provisions when revenue from sale of wind turbines is recognised.

Product risks
Vestas invests significant resources in improving products and increasing their reliability to mitigate major warranty provisions. This work comprises design, production, installation, and continuous maintenance. The goal of these initiatives is to reduce Vestas' warranty costs, to secure customer returns, to increase the competitiveness of the products, and to improve customer earnings.

The other provisions relate to risks stemming from Vestas' cessation of activities in Russia, including claims brought against Vestas outside Russia.

	2023			2022		
mEUR	Warranty provision	Other provisions	Total provisions	Warranty provision	Other provisions	Total provisions
Carrying amount as at 1 January	1,486	136	1,622	1,190	-	1,190
Addition during the year	843	-	843	929	136	1,065
Utilised during the year	(585)	-	(585)	(633)	-	(633)
Carrying amount as at 31 December	**1,744**	**136**	**1,880**	**1,486**	**136**	**1,622**
Non-current	1,029	136	1,165	762	136	898
Current	715	-	715	724	-	724
Carrying amount as at 31 December	**1,744**	**136**	**1,880**	**1,486**	**136**	**1,622**

3.7 Contingent assets and liabilities, and contractual obligations

Vestas provides indemnities and guarantees to third parties on behalf of non-Vestas entities with a notional amount of EUR 33m (2022: EUR 46m). No guarantees have been utilised during 2023 or in previous years and none of the indemnities are expected at the balance sheet date to be utilised.

Vestas provides indemnities and guarantees for bank and bonding facilities to third parties on behalf of subsidiaries. In addition, the company provides indemnities and guarantees to third parties in connection with project supplies in subsidiaries, and their warranty obligations to customers. To secure guarantees issued by banks, the company has given securities in cash and cash equivalents with disposal restrictions, refer to note 4.1 to the Consolidated financial statements.

Vestas has entered into binding contracts concerning purchase of property, plant and equipment to be delivered in 2023 and future periods at a value of EUR 8m (2022: EUR 23m). Vestas has made commitments to invest in funds managed by Copenhagen Infrastructure Partners P/S. As at 31 December 2023, undrawn commitments amounted to EUR 272m (2022: EUR 182m).

Vestas is involved in a number of litigation proceedings. It is Management's assessment that these proceedings will not have a material effect on the financial position of the Group beyond what is already recognised in assets and liabilities as at 31 December 2023.

The company is jointly taxed with its Danish subsidiaries. As the administrative company for the subsidiaries included in the joint taxation, the company is liable for the tax obligations of the included subsidiaries.

Vestas has made supplier claims for faulty deliveries. However, it is Management's opinion that settlement of these are not virtually certain, and therefore not recognised in the financial position of Vestas, except for supplier claims accounted for as other receivables.

4 Capital structure and financing items

4.1 Financial risks

For the use of derivative financial instruments and risks and capital management refer to note 4.1 to the Consolidated financial statements.

4.2 Financial liabilities

mEUR	2023	2022
Credit facilities	1,467	475
Lease liabilities	174	157
Total	**1,641**	**632**
Financial debts break down as follows:		
< 1 year	25	38
1–2 years	23	22
> 2 years	1,593	572
Total	**1,641**	**632**

4.3 Financial items

mEUR	2023	2022
Financial income		
Interest income	173	21
Interest income from subsidiaries	228	93
Exchange rate adjustments	48	-
Financial instruments	17	-
Other financial income	3	4
Total	**469**	**118**
Financial costs		
Interest costs	65	16
Interest costs to subsidiaries	245	96
Interest on lease liabilities	3	2
Exchange rate adjustments	-	17
Financial instruments	103	33
Other financial costs	14	17
Total	**430**	**181**

5 Tax

5.1 Income tax

mEUR	2023	2022
Current tax on profit for the year	(224)	134
Deferred tax on profit for the year	(101)	(449)
Foreign taxes	6	8
Write down of deferred tax (assets)	(40)	60
Adjustment related to previous years	(71)	(34)
Income tax for the year recognised in the income statement, (income)	**(430)**	**(281)**
Deferred tax on equity	(0)	0
Tax recognised in equity, expense/(income)	**(0)**	**0**
Total income taxes for the year, (income)	**(430)**	**(281)**

5.2 Deferred tax

mEUR	2023	2022
Deferred tax as at 1 January, net assets/(liabilities)	157	(225)
Deferred tax on profit for the year	101	449
Tax on entries in equity	-	(1)
Revaluation of tax assets	60	-
Reclassification to tax receivables, non-current	-	(17)
Adjustment relating to previous years	11	11
Write down to assessed value	(20)	(60)
Deferred tax as at 31 December, net assets	**309**	**157**

6 Other disclosures

6.1 Audit fees

mEUR	2023	2022
Audit PricewaterhouseCoopers	2	2
Assurance engagements PricewaterhouseCoopers	-	-
Tax assistance	1	0
Other services	0	1
Total	**3**	**3**

6.2 Related party transactions

All transactions with related parties have been carried out at arm's length principle. Definition of related parties and concerning other transactions with related parties, refer to note 6.3 to the Consolidated financial statements.

6.3 Ownership

The company has registered the following shareholders with more than 5 percent of the share capital or nominal value: BlackRock Inc, Wilmington, Delaware, United States.

7 Basis for preparation

7.1 Material accounting policy information

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act (DK GAAP) applying to entities of reporting class D.

With the exception of the items described below, the accounting policies of the parent company are identical to the accounting policies of the group, see the notes to the Consolidated financial statements. The denomination of the items in the parent company's financial statements complies with the requirements under DK GAAP.

Development costs
An amount equivalent to the capitalised development costs in the balance sheet incurred after 1 January 2016 is recognised in the category "Reserve for capitalised development costs" in the equity. The value of the reserve is reduced by the value of the depreciations.

Cash flow statement
Vestas Wind Systems A/S applies an exemption under DK GAAP whereby the parent company is not required to prepare a separate cash flow statement as it is included in the Consolidated cash flow statement, refer to page 56 in the consolidated financial statements.

Statements

- → Management's statement
- → Independent Auditor's Reports
- → Independent limited assurance report on the Sustainability key figures

Diversity and inclusion

At Vestas, we believe that a diverse and inclusive workforce is vital for accelerating the green energy transition globally. We know that our differences make us stronger, more innovative, and better equipped to address the challenges of the future.

Management's statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Vestas Wind Systems A/S for the financial year 1 January – 31 December 2023.

The Consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the parent company financial statements of Vestas Wind Systems A/S have been prepared in accordance with the Danish Financial Statements Act. The Management's Review has been prepared in accordance with the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the Consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company and of the results of the Group and parent company operations and consolidated cash flows for the financial year 1 January – 31 December 2023.

In our opinion, the Management's Review includes a true and fair review of the development in the operations and financial circumstances of the Group and parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

In our opinion, the social and environmental statements have been prepared in accordance with the accounting policies applied. They give a fair review of the Group's social and environmental performance.

In our opinion, the Annual Report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2023 with the file name VWS-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report be adobted at the General Meeting.

Aarhus, 7 February 2024

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

Bruce Grant

Kentaro Hosomi

Eva Merete Søfelde Berneke

Michael Abildgaard Lisbjerg

Helle Thorning-Schmidt

Sussie Dvinge

Lena Olving

Claus Christensen

Pia Kirk Jensen

Independent Auditor's Reports

To the shareholders of Vestas Wind Systems A/S

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company financial statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated financial statements (pages 48-103) and the Parent Company financial statements (pages 104-113) of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2023 comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information for the Group as well as for the Parent Company and statement of comprehensive income and statement of cash flows for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Vestas Wind Systems A/S on 5 May 1999 for the financial year 1999. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 25 years including the financial year 2023.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Recognition of the Group's revenue is complex due to several types of customer contracts utilised, including sale of wind turbines and wind power plants (supply-only, supply-and-installation and turnkey), service sales and sale of spare parts. We focused on this area as recognition of revenue involves significant judgement and estimates made by Management including, whether contracts contain multiple performance obligations which should be accounted for separately and the most appropriate method for recognition of revenue for the identified performance obligations in the contracts. This includes assessing whether performance obligations in supply-and-installation contracts are satisfied at a point in time or over time. Further, it comprises the point in time when transfer of control has occurred regarding sale of wind turbines and sale of spare parts, and assessing the degree of completion of project and service contracts, which are accounted for over time. Significant estimates are involved in allocation of the consideration to the individual performance obligations in a contract. Further, significant estimates are also involved in estimating the variable elements of the consideration for service contracts, and the degree of completion for project and service contracts regarding the remaining cost to complete the contracts. Furthermore, the reduction in revenue related to damages or penalties regarding project and service contracts is subject to significant estimates. Refer to Note 1.2, Note 2.3 and Note 2.4 in the Consolidated financial statements.	We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding recognition of revenue. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to rely on, we tested whether they were performed on a consistent basis. We reviewed samples of both project and service contracts to assess whether the method for recognition of revenue was relevant and consistent with the Group's accounting policy. We focused on contract classification, allocation of fixed and variable consideration and cost to the individual performance obligations and timing of transfer of control. For supply-and-installation projects with revenue recognition over time we reviewed a sample of projects and challenged the judgement made by Management in terms of no alternative use of the project. Where a contract contained multiple elements, we considered Management's judgements as to whether they comprised performance obligations that should be accounted for separately, and, in such cases, challenged the significant assumptions used in the allocation of the consideration to each performance obligation. We evaluated and challenged the significant judgements and estimates made by Management in applying the Group's accounting policy to a sample of specific contracts and separable performance obligations of contracts. We tested the point in time when transfer of control occurred by obtaining evidence, including inspecting signed contracts, delivery records, cash receipts and project plans and reconciled the revenue recognised to the underlying accounting records. We obtained a sample of Management's calculations of the degree of completion of project and service contracts, which are accounted for over time, and matched a sample of source data used in Management's calculation to evidence, and evaluated the judgements and assumptions applied. We further challenged the estimated cost to complete and reductions in revenue related to damages or penalties for the sampled contracts. We also considered the historical outcome of accounting estimates made in prior periods. We reviewed the disclosures included in the notes and sample tested disclosures to accounting records.

Key audit matter	How our audit addressed the key audit matter
Warranty provisions The Group's product warranties primarily cover expected costs to repair or replace components with defects or functional errors. Warranties are usually granted for a two-year period from legal transfer of the turbine, however, in certain cases, a warranty of up to five years is granted. We focused on this area as the amounts involved are significant and the completeness and valuation of the expected outcome of warranty cases require significant Management judgement and estimates. This includes the use of significant assumptions concerning expected failure rates and expected repair or replacement costs. Refer to Note 3.6 in the Consolidated financial statements.	We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding provision for warranty. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to rely on, we tested whether they were performed on a consistent basis. We performed substantive audit procedures on the methodology, data, assumptions and model used by Management to calculate the provisions and reviewed a sample of specific warranty cases. We challenged the significant assumptions applied in the valuation of provisions by checking and corroborating the inputs used to calculate the provisions, including interviewing project managers, cost controllers and Management regarding individual cases. We assessed specific warranty provisions held for individual cases to evaluate whether the warranty provisions were sufficient to cover future expected costs and whether the disclosures included in the notes appropriately reflected the estimation uncertainty. Further, we assessed the level of historical warranty claims to assess whether the total warranty provisions held at year-end were sufficient to cover expected costs in light of known and expected cases.
Tax risks The Group operates in a complex multinational tax environment and the Group is part in tax cases with domestic and foreign tax authorities. The Group has recognised provisions in respect of uncertain tax positions. Furthermore, the Group has recognised write-downs on deferred tax assets related to the uncertainty about potential future utilisation of these tax assets. We focused on this area as the amounts involved are material and as the valuation of the provision and deferred tax assets is associated with significant accounting estimates and judgements. Refer to Note 5.1 and Note 5.2 in the Consolidated financial statements.	We carried out risk assessment procedures in order to obtain an understanding of IT systems, business processes and relevant controls regarding recognition for uncertain tax positions and valuation of deferred tax assets. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to rely on, we tested whether they were performed on a consistent basis. In understanding and evaluating Management's accounting estimates and judgements, we considered the status of recent tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and estimates and developments in the tax environment. We used PwC tax specialists to evaluate and challenge the adequacy of Management's significant assumptions and read correspondence with tax authorities to assess Management's significant accounting estimates. We evaluated the Group's model for valuation of deferred tax assets, including the data used to estimate the expected future taxable income. We also considered the historical outcome of accounting estimates made in prior periods. We reviewed the disclosures included in the notes and sample tested disclosures to accounting records.

Statement on Management's Review
Management is responsible for Management's Review, pages 2-46 and pages 120-130.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated financial statements and the Parent Company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements we performed procedures to express an opinion on whether the Annual Report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2023 with the filename VWS-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the Annual Report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated financial statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Annual Report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated financial statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated financial statements.

In our opinion, the Annual Report of Vestas Wind Systems A/S for the financial year 1 January to 31 December 2023 with the file name VWS-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 7 February 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Rune Kjeldsen
State Authorised Public Accountant
mne34160

Independent limited assurance report on the Sustainability key figures

To the stakeholders of Vestas Wind Systems A/S

Vestas Wind Systems A/S ("Vestas") engaged us to provide limited assurance on the Sustainability key figures for the period 1 January – 31 December 2023 described in the section "What are we assuring" and set out in the Annual Report of Vestas on page 11.

Our conclusion
Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the Sustainability key figures for the period 1 January – 31 December 2023 of Vestas stated on page 11 are prepared, in all material respects, in accordance with the accounting policies developed by Vestas as stated on pages 128–130, Notes to Sustainability key figures ("accounting policies").

This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring
The scope of our work was limited to assurance on the Sustainability key figures for the period 1 January – 31 December 2023 on page 11 (the "Sustainability key figures").

We express limited assurance in our conclusion.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gases.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control
We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The Sustainability key figures need to be read and understood together with the accounting policies. The accounting policies used for preparation of the Sustainability key figures are the applied accounting policies developed by Vestas, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure the Sustainability key figures allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work to consider the risk of material misstatements of the Sustainability key figures. In doing so and based on our professional judgement, we:

- Evaluated the appropriateness of the accounting policies used, their consistent application and related disclosures in the Sustainability key figures;
- Made inquiries and conducted interviews with Vestas' Management with responsibility for management and reporting of the Sustainability key figures to assess reporting and consolidation process, use of company-wide systems and controls performed;
- Performed limited substantive testing on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the Sustainability key figures at corporate head office and in relation to selected Vestas reporting sites;
- Performed analytical review and trend explanation of the Sustainability key figures; and
- Evaluated the evidence obtained.

Management's responsibilities
Management of Vestas is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability key figures that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the Sustainability key figures;
- Measuring and reporting the information in the Sustainability key figures based on the accounting policies; and
- The content of the Sustainability key figures for the period 1 January – 31 December 2023.

Our responsibility
We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability key figures for period 1 January – 31 December 2023 are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of Vestas.

Hellerup, 7 February 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Rune Kjeldsen
State Authorsed Public Accountant
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Additional information

- → Quarterly financial and operational key figures
- → Overview of deliveries
- → Definition of terms
- → Selected tax data
- → TCFD reporting overview
- → Notes to Sustainability key figures
- → Disclaimer and cautionary statement

88 countries

In 2023, we installed turbines in Estonia for the first time, bringing the number of countries in which we have installed wind power to a total of 88.

Quarterly financial and operational key figures 2023

Financial highlights

mEUR	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Income statement				
Revenue	**2,829**	**3,429**	**4,353**	**4,771**
– of which onshore wind turbines	1,785	2,107	3,116	3,672
– of which offshore wind turbines	238	418	299	179
– of which Service	806	904	938	920
Gross profit	188	221	351	523
Operating profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	236	132	264	396
Operating profit (EBIT) before special items	40	(70)	70	191
Operating profit (EBIT) after special items	66	(68)	69	225
Profit before tax	31	(130)	28	173
Profit for the period	16	(115)	28	149
Balance sheet				
Net working capital	(167)	(171)	291	(1,507)
Cash flow statement				
Cash flow from operating activities	(974)	48	(31)	1,984
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(107)	(188)	(220)	(308)
Free cash flow before acquisitions of subsidiaries and financial investments	(1,081)	(140)	(251)	1,676
Free cash flow	(1,085)	(110)	(239)	1,679

Financial ratios[1]

mEUR	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Gross margin (%)	6.6	6.4	8.1	11.0
EBITDA margin (%) before special items	8.3	3.8	6.1	8.3
EBIT margin (%) before special items	1.4	(2.0)	1.6	4.0
EBIT margin (%)	2.3	(2.0)	1.6	4.7
Net interest-bearing debt / EBITDA before special items	5.8	3.9	6.0	0.0

Operational key figures

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Order intake (bnEUR)	2.9	2.5	4.9	8.2
Order intake (MW)	3,303	2,333	4,502	8,248
– of which onshore	3,303	2,095	2,402	7,468
– of which offshore	-	238	2,100	780
Order backlog – wind turbines (bnEUR)	19.7	20.0	21.6	26.0
– of which onshore	17.2	17.6	17.0	20.7
– of which offshore	2.5	2.4	4.6	5.3
Order backlog – service (bnEUR)	31.0	31.6	32.4	34.1
– of which onshore	27.5	27.7	28.1	29.3
– of which offshore	3.5	3.9	4.3	4.8
Produced and shipped wind turbines (MW)	2,983	3,656	2,719	2,308
Deliveries (MW)	2,317	2,831	3,641	3,896
– of which onshore	2,103	2,436	3,387	3,744
– of which offshore	214	395	254	152

1 The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios).

Quarterly financial and operational key figures 2022

Financial highlights

mEUR	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Income statement				
Revenue	**2,485**	**3,305**	**3,913**	**4,783**
– of which onshore wind turbines	1,705	2,527	2,723	3,443
– of which offshore wind turbines	157	78	373	325
– of which Service	623	700	817	1,015
Gross profit	22	97	161	(162)
Operating profit before financial income and costs, depreciation and amortisation (EBITDA) before special items	(20)	41	101	(185)
Operating profit (EBIT) before special items	(329)	(182)	(127)	(514)
Operating profit (EBIT) after special items	(894)	(147)	(114)	(441)
Profit before tax	(889)	(139)	(171)	(480)
Profit for the period	(765)	(119)	(147)	(541)
Balance sheet				
Net working capital	(609)	(448)	93	(1,349)
Cash flow statement				
Cash flow from operating activities	(928)	(188)	(614)	1,535
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(193)	(174)	(138)	(253)
Free cash flow before acquisitions of subsidiaries and financial investments	(1,121)	(362)	(752)	1,282
Free cash flow	(1,123)	(381)	(644)	1,274

Financial ratios[1]

mEUR	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Gross margin (%)	0.9	2.9	4.1	(3.4)
EBITDA margin (%) before special items	(0.8)	1.2	2.6	(3.9)
EBIT margin (%) before special items	(13.2)	(5.5)	(3.2)	(10.7)
EBIT margin (%)	(36.0)	(4.4)	(2.9)	(9.2)
Net interest-bearing debt / EBITDA before special items	NA[2]	(0.2)	2.6	NA[2]

Operational key figures

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Order intake (bnEUR)	3.0	2.1	2.0	4.8
Order intake (MW)	2,948	2,153	1,895	4,193
– of which onshore	2,329	2,123	1,895	4,193
– of which offshore	619	30	-	-
Order backlog – wind turbines (bnEUR)	18.9	18.9	18.1	19.1
– of which onshore	15.4	15,4	15.1	16.4
– of which offshore	3.5	3.5	3.0	2.7
Order backlog – service (bnEUR)	30.0	31.3	32.8	30.4
– of which onshore	26.0	27.3	28.9	26.6
– of which offshore	4.0	4.0	3.9	3.8
Produced and shipped wind turbines (MW)	3,969	3,758	2,441	2,938
Deliveries (MW)	2,236	3,140	3,569	4,383
– of which onshore	2,123	3,053	3,187	4,077
– of which offshore	113	87	382	306

1 The ratios have been calculated in accordance with the guidelines from "Finansforeningen" (The Danish Finance Society) (Recommendations and Financial ratios).
2 The ratio of net interest-bearing debt/EBITDA cannot be calculated as at 31 December 2022 as the EBITDA is negative..

Overview of deliveries

MW	2023	2022
Germany	1,486	818
United Kingdom	896	790
France	735	1,002
Finland	723	1,185
Poland	292	957
Netherlands	287	578
Italy	265	256
Austria	197	213
Spain	177	156
Sweden	165	480
Greece	161	215
Egypt	145	82
Portugal	107	46
Estonia	101	-
Romania	72	-
Lithuania	68	-
Belgium	65	123
Denmark	53	95
United Arab Emirates	42	-
South Africa	37	4
Ireland	36	178
Turkey	32	89
Czech Republic	9	-
Faroe Islands	-	14
Latvia	-	59
Norway	-	-
Russian Fed.	-	13
Ukraine	-	114
EMEA	**6,151**	**7,467**
– hereof offshore	563	700

MW	2023	2022
USA	2,079	2,275
Brazil	1,635	1,528
Argentina	420	80
Colombia	332	142
Canada	275	325
Chile	41	128
Dominican Rep.	18	29
Puerto Rico	11	6
Mexico	1	7
Americas	**4,812**	**4,520**
– hereof offshore	-	-
Australia	822	376
Taiwan	458	126
India	193	162
Japan	95	399
New Zealand	84	22
China	21	54
South Korea	21	23
Philippines	13	-
Vietnam	9	179
Sri Lanka	6	-
Asia Pacific	**1,722**	**1,341**
– hereof offshore	452	188
Total	**12,685**	**13,328**
– hereof offshore	1,015	888

↑
The Parkwind Arcadis Ost I offshore wind power plant in the Baltic Sea. The V174-9.5 MW™ turbines were installed using a new floating installation method, an industry-first, instead of the typical method using a jack-up vessel.

Definition of terms

Average Selling Price (ASP)
The value of the order intake (order intake in mEUR) divided by the capacity (order intake in MW).

Capital Employed
Capital Employed is the carrying value/sum of total equity and interest-bearing debt.

Corporate income taxes
Taxes paid in relation to the profit generation of Vestas (also referred to as profit tax). This includes corporate income taxes and withholding taxes paid during the year.

Deliveries
The capacity of wind turbines delivered during the reporting period. The capacity is considered delivered and is deducted from the wind turbine order backlog when the related revenue is recognised. Deliveries on EPC/turnkey and non-standard Supply-and-installation projects are included and deducted from the order backlog over time, based on the percentage of completion.

Dividend per share
Dividend multiplied by the nominal value of the share.

EBIT margin
Operating profit as a percentage of revenue.

EBITDA margin
Operating profit before amortisation, depreciation and impairment as a percentage of revenue.

Earnings per share (EPS)
Profit/loss for the year divided by the average number of shares outstanding.

Employee taxes
Taxes paid (borne) or withheld (collected) in relation to Vestas' people (also referred to as people taxes). These taxes primarily include compulsory social security contributions , unemployment, and healthcare benefits.

Engineering, Procurement and Construction (EPC) projects
Within the Power Solutions segment, Vestas differentiates between three main types of wind power projects: Supply-only, Supply-and-installation, and Engineering, Procurement and Construction (EPC). EPC or turnkey projects, are projects where Vestas supplies the wind turbines, takes care of the installation, and finally also handles commissioning.

Free cash flow
Cash flow from operating activities less cash flow from investing activities.

Free cash flow before acquisitions of subsidiaries, joint ventures, and associates, and financial investments
Cash flow from operating activities less cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates any investments in marketable securities and short-term financial investments.

Gross margin
Gross profit/loss as a percentage of revenue.

IFRS
International Financial Reporting Standards.

IAS
International Accounting Standards.

IASB
International Accounting Standards Board.

Indirect taxes
Taxes generated through transactions across the supply chain and either recognised as operating cost (borne) or received (collected) from customers and settled towards the treasury (also referred to as product taxes). This includes VAT non-refundable, net VAT collection, customs duties, stamp duties, and property taxes.

Investments
Same as 'Cash flow from investing activities'.

iXBRL
iXBRL tags (or inline XBRL tags) are hidden meta-information embedded in the source code of an XHTML document in accordance with the inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

Management's Review
Management's Review comprises:
- In brief
- Strategy and ambitions
- Business area progress
- Governance
- Additional information

Net interest-bearing debt
Net interest-bearing debt is the sum of cash and cash equivalents and financial investments less financial debts.

Net interest-bearing debt/EBITDA before special items
Net interest-bearing debt divided by operating profit before amortization, depreciation, impairment and special items.

Net working capital (NWC)
Inventories, trade and other receivables, contract assets, contract cost, less trade and other payables and contract liabilities.

Order backlog (EUR)
The value of future deliveries and services under firm and unconditional orders. The value of the order backlog is measured as the expected revenue to be recognised in the future, related to performance obligations that are unfulfilled or partially unfulfilled at the end of the period.

Order backlog (MW)
The capacity of future turbine deliveries measured as the total capacity of turbines to be delivered under firm and unconditional orders less deliveries made at the end of the period.

Order intake
Orders that have become firm and unconditional during the period and adjustments to existing contracts measured as either value (EUR) or capacity (MW) .

Pay-out ratio
Total dividend distribution divided by profit/loss for the year.

Reporting segments
In a reporting context, we distinguish between the Power Solutions and Service segments. In this context, Power Solutions covers revenue derived from the three business areas Onshore wind, Offshore wind, and Development.

Return on Capital Employed (ROCE) before special items
Operating profit/loss (EBIT) before special items adjusted for tax (effective tax rate) as a percentage of average capital employed calculated as a 12-month average.

Return on equity
Profit/loss after tax for the year divided by average equity.

Solvency ratio
Equity at year-end divided by total assets.

Supply-and-installation project
In Supply-and-installation projects, Vestas supplies the wind turbines and takes care of the construction of the wind park.

Supply-only project
When selling a Supply-only project, Vestas delivers the wind turbines at site.

Taxes borne
Taxes paid to governments at any level (federal, state, or local) that will or has been recognized as a cost in Vestas' financial statement.

Taxes collected
Taxes collected on behalf of governments at any level (federal, state, or local) that will not be recognized as a cost in Vestas' financial statement.

Selected tax data

Taxes by category

EURm	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	97	178	12	287
Indirect taxes	1,145	102	84	1,331
Employee taxes	527	124	56	707
Total	**1,769**	**404**	**152**	**2,325**

Taxes by category

EUR/FTE*	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	5,309	28,371	1,981	9,378
Indirect taxes	62,754	16,227	13,823	43,516
Employee taxes	28,882	19,820	9,287	23,140
Total	**96,945**	**64,418**	**25,091**	**76,034**

Taxes by category

% of EURm revenue	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	1.2	3.4	0.6	1.8
Indirect taxes	14.0	1.9	4.3	8.7
Employee taxes	6.5	2.4	2.8	4.6
Total	**21.7**	**7.7**	**7.7**	**15.1**

Taxes borne by category

EURm	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	84	170	8	262
Indirect taxes	43	68	24	135
Employee taxes	200	33	13	246
Total	**327**	**271**	**45**	**643**

Taxes borne by category

EUR/FTE*	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	4,580	27,060	1,281	8,535
Indirect taxes	2,382	10,889	3,978	4,442
Employee taxes	10,966	5,283	2,216	8,067
Total	**17,928**	**43,232**	**7,475**	**21,044**

Taxes borne by category

% of EURm revenue	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	1.0	3.2	0.4	1.7
Indirect taxes	0.5	1.3	1.2	0.9
Employee taxes	2.5	0.6	0.7	1.6
Total	**4.0**	**5.1**	**2.3**	**4.2**

Taxes collected by category

EURm	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	13	8	4	25
Indirect taxes	1,102	34	60	1,196
Employee taxes	327	91	43	461
Total	**1,442**	**133**	**107**	**1,682**

Taxes collected by category

EUR/FTE*	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	729	1,312	701	843
Indirect taxes	60,373	5,359	9,845	39,077
Employee taxes	17,915	14,537	7,071	15,073
Total	**79,017**	**21,208**	**17,617**	**54,993**

Taxes collected by category

% of EURm revenue	EMEA	Americas	Asia Pacific	Global
Corporate income taxes	0.2	0.2	0.2	0.2
Indirect taxes	13.5	0.6	3.0	7.8
Employee taxes	4.0	1.7	2.2	3.0
Total	**17.7**	**2.5**	**5.4**	**11.0**

* Excluding employees from Utopus Insights Inc. and SoWiTec Group GmbH.

Selected tax data – continued

VAT receivables (gross)

EURm	EMEA	Americas	Asia Pacific	Global
Total	**144**	**184**	**82**	**410**

VAT receivables (gross)

EUR/FTE[1]	EMEA	Americas	Asia Pacific	Global
Total	**7,895**	**29,356**	**13,567**	**13,419**

VAT receivables (gross)

% of EURm revenue	EMEA	Americas	Asia Pacific	Global
Total	**1.8**	**3.5**	**4.2**	**2.7**

Top five countries by total, borne, and collected

EURm	Total		Borne		Collected
Denmark	328	United States	212	Denmark	213
France	323	Germany	38	France	303
United States	289	Denmark	115	Finland	162
Germany	197	Brazil	35	Germany	159
Poland	188	United Kingdom	32	Poland	180
Other	1,000	Other	211	Other	665
Total	**2,325**	**Total**	**643**	**Total**	**1,682**

Top five countries by tax category

EURm	Corporate income taxes		Indirect taxes		Employee taxes
United States	159	Finland	163	Denmark	279
Denmark	38	United Kingdom	73	United States	88
Germany	11	Poland	179	Germany	47
Turkey	7	France	299	Spain	39
United Kingdom	14	Germany	139	United Kingdom	27
Other	58	Other	478	Other	227
Total	**287**	**Total**	**1,331**	**Total**	**707**

Top five countries total taxes by region

EURm	EMEA		Americas		Asia Pacific
Denmark	192	United States	289	China	20
Germany	183	Brazil	52	India	15
Finland	181	Canada	28	Australia	81
France	143	Colombia	8	New Zealand	5
Poland	130	Mexico	9	Taiwan	19
Other	940	Other	18	Other	12
Total	**1,769**	**Total**	**404**	**Total**	**152**

TCFD reporting overview

Below is an overview of the 11 TCFD recommendations and where to find our 2023 disclosures regarding the topic in question. The Vestas Sustainability Report 2023, the CDP (Carbon Disclosure Project) Climate questionnaire 2023 and the Vestas Climate Risk Report 2023 can all be found on our corporate website, go to: vestas.com/en/investor/reporting/2023

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

TCFD Recommended Disclosures	Our reporting
Describe the board's oversight of climate-related risks and opportunities.	– CDP, Climate questionnaire 2023, section C1
Describe management's role in assessing and managing climate related risks and opportunities	– Annual Report 2023, Risk governance and main risks, pages 43-44 – CDP, Climate Change Questionnaire 2023, section C1

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

TCFD Recommended Disclosures	Our reporting
Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.	– Annual Report 2023, Strategy and ambitions, pages 16-21 – CDP, Climate questionnaire 2023, section C2 – Vestas Climate Risk Report 2023, pages 6 -7
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	– Annual Report 2023, Strategy and ambitions, pages 16-21 – CDP, Climate questionnaire 2023, section C3 – Vestas Climate Risk Report 2023, pages 6-9
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	– CDP, Climate questionnaire 2023, section C3

Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

TCFD Recommended Disclosures	Our reporting
Describe the organisation's processes for identifying and assessing climate related risks.	– Annual Report 2023, Risk governance and main risks, pages 43-44 – CDP, Climate questionnaire 2023, section C2 – Vestas Climate Risk Report 2023, pages 3-5
Describe the organisation's processes for managing climate-related risks.	– Annual Report 2023, Risk governance and main risks, pages 43-44 – CDP, Climate questionnaire 2023, sections C1 and C2 – Vestas Climate Risk Report 2023, page 2, 8 and 9
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	– Annual Report 2023, Risk governance and main risks, pages 43-44 – Vestas Climate Risk Report 2023, page 2 and 9 – CDP, Climate questionnaire 2023, section C1 and C2

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCFD Recommended Disclosures	Our reporting
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	– Annual Report 2023, Sustainability highlights, page 8 – Sustainability Report 2023, page 7 and 17-21
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	– Annual Report 2023, Sustainability highlights, page 8 – Sustainability Report 2023, pages 17-21 and 57 – CDP, Climate questionnaire 2023, sections C2, C4, and C6
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	– Annual Report 2023, Sustainability highlights, page 8 – Sustainability Report 2023, page 7, 17-21 and 57

Notes to Sustainability key figures

Basis for preparation of the statement

General reporting approach
The below description of accounting policies refers to the environmental, social, and governance indicators presented on page 11.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start, and companies are excluded from the reporting from the specific time when they leave Vestas' control. Acquired companies are included from the specific time when coming under Vestas' control.

Defining materiality
Vestas performs its materiality assessment based on an analysis of significant economic, environmental and social impacts of the company's activities. The analysis is based on internal priorities as well as experience from dialogue with and direct involvement of customers, investors, policy makers, employees, and media. The result of the analysis is incorporated in the Vestas Sustainability Report, which is published on an annual basis. In 2023 Vestas has continued to drive and report on progress in line with the materiality assessment conducted in 2020, see the Sustainability Report 2023, pages 10-11.

Environmental

Vestas' environmental key figures encompass the Vestas Group in an operational control perspective (including owned and leased entities) ensuring a comprehensive and accurate statement of these figures. This approach applies to all environmental indicators that are reported for the accounting period, based on data registered locally in the Vestas reporting system, consolidated on Group level.

Utilisation of resources
Consumption of energy (GWh)
This indicator includes electricity, gas, oil, biomass, LPG, diesel, gasoline, marine gas oil and district heating. Energy is reported based on quantities consumed, including cars owned and leased by Vestas, employee benefit cars, and fuel for transportation on project sites, production equipment, and machinery. Consumption of electricity comprises electricity purchased externally. Oil for heating is based on external purchases and meter readings at the end of the reporting period.

'Of which renewable energy (GWh)': Electricity and heating from renewable energy sources are calculated on the basis of renewable energy certificates for electricity (RECs) and supplier statements. Renewable share of fuel for transport is based on local renewable energy mix in line with fuel specific legal requirements and where legal requirements are exceeded the added renewable energy is based on supplier statements.

'Of which renewable electricity (GWh)': Electricity from renewable energy sources is calculated on the basis of renewable energy certificates (RECs) and supplier statements. Only 100 percent renewable electricity is counted as renewable electricity.

Renewable energy (%)
Percentage of renewable energy is based on total consumption of energy.

Renewable electricity for own activities (%)
Percentage of renewable electricity for own activities is based on total consumption of electricity.

Withdrawal of fresh water (1,000 m³)
The withdrawal of water is measured by withdrawal of fresh water based on supplier statements and metre readings.

Waste
Volume of waste from own operations (1,000 tonnes) and - of which collected for recycling (1,000 tonnes)
Volume of waste is based on weight which is calculated on the basis of supplier statements, internal weighing, destination certificates, etc. Waste disposal method is based on supplier statements.

Recyclability rate of hub and blade (%)
Recyclability rate of hub and blade is calculated as the recyclable share of the total rotor (i.e. hub and blade) mass. The measure is based on the material composition of all turbine types that were produced and shipped in the reporting year. Recyclability rates of different materials and component types are quantified and estimated based on information from life cycle assessment (LCA) reports. During 2023 the recyclability rate of blades has been adjusted to reflect the latest development in technology related to our CETEC project. This means that all epoxy-infused blades are 100 percent recyclable, which increases the overall rotor recyclability.

Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)
Material efficiency is defined as the total tonnes of non-recycled waste materials from Vestas' own manufacturing per MW capacity produced and shipped during the reporting period. Non-recycled waste materials include those that are incinerated or landfilled.

CO_2e emissions
Carbon emissions are measured using the carbon dioxide equivalent (CO_2e) to include all relevant greenhouse gasses according to the Greenhouse Gas Protocol. A distinction is made between scope 1, 2, and 3 emissions, as also defined by the Greenhouse Gas Protocol.

Direct emissions of CO_2e (scope 1) (1,000 t)
Scope 1: Direct emissions of CO_2e are calculated based on determined amounts of fuel for own transport and the direct consumption of fossil-based fuels (e.g., oil and gas), with the usage of standard factors published by the UK Department for Business, Energy & Industrial Strategy (BEIS) (2023).

Indirect emissions of CO_2e (scope 2) (1,000 t)
Scope 2: Covers emissions released in connection with the consumption of purchased electricity and heat. Indirect market-based emissions of CO_2e from consumption of electricity are calculated using national grid emission factors published by the International Energy Agency (2023). Indirect CO_2e emissions from district heating are calculated using BEIS (2023) emission factors.

Indirect emissions of CO_2e from the supply chain (scope 3) (million t)
Scope 3: Indirect emissions of CO_2e from the value chain are reported based on the Greenhouse Gas Protocol. Scope 3 categories 8, 9, 10, 11, 13 and 15 are immaterial for Vestas and category 14 is not applicable.

Wind plant: The largest part of the emissions is in category 1 'Purchased goods and services', emissions from materials going into products are calculated based on LCAs following ISO 14040 & 14044, publicly available at vestas.com. The CO_2e emissions of different materials and component types are based on the total quantity of annual produced and shipped turbines and the material composition of the individual turbine types as stated in the LCA reports. Based on this, the global material mass balance is calculated for all materials consumed during the production and CO_2e emissions are calculated using GaBi (2023) emission factors per material group for raw materials used in production and manufacturing processes. The actual steel mass for all produced and shipped turbines is used to calculate global CO_2e emissions for the raw material production of steel and for foundation materials. The CO_2e emissions from concrete and steel used in foundations is based on the same LCA reports as the remaining material groups.

Construction: The CO_2e emissions emitted during the construction of a wind farm is estimated based on the quantity of diesel-fuel consumed per wind turbine produced and shipped in markets in which Vestas is responsible for installing the wind turbine. LCA studies for the diesel combustion per turbine installation and respective BEIS emission factors (2023) are applied.

Service: CO_2e emissions from service operations are estimated using the quantity of spare parts that are replaced and repaired in the reporting year, as well as expected repair and replacement levels. GaBi (2023) emission factors for the raw materials are applied to estimate global CO_2e emissions.

Capital goods: (category 1) Other purchased goods and services and capital goods (category 2) and waste generated in operations (category 5) are estimated based on spend data using BEIS factors (2023) for Indirect emissions from the supply chain (2011). Fuel- and energy-related activities are calculated using BEIS factors for emissions related to the production of fuel and NREL factors (2019) for renewable electricity and IEA factors (2023) for grid electricity.

Transportation: Emissions from upstream transportation (category 4) are based on supplier information and estimated based on the LCA reports for weight and distance of components transported and BEIS (2023) carbon emissions factors. Business travel (category 6) emissions for air flights, hotels and rental cars are activity-based data provided by the travel agency used for all bookings. Employee commuting (category 7) is reported on daily commute by car, which is estimated based on the average number of FTEs and a selected sample of commuting distance. It applies standard factors published by the BEIS (2023).

End-of-life treatment: Of sold products (category 12) is estimated based on material composition of all produced and shipped wind turbines in the reporting year. For materials that are not recyclable, an average GaBi (2023) emission factor for inert landfill is applied.

Indirect emissions of CO_2e from the supply chain (scope 3) (kg per MWh generated)

The amount of MWh generated is based on the number and type of wind turbines produced and shipped in the financial year along with values for wind turbine capacity factor and site-specific lifetime. Vestas applies an expected lifetime based on site- specific agreed lifetimes where this differs from the standard design lifetime. In relation to the target to reduce carbon emissions in the value chain, indirect emissions of CO_2e from the value chain per MWh generated include 70 percent of the scope 3 emissions.

Products

Expected CO_2e avoided over the lifetime of the capacity produced and shipped during the period (million tonnes)

This is based on total wind turbines (MW) produced and shipped during the reporting period. A weighted average capacity factor was applied in 2023, based on actual hourly performance data from the wind turbine types produced and shipped in the reporting year. Vestas applies an expected lifetime based on site-specific agreed lifetimes where this differs from the standard design lifetime. The expected CO_2e avoided over the lifetime of the wind turbines is calculated using the latest updated standard factor of global average carbon emissions for electricity from the International Energy Agency (2023).

Expected annual CO_2e avoided by the total aggregated installed fleet (million tonnes)

Expected annual CO_2e avoided by the total aggregated installed fleet is calculated on one year operation of total annual installed capacity and global average CO_2e emissions. Vestas applies a fleet average capacity factor from 2023. The expected annual CO_2e avoided is based on the latest updated standard factor of global average carbon emissions for electricity from the International Energy Agency (2023).

Social

Safety

Total Recordable Injuries (number)

The total recordable injuries (TRI) include fatalities, lost time incidents, restricted work injuries and medical treatment injuries.

TRI includes injuries for employees and externally employed workers under Vestas' supervision. Supervision of an external worker is day-to-day working directions.

'Of which Lost Time injuries (number)': The lost time injuries are based on incidents reported in Vestas' reporting system, with more than one day of absence from work, including externally employed workers under Vestas' supervision.

'Of which fatal injuries (number)': The fatal injuries are based on incidents reported in Vestas' reporting system, including externally employed workers under Vestas' supervision.

Total Recordable Injuries per million working hours (TRIR)

Total Recordable Injury Rate (TRIR) represents all injuries reported in the Vestas reporting system per one million working hours, including externally employed workers under Vestas' supervision.

Lost Time Injuries per million working hours (LTIR)

Lost Time Injuries are injuries that have caused at least one workday of absence after the day of the injury per one million working hours. The Lost Time Injury Rate (LTIR) represents all Lost Time injuries reported per one million working hours. The number of working hours and external supervised workers are registered and measured on the same basis as the Total Recordable Injuries. The LTIR includes fatalities.

The number of working hours is measured on the basis of hours registered in the system for hourly-paid employees, and prescribed working hours for salaried employees excluding e.g. holidays, absence due to illness and maternity leave.

Employees

Average number of employees (FTEs)

The average number of employees is calculated as the twelve-month average number of full-time equivalents (FTEs). The employees included are under Vestas' financial control (i.e. have standard and temporary contracts directly with Vestas).

Employees at the end of the period (FTEs)

Employees at the end of the period are calculated based on total full-time equivalents (FTE). The employees included are under Vestas' financial control (i.e. have standard and temporary contracts directly with Vestas).

Diversity and inclusion

The share of women in the Board, the Executive management team and leadership positions are calculated based on headcounts at the end of the reporting period. Headcount is based on number of individuals employed , irrespective of contract (full-time/part-time).

Women in the Board and Executive Management team at the end of the period (%)

Women in the Board and Executive Management team is the share of women among the members of the Board who are elected by the Annual General Meeting and the share of women among the members of the Executive Management team combined.

Women in leadership positions at the end of the period (%)

The share of women in leadership positions is calculated based on headcounts at the end of the reporting period. The parameter is calculated based on the number of women in leadership positions divided by the total number of leadership positions. Employee information is from the company's ordinary registration systems with specification of gender and management level. Leadership positions comprise managers, specialists, project managers, and above.

Human rights

Community grievances (number)

The number of community grievances is calculated based on incidents registered in the reporting system. The measure "Community grievances" covers the total number of community complaints registered in the reporting system in the reporting year. Vestas registers and handles community incidents caused by Vestas or its contractors on communities that turn into a grievance, where a "community" is a person or group that is either directly or indirectly affected by Vestas or Vestas' activities. The cases occur in connection with a wind farm project and its associated facilities (e.g. accommodation facilities), a Vestas factory or a Vestas Research and Development Centre.

Community beneficiaries (number)

Community beneficiaries are defined as individuals that have benefitted by participating in Vestas' community development initiatives intended to upgrade skills or by receiving financial or equivalent aid.

These initiatives are implemented during the reporting period in connection to a wind farm project and associated facilities, a Vestas factory, or Vestas Research and Development Centre.

Community development initiatives are identified in collaboration with local stakeholders, such as local authorities and members of the local community to ensure that the initiatives meet local needs.

This indicator only includes defined community members that benefit directly. It does not include Vestas employees or community members in cases where the number of beneficiaries is undefined e.g. installation of solar cells on a village health clinic. Where the beneficiary is a household, Vestas calculates the total beneficiaries based on the average number of individuals per household defined by the UN Department of Economic and Social Affairs (UN 2017).

Social Due Diligence on projects in scope (%)

This measures the share of wind power projects, materialised as firm orders, that have been subject to social due diligence (SDD) processes in the reporting period. Wind farm projects in scope for SDD are: 1) Engineering, Procurement and Construction (EPC) projects in emerging markets; 2) all Supply-and-installation projects of 100 MW or above in emerging markets; and 3) projects in OECD countries with a risk rating of 'Extreme' or 'High' according to the Verisk Maplecroft's "Indigenous People" risk index on risks related to indigenous people's lands, territories or livelihoods under threat. In this context, 'Emerging markets' are defined as non-OECD, high-income countries, as defined by the World Bank classifications. SDD procedures include: 1) a high-level country assessment; 2) 'Know Your Customer' assessment; and 3) an in-depth project assessment on social matters.

Governance

Whistle-blower system

EthicsLine cases (number)

All whistleblower cases reported to the EthicsLine whistleblower hotline are investigated by the EthicsLine function supported by the relevant Ethics Committee, with the purpose of identifying whether a violation of the Code of Conduct has taken place.

Of which substantiated (number) or unsubstantiated (number): Upon the completion of the investigation, cases are classified as either substantiated or unsubstantiated. At the end of the reporting year, the variance between the total number of reported cases and the combined total of substantiated and unsubstantiated cases are calculated to identify the number of open cases still under investigation. These are expected to be assessed during the following reporting year, and included in the number of substantiated or unsubstantiated cases in the reporting year when the case is closed.

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 (available at www.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.

Want to read more?

Find the full reporting for 2023 at vestas.com

Our Sustainability Report
Mandatory annual statutory sustainability reporting in accordance with the Danish Financial Statements Act on 99a and the EU Sustainable Finance Taxonomy can be found in our Sustainability Report 2023.

Our Corporate Governance Report
Prepared in accordance with section 107b of the Danish Financial Statements Act. Describes our compliance with the Danish Committee on Corporate Governance recommendations.

Our Remuneration Report
Prepared in accordance with the EU Shareholder Rights Directive II and contains a transparent and comprehensive overview of the remuneration of our Board and Executive Management.

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