Vestas

Company Announcement No.17/2023

Interim Financial Report
Third Quarter 2023

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

Wind. It means the world to us.™

Contents

Conference call (audiocast)
On Wednesday 8 November 2023 at 10 am CET (9 am GMT), Vestas will host a conference call with a presentation on the results. The presentation will be audiocast and can be viewed live or replayed via vestas.com.

The presentation will be held in English and will conclude with a Q&A. Details on how to register for the Q&A are to be found at vestas.com/en/investor.

Contact details
Vestas Wind Systems A/S, Denmark

Investors/analysts:
Daniel Patterson, Vice President
Investor Relations
Tel: +45 2669 2725

Media:
Anders Riis, Vice President
Communications
Tel: +45 4181 3922

Summary

Summary: Quarterly revenue of EUR 4.4bn with an EBIT margin before special items of 1.6 percent. Order intake of 4.5 GW and record-high combined order backlog of EUR 54.0bn. Full-year guidance narrowed.

In the third quarter of 2023, Vestas generated revenue of EUR 4,353m – an increase of 11.2 percent compared to the year-earlier period. EBIT before special items amounted to EUR 70m, resulting in an EBIT margin before special items of 1.6 percent, compared to (3.2) percent in the third quarter of 2022.

Free cash flow[1)] amounted to EUR (251)m compared to EUR (752)m in the third quarter of 2022.

The quarterly intake of firm and unconditional wind turbine orders amounted to 4,502 MW, a 138 percent increase from third quarter 2022. The value of the wind turbine order backlog was EUR 21.6bn as at 30 September 2023.

In addition to the wind turbine order backlog, at the end of the quarter, Vestas had service agreements with expected contractual future revenue of EUR 32.4bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 54.0bn – an increase of EUR 6.0bn compared to the year-earlier period.

Based on the results for the first nine months, we are narrowing our full-year guidance. We now expect revenue to range between EUR 14.5bn-15.5bn (previously EUR 14.0bn-15.5bn), including Service, which is still expected to grow around 10 percent.

The outlook for EBIT margin before special items is narrowed to 0-2 percent (previously (2)-3 percent), with the Service EBIT margin now expected to be approx. 21 percent (previously approx. 22 percent). Total investments[1)] are expected to amount to approx. EUR 0.8bn (previously approx. EUR 1bn) in 2023.

Group President & CEO Henrik Andersen said: *"Vestas' positive momentum increased in the third quarter of 2023, and we continued the gradual improvement in our execution and profitability. In the quarter, we had an EBIT margin of 1.6 percent, which was achieved through higher gross margin and increased pricing on deliveries. Based on our results for the first nine months, we remain on track to become profitable in 2023 and are narrowing our guidance for the full year. In the quarter, we achieved revenue of EUR 4.4bn, an 11 percent growth year-on-year, which was driven by higher value of delivered projects, stable volumes and continued solid Service performance. Despite continued market design and permitting challenges, we saw strong commercial activity with underlying stable pricing and received 4.5 GW of orders, including 2.1 GW for our V236-15.0 MW offshore turbine. With around 50 days left of 2023, Vestas remains fully focused on becoming profitable again while strengthening our commercial and operational discipline. We would like to thank our customers, partners and 29,000 colleagues for their support and passion for powering the energy transition and Vestas forward."*

Key highlights

Order intake of 4.5 GW
Wind turbine orders more than doubled year-on-year driven by Offshore and higher activity in North America and Europe.

Positive earnings from operations
Return to profitability reflects good execution in the quarter and gradual improvements in project profitability.

Revenue of EUR 4.4bn
Growth of 11 percent year-on-year driven by higher value of turbine deliveries, stable volumes, and double-digit growth in Service.

EBIT margin of 1.6 percent
Profitability improvement driven by higher gross margin, better pricing and solid performance and profitability in Service.

Outlook narrowed
On track to deliver positive EBIT in 2023.

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

Financial and operational key figures

mEUR	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Financial key figures					
Income statement					
Revenue	4,353	3,913	10,611	9,703	14,486
Gross profit	351	161	760	280	118
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	264	101	632	122	(63)
Operating profit/(loss) (EBIT) before special items	70	(127)	40	(638)	(1,152)
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	263	103	659	(317)	(437)
Operating profit/(loss) (EBIT)	69	(114)	67	(1,155)	(1,596)
Net operating profit after tax (NOPAT)	69	(98)	67	(992)	(1,071)
Net financial items	(32)	(65)	(124)	(65)	(110)
Profit/(loss) before tax	28	(171)	(71)	(1,199)	(1,696)
Profit/(loss) for the period	28	(147)	(71)	(1,031)	(1,572)
Balance sheet					
Balance sheet total	20,857	20,447	20,857	20,447	20,090
Equity	2,981	3,727	2,981	3,727	3,060
Investments in property, plant, and equipment	124	85	295	267	371
Net working capital	291	93	291	93	(1,349)
Capital employed	6,399	6,155	6,399	6,155	5,487
Interest-bearing position (net), end of the period	(1,622)	(1,195)	(1,622)	(1,195)	46
Interest-bearing debt, at the end of the period	3,418	2,428	3,418	2,428	2,427
Cash flow statement					
Cash flow from operating activities	(31)	(614)	(957)	(1,730)	(195)
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(220)	(138)	(515)	(505)	(758)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(251)	(752)	(1,472)	(2,235)	(953)
Free cash flow	(239)	(644)	(1,434)	(2,148)	(874)
Financial ratios[1)]					
Financial ratios					
Gross margin (%)	8.1	4.1	7.2	2.9	0.8
EBITDA margin (%) before special items	6.1	2.6	6.0	1.3	(0.4)
EBIT margin (%) before special items	1.6	(3.2)	0.4	(6.6)	(8.0)
EBITDA margin (%)	6.0	2.6	6.2	(3.3)	(1.2)
EBIT margin (%)	1.6	(2.9)	0.6	(11.9)	(11.0)
Return on capital employed (ROCE)[2)] (%) before special items	(7.3)	(8.2)	(7.3)	(8.2)	(18.5)
Net interest-bearing debt / EBITDA[2)] before special items	3.6	2.6	3.6	2.6	N/A
Solvency ratio (%)	14.3	18.2	14.3	18.2	15.2
Return on equity[2)] (%)	(19.7)	(24.8)	(19.7)	(24.8)	(43.9)
Share ratios					
Earnings per share[3)] (EUR)	(0.6)	(1.0)	(0.6)	(1.0)	(1.6)
Dividend per share (EUR)	-	-	-	-	-
Pay-out ratio (%)	-	-	-	-	-
Share price at the end of the period (EUR)	20.3	19.0	20.3	19.0	27.2
Number of shares at the end of the period (million)	1,010	1,010	1,010	1,010	1,010
Operational key figures					
Order intake (bnEUR)	4.9	2.0	10.3	7.1	11.9
Order intake (MW)	4,502	1,895	10,138	6,996	11,189
Order backlog – wind turbines (bnEUR)	21.6	18.1	21.6	18.1	19.1
Order backlog – wind turbines (MW)	20,966	19,287	20,966	19,287	19,623
Order backlog – service (bnEUR)	32.4	29.9	32.4	29.9	30.4
Produced and shipped wind turbines (MW)	2,719	2,441	9,358	10,168	13,106
Produced and shipped wind turbines (number)	649	591	2,073	2,489	3,126
Deliveries (MW)	3,641	3,569	8,789	8,945	13,328

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

Sustainability key figures

	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Environmental					
Utilisation of resources					
Consumption of energy (GWh)	125	156	470	487	641
- of which renewable energy (GWh)	50	57	149	178	231
- of which renewable electricity (GWh)	36	51	116	152	187
Renewable energy (%)	40	37	32	37	36
Renewable electricity for own activities (%)	100	100	100	100	100
Withdrawal of fresh water (1,000 m^3)	86	113	217	274	341
Waste					
Volume of waste from own operations (1,000 t)	9	10	32	36	47
- of which collected for recycling (1,000 t)	5	7	21	20	26
Recyclability rate of hub and blade[1)] (%)	//	//	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.4	1.1	1.1	1.6	1.6
Carbon emissions adjusted for acquisitions and divestments					
Direct emissions of CO_2e (scope 1) (1,000 t)	20	24	78	72	98
Indirect emissions of CO_2e (scope 2) (1,000 t)	0.1	0.1	0.7	1.1	1.8
Indirect emissions of CO_2e from the supply chain (scope 3)[1)] (million t)	//	//	//	//	8.18
Indirect emissions of CO_2e from the supply chain (scope 3)[1)] (kg per MWh generated)	//	//	//	//	6.46
Products					
Expected CO_2e avoided over the lifetime of the MW produced and shipped during the period (million t)	85	80	291	304	408
Annual CO_2e avoided by the total aggregated installed fleet (million t)	231	225	231	225	219
Social					
Safety					
Total Recordable Injuries (number)	56	50	165[2)]	149	200
- of which Lost Time Injuries (number)	27	9	70	52	73
- of which fatal injuries (number)	0	0	1	0	0
Total Recordable Injuries per million working hours (TRIR)	3.5	3.5	3.2	3.3	3.3
Lost Time Injuries per million working hours (LTIR)	1.6	0.6	1.4	1.1	1.2
Employees					
Average number of employees (FTEs)	29,680	28,387	29,133	28,906	28,779
Employees at the end of the period (FTEs)	29,986	28,286	29,986	28,286	28,438
Diversity and inclusion					
Women in the Board and Executive Management at the end of the period (%)	21	27	21	27	25
Women in leadership positions at the end of the period (%)	24	22	24	22	23
Human rights[1)]					
Community grievances (number)	//	//	//	//	13
Community beneficiaries (number)	//	//	//	//	7,572
Social Due Diligence on projects in scope (%)	//	//	//	//	65
Governance					
Whistle-blower system[1)]					
EthicsLine compliance cases (number)	//	//	//	//	539
- of which substantiated	//	//	//	//	137[3)]
- of which unsubstantiated	//	//	//	//	358[3)]

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

1) Data only reported on an annual basis.
2) Note that the reported number of Total Recordable Injuries for second quarter 2023 has been adjusted from 73 to 65 due to retroactive recategorisation.
3) The number reflects a status quo, with the final substantiation rate only to be seen in connection with the full-year reporting 2023.

Group financial performance

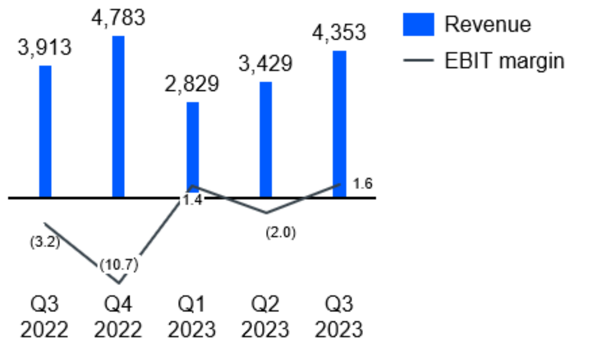
Income statement

Revenue

Revenue in the third quarter of 2023 amounted to EUR 4,353m (Q3 2022: EUR 3,913m), an increase of 11.2 percent year-on-year, mainly driven by MW delivered at higher prices in Power Solutions and increasing Service activity. Revenue for the third quarter of 2023 reflected a negative impact of EUR 282m from foreign exchange rates compared to 2022.

For the first nine months of the year, revenue amounted to EUR 10,611m (9M 2022: EUR 9,703m), an increase of 9.4 percent year-on-year, mainly driven by the same factors impacting the quarter. Revenue for the first nine months of 2023 reflected a negative impact of EUR 469m from foreign exchange rates compared to 2022.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 351m in the third quarter of 2023, corresponding to a gross margin of 8.1 percent (Q3 2022: EUR 161m; 4.1 percent), which is a 4.0 percentage point increase compared to the third quarter of 2022. The increase was mainly attributable to the Power Solutions segment and increased pricing together with easing of supply chain disruptions as well as increased activity in the Service segment.

Gross profit in the first nine months of 2023 amounted to EUR 760m, equal to a margin of 7.2 percent of revenue (9M 2022: EUR 280m; 2.9 percent). The increase was attributable to increased revenue in both segments as well as improved margins in Power Solutions. In addition, gross profit in the first nine months of 2023 reflects lower depreciations and amortisations of offshore assets due to impairment of the V164/V174 offshore technology and related assets recognised in 2022.

Warranty costs

Warranty costs amounted to EUR 262m in the third quarter of 2023 (Q3 2022: EUR 177m). The warranty cost is equivalent to a warranty ratio of 6.0 percent of revenue and on a higher level than last year (Q3 2022: 4.5 percent).

For the first nine months of 2023, warranty costs amounted to 5.1 percent of revenue, on par with the first nine months of 2022.

Research and development costs, Distribution costs and Administration costs[1]

Research and development costs recognised in the income statement amounted to EUR 97m in the third quarter of 2023, on a higher level compared to last year (Q3 2022: EUR 85m). The increase was driven by higher IT and employee costs. For the first nine months of the year, research and development costs amounted to EUR 271m (9M 2022: EUR 317m). The decrease was mainly attributable to lower depreciations.

Distribution costs amounted to EUR 117m in the third quarter of 2023 (Q3 2022: EUR 117m). For the first nine months of the year, distribution costs amounted to EUR 335m (9M 2022: EUR 339m).

Administration costs amounted to EUR 81m in the third quarter of 2023. on the same level as last year (Q3 2022: EUR 86m). For the first nine months of the year administration costs amounted to EUR 300m (9M 2022: EUR 262m). The increased costs were mainly driven by higher employee costs.

Depreciations, amortisations, and impairments

In the third quarter of 2023, overall depreciations, amortisations, and impairments before special items amounted to EUR 194m (Q3 2022: EUR 228m). The decrease was mainly attributable to lower depreciations in the Offshore business due to the impairment losses recognised on the V164/V174 offshore technology and related assets in 2022.

For the first nine months of the year, overall depreciations, amortisations, and impairments before special items amounted to EUR 592m (9M 2022: EUR 760m). The decrease was mainly attributable to impairment losses recognised on the V164/V174 offshore technology in the first quarter of 2022 and lower depreciations following the impairment losses.

Sale of technology

Sale of technology includes consideration received in the first nine months of 2023 of EUR 147m relating to a perpetual manufacturing license granted to KK Wind Solutions under the agreement of the sale of the converters and controls business.

[1] During the third quarter of 2023, costs of EUR 27m were reclassified from Administration costs to Research and Development costs (EUR 17m), Distribution costs (EUR 4m) and Production cost (EUR 6m). The reclassification was recognised based on the nature of the costs and consistent with prior years' classification.

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 14m in the third quarter and EUR 39m in the first nine months of 2023. The income is mainly related to sale of development projects in the USA.

Operating profit (EBIT) before special items
EBIT before special items amounted to EUR 70m in the third quarter of 2023, equivalent to an EBIT margin of 1.6 percent (Q3 2022: negative EUR 127m; negative 3.2 percent). The increased margin was mainly driven by improved profitability in Power Solutions and higher activity in Service.

For the first nine months of 2023, EBIT before special items amounted to EUR 40m, equal to an EBIT margin of 0.4 percent (9M 2022: negative EUR 638m; negative 6.6 percent). The improvement was primarily driven by improved profitability in the Power Solutions segment, the sale of the converters and controls business and higher activity in the Service segment. Furthermore, the first quarter of 2022 was impacted by additional warranty provision and impairment of offshore technology and related assets.

Operating profit (EBIT) after special items
In the third quarter of 2023, EBIT after special items amounted to EUR 69m (Q3 2022: negative EUR 114m).

EBIT after special items in the first nine months of 2023 amounted to EUR 67m, equivalent to an EBIT margin after special items of 0.6 percent (9M 2022: negative EUR 1,155m; negative 11.9 percent). This reflects special items income of EUR 27m, mainly related to reversal of previously recognised write-downs of inventories related to manufacturing footprint adjustments in India and China.

Income from investments in joint ventures and associates
Income from investments in joint ventures and associates amounted to a loss of EUR 9m in the third quarter (Q3 2022: income of EUR 8m) and a total loss of EUR 14m in the first nine months of 2023 (9M 2022: income of EUR 21m). The loss was mainly related to Vestas' investment in Copenhagen Infrastructure Partners.

Net financial items
Financial items amounted to a net loss of EUR 32m in the third quarter of 2023 (Q3 2022: loss of EUR 65m) and a net loss of EUR 124m for the first nine months of 2023 (9M 2022: loss of EUR 65m). Financial items are primarily driven by increasing exchange rate losses in high inflated countries, most significant in South America, as well as a higher level of interest expenses from increasing financial debt and interest levels.

Income tax
Income tax amounted to EUR 0 in the third quarter and in the first nine months of the year (effective tax rate of 0 percent). The effective tax rate in the first nine months of 2022 amounted to 14 percent.

Net result for the period
Net result amounted to EUR 28m in the third quarter of 2023 (Q3 2022: loss of EUR 147m). The net result for the first nine months of 2023 amounted to a loss of EUR 71m (9M 2022: loss of EUR 1,031m). The net result in the first nine months of 2022 was significantly impacted by special items recognised in the first half 2022 related to Russia's invasion of Ukraine as well as adjustments to the manufacturing footprint in India and China.

Financial ratios
Earnings per share calculated over a 12-month period amounted to negative EUR 0.6 in the third quarter of 2023 (Q3 2022: negative EUR 1.0). The increase of EUR 0.4 was driven by improved earnings in 2023.

Return on capital employed (ROCE) before special items calculated over a 12-month period was negative 7.3 percent in the third quarter of 2023 (Q3 2022: negative 8.2 percent), an improvement compared to 2022 driven by improved earnings.

Return on equity (RoE) calculated over a 12-month period was negative 19.7 percent in the third quarter of 2023 (Q3 2022: negative 24.8 percent), an increase of 5.1 percentage points, attributable to improved earnings in 2023 compared to last year.

Working capital and free cash flow
Net working capital
Net working capital amounted to a net asset of EUR 291m as at 30 September 2023. In the third quarter of 2023, net working capital reflects decreasing contract liabilities following a high level of execution on projects (30 June 2023: net liability of EUR 171m). The first nine months of 2023 were negatively impacted by build-up of inventories and decreasing supplier payables (31 December 2022: net liability of EUR 1,349m).

Cash flow from operating activities
Cash flow from operating activities was negative EUR 31m in the third quarter of 2023 (Q3 2022: negative EUR 614m) and negative EUR 957m in the first nine months of 2023 (9M 2022: negative EUR 1,730m). The improvement compared to third quarter and the first nine months of 2023 last year was most significantly driven by lower outflows related to suppliers and subcontractors.

Cash flow from investing activities
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to a net outflow of EUR 220m in the third quarter of 2023 (Q3 2022: net outflow of EUR 138m) and a net outflow of EUR 515m in the first nine months of 2023 (9M 2022: net outflow of EUR 505m). The quarter reflects increased investments in property, plant, and equipment related to offshore activity. Note that third quarter 2022 benefitted from proceeds from the disposal of our Lauchhammer facilities in Germany.

Free cash flow
Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 251m in the third quarter of

2023 (Q3 2022: negative EUR 752m) and negative EUR 1,472m in the first nine months of 2023 (9M 2022: negative EUR 2,235m). The positive development year over year was mainly driven by an improved cash flow from operating activities.

Capital structure and financing items

Equity and solvency ratio

As at 30 September 2023, total equity amounted to EUR 2,981m (30 September 2022: EUR 3,727m). The decrease compared to third quarter of 2022 was mainly attributable to the negative net profit in the last quarter of 2022 also causing the solvency ratio to drop 3.9 percentage points to 14.3 percent as at 30 September 2023.

Net interest-bearing debt and cash position

As at 30 September 2023, the net interest-bearing debt amounted to EUR 1,622m (30 September 2022: EUR 1,195m). This development compared to 2022 was a result of negative free cash flow.

Cash and cash equivalents amounted to EUR 1,696m as at 30 September 2023, compared to EUR 1,139m at the end of the third quarter of 2022.

The ratio net interest-bearing debt/EBITDA calculated over a 12-month period was 3.6 as at 30 September 2023, compared to 2.6 at the end of the third quarter of 2022. The ratio was impacted by an increasing net interest-bearing debt.

In March 2023, Vestas obtained EUR 1.25bn in new debt financing, encompassing the issuance of a EUR 500m sustainability-linked bond maturing in 2026, and the signing of a EUR 750m revolving credit facility maturing in 2024 which includes a six-month lender extension option. As at 30 September 2023, Vestas had EUR 1.9bn of undrawn credit facilities.

Power Solutions

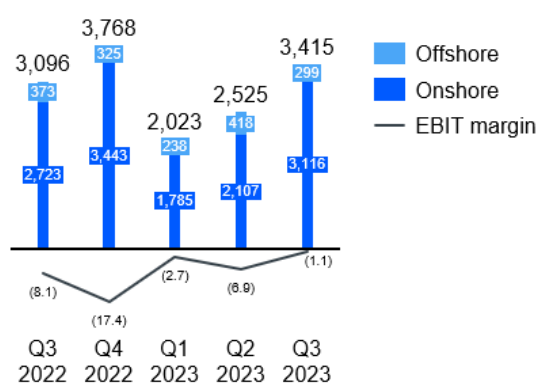
Result for the period

In the third quarter of 2023, revenue from the Power Solutions segment amounted to EUR 3,415m (Q3 2022: EUR 3,096m), which corresponds to a 10.3 percent increase compared to the third quarter of 2022. The increase reflects higher average prices and a slight increase in volume delivered. Revenue for the third quarter of 2023 included a negative impact of EUR 218m from foreign exchange rates compared to 2022.

The first nine months of 2023 reflected revenue in the Power Solutions segment of EUR 7,963m, an increase of 5.3 percent compared to the same period last year (9M 2022: EUR 7,563m). Deliveries in the period were slightly lower than the same period last year but at a higher average price per MW. The first nine months of the year reflected a negative impact of EUR 353m from foreign exchange rates compared to 2022.

EBIT before special items amounted to negative EUR 38m in the third quarter of 2023, equal to an EBIT margin of negative 1.1 percent (Q3 2022: negative EUR 252m; negative 8.1 percent). The positive development in the EBIT margin was primarily attributable to improved project pricing and execution as well as easing of supply chain disruptions.

Power Solutions revenue and EBIT margin before special items
mEUR and percentage



In the first nine months of 2023, EBIT before special items amounted to negative EUR 267m, equal to an EBIT margin before special items of negative 3.4 percent (9M 2022: negative EUR 857m, negative 11.3 percent), an improvement of 7.9 percentage points compared to same period last year. The positive development in the EBIT margin was primarily attributable to increased revenue, improved margins from pricing as well as the sale of the converters and controls business in the first quarter of 2023. The same period last year was furthermore impacted by impairment losses and warranty provisions recognised in the first quarter of 2022 related to V164/V174 offshore technology.

Wind turbine order intake

In the third quarter of 2023, wind turbine order intake amounted to 4,502 MW, corresponding to a value of EUR 4.9bn (Q3 2022: 1,895 MW; EUR 2.0bn). This represents an increase of 138 percent in MW order intake compared to the third quarter of 2022. The increase was mainly driven by two major offshore deals in Poland and Germany.

The Onshore average price per MW was EUR 1.05m in the third quarter of 2023, compared to EUR 1.06m in the third quarter of 2022. The average price per MW including Offshore was EUR 1.09m in the third quarter of 2023.

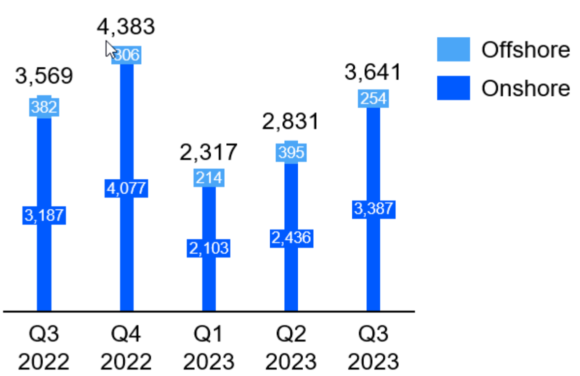
Wind turbine order intake, third quarter 2023
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order intake	994	1,370	38	**2,402**
Offshore order intake	2,100	-	-	**2,100**
Total order intake	3,094	1,370	38	**4,502**

Wind turbine deliveries

Deliveries to customers amounted to 3,641 MW in the third quarter of 2023 (Q3 2022: 3,569 MW). Offshore deliveries decreased from 382 MW in the third quarter of 2022 to 254 MW in the third quarter of 2023.

Deliveries
MW



By the end of September 2023, Vestas had installed a total capacity of 173 GW in 88 countries.

Deliveries (onshore and offshore)
MW

	Q3 2023	Q3 2022	FY 2022
Germany	420	145	818
Finland	362	257	1,185
United Kingdom	188	283	790
France	126	219	1,002
Sweden	109	214	480
Italy	104	49	256
Austria	72	56	213
Netherlands	62	224	578
Denmark	40	59	95
Estonia	38	-	-
Ireland	34	87	178
Poland	32	146	957
Lithuania	24	-	-
Spain	22	1	156
South Africa	19	-	4
Portugal	18	14	46
United Arab Emirates	12	-	-
Egypt	11	22	82
Greece	10	73	215
Turkey	9	24	89
Belgium	-	4	123
Faroe Islands	-	17	14
Latvia	-	-	59
Russian Fed.	-	-	13
Ukraine	-	-	114
EMEA	**1,712**	**1,894**	**7,467**
o/w Offshore	*27*	*279*	*700*
USA	750	619	2,275
Brazil	381	331	1,528
Canada	164	242	325
Argentina	132	-	80
Mexico	1	-	7
Dominican Rep.	-	-	29
Puerto Rico	-	-	6
Chile	(1)*)	23	128
Colombia	(2)*)	28	142
Americas	**1,425**	**1,243**	**4,520**
o/w Offshore	-	-	-
Taiwan	245	60	126
Australia	183	104	376
New Zealand	41	3	22
China	13	35	54
Philippines	13	-	-
Japan	3	134	399
India	3	7	162
Vietnam	3	80	179
South Korea	-	9	23
Asia Pacific	**504**	**432**	**1,341**
o/w Offshore	*227*	*103*	*188*
Total	**3,641**	**3,569**	**13,328**
o/w Offshore	*254*	*382*	*888*

*) The negative figures reflect adjustments related to projects for which deliveries are counted according to the percentage-of-completion method.

Wind turbine order backlog

At the end of the third quarter of 2023, the wind turbine order backlog amounted to 20,966 MW, which corresponds to a value of EUR 21.6bn, of which EUR 4.6bn relates to offshore wind power projects.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	7,202	8,012	2,072	**17,286**
Offshore order backlog	2,656	-	1,024	**3,680**
Total backlog as at 30 September 2023	9,858	8,012	3,096	**20,966**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa increased 5.5 percent from the end of the third quarter of 2022 to 9,858 MW at the end of the third quarter 2023. The order backlog was positively impacted by significant offshore order intake in third quarter 2023.

Americas

The total order backlog for Americas at the end of the third quarter 2023 of 8,012 MW corresponds to an increase of 14.0 percent compared to the end of third quarter 2022. The increase was largely driven by high order intake in the USA and Brazil during 2023.

Asia Pacific

The total order backlog for Asia Pacific amounted to 3,096 MW at the end of the third quarter 2023, an increase of 6.4 percent from the end of third quarter 2022.

Development business

In the third quarter of 2023, Vestas' pipeline of development projects amounted to 29.9 GW with Australia, the USA, and Brazil being the countries with the largest project pipeline. During the quarter, Vestas secured 1.2 GW of new pipeline projects, mainly coming from South Korea.

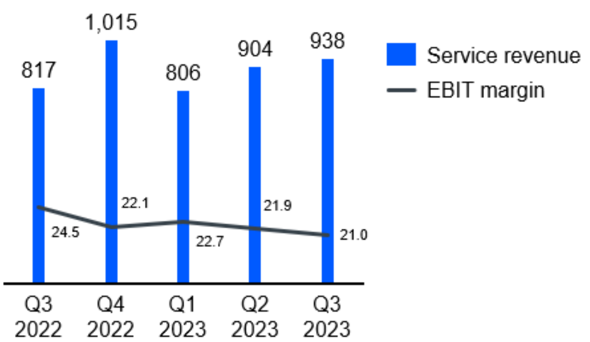
Service

Result for the period

The Service segment generated revenue of EUR 938m in the third quarter of 2023 (Q3 2022: EUR 817m), which corresponds to a 14.8 percent increase compared to the third quarter of 2022. The quarter was positively impacted by higher contract activity in primarily Northern Europe and Americas as well as indexation adjustment of the contracts. Transactional sales were slightly down compared to the third quarter of 2022. Foreign exchange rates had a EUR 64m negative effect on revenue growth.

In the first nine months of 2023, revenue from the Service business amounted to EUR 2,648m (9M 2022: EUR 2,140m), a 23.7 percent increase compared to the first nine months of 2022, primarily driven by the same factors impacting the quarter. Foreign exchange rates had a EUR 116m negative effect on revenue growth.

Service revenue and EBIT margin before special items
mEUR and percentage



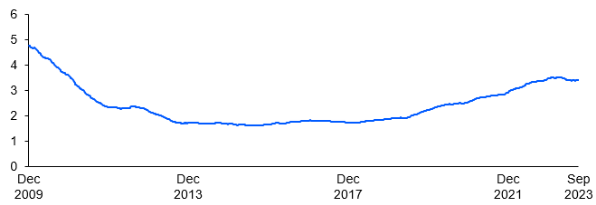
EBIT before special items amounted to EUR 197m in the third quarter of 2023, corresponding to an EBIT margin of 21.0 percent (Q3 2022: EUR 200m; 24.5 percent), which is a 3.5 percentage point decrease compared to the high margin in the same period last year.

In the first nine months of 2023, EBIT before special items amounted to EUR 578m with an EBIT margin of 21.8 percent (9M 2022: EUR 451m; 21.1 percent), a 0.7 percentage point increase compared to the first nine months of 2022. The positive development compared to the first half of 2022 was mainly attributable to higher contract activity and impairment loss recognised in the first quarter of 2022, in addition to lower profitability on certain contracts impacting the second quarter of 2022.

Wind turbines under service

At the end of September 2023, Vestas had approximately 57,100 wind turbines under service, equivalent to 151 GW, a 7.1 percent increase compared to 141 GW end of September 2022.

Lost Production Factor*)
Percent



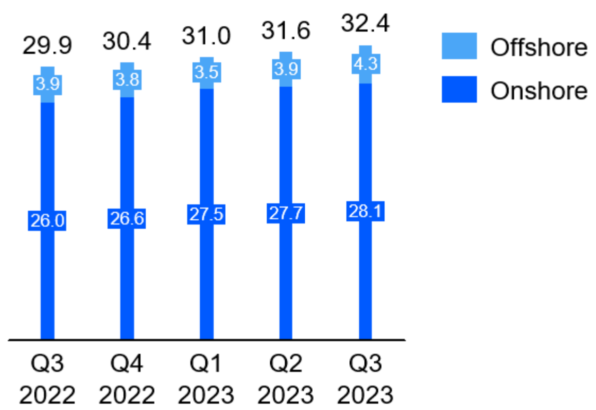
*) Data calculated across more than. 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

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

Service order backlog

At the end of September 2023, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 32.4bn, which is an increase of 8.4 percent compared to end of the period last year (30 September 2022: EUR 29.9bn).

Service order backlog
bnEUR



At the end of the quarter, the average duration of the service order backlog was eleven years (30 September 2022: ten years average duration).

Sustainability

The Vestas Sustainability Strategy

Vestas has been leading the transition to a world powered by sustainable energy for over four decades. But in 2020, we launched our sustainability strategy to embed sustainability in everything we do with four clear ambitions: achieving carbon-neutrality of our own operations by 2030 - without using carbon offsets, and with a 45 percent reduction in our supply chain CO_2e intensity; creating zero-waste wind turbines by 2040; becoming the safest, most inclusive and socially responsible workplace in the energy industry; and leading the transition to a world powered by sustainable energy.

Carbon footprint

Turbines produced and shipped in the third quarter of 2023 are expected to avoid 85 million tonnes of CO_2e over the course of their lifetime, an increase of 6 percent from the third quarter of 2022 due to a higher volume of MW produced and shipped in the period.

In the third quarter of 2023, our total scope 1 and 2 emissions were stable compared to the third quarter of 2022. Within the first nine months of 2023, there has been an 8 percent increase compared to the first nine months of 2022, primarily driven by higher activity levels in construction and service fuel usage.

Scope 3 emissions are reported annually in the Sustainability Report.

Circularity

In the third quarter of 2023, our material efficiency rate decreased to 1.4 tonnes of waste per MW produced and shipped, compared to 1.1 in third quarter 2022. However, year-to-date, our material efficiency has overall seen a 45 percent improvement to 1.1, compared to 1.6 in the same period in 2022.

This improvement is primarily due to a significant increase in recycling rate of waste across several of our factories. This represents significant progress towards our 2030 commitment to landfill less than 1 percent of manufacturing waste.

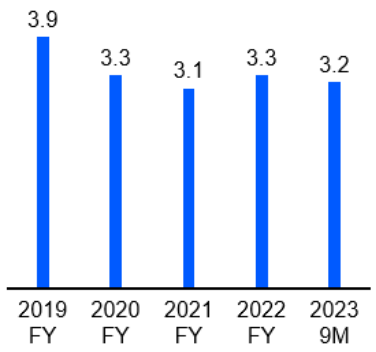
Safety

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

In the third quarter of 2023, 56 Total Recordable Injuries were registered, an increase from 50 Total Recordable Injuries in third quarter 2022. This increase comes primarily from an increase in safety incidents during construction activities, primarily involving contractors working under our operational control.

Incidence of total recordable injuries*

Per million working hours



*) Up until 14 December 2020, when Vestas acquired MHI Vestas Offshore Wind A/S, numbers reflect Onshore only.

We have commenced a contractor governance programme to set more specific requirements throughout the operational stages (proposal, contract, and operational stage), and will retain our focus on building a strong safety culture at our working sites.

Strategy and financial and capital structure targets

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

From energy crisis to sustainable and resilient societies

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

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

Maturing the industry to improve value capture and scalability

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

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

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

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

Onshore wind

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

Offshore wind

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

Service

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

Development

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

Capital structure

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

We apply the following priorities to capital allocation:

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

Long-term financial ambitions

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

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

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

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

Outlook 2023

Based on our results for the first nine months, we remain on track to become profitable in 2023 and are narrowing our guidance for the full year.

Revenue is now expected to range between EUR 14.5bn and 15.5bn, (previously EUR 14.0-15.5bn) with Service revenue still expected to grow around 10 percent.

The outlook for EBIT margin before special items is narrowed to 0-2 percent (previously (2)-3 percent), with the Service EBIT margin now expected to be approx. 21 percent (previously approx. 22 percent).

At the same time, the outlook for total investments[1)] is adjusted to approx. EUR 0.8bn (previously approx. EUR 1bn).

The outlook for 2023 includes the impact of the sale of Vestas' converters and controls business finalised in the first quarter of 2023 with an expected impact on EBIT before special items of EUR 147m.

Vestas' Development business continues to grow and to reflect the business area's increasing financial and strategic importance, income related to sale of Development projects from joint ventures and associates is included as part of normal operations from 1 January 2023. The impact on EBIT before special items from this change is expected to reach a lower double-digit million EUR amount in 2023.

In relation to forecasts on financials from Vestas in general, it should be noted that Vestas' accounting policies only allow the recognition of revenue when the control has passed to the customer, either at a point in time or over time. Disruptions in production and challenges in relation to shipment of wind turbines and installation hereof, for example bad weather, lack of grid connections, and similar matters, may thus cause delays that could affect Vestas' financial results for 2023. Further, the full-year results may also be impacted by movements in exchange rates from current levels.

Outlook 2023

	Outlook	Previous outlook
Revenue (bnEUR)	**14.5-15.5**	14.0-15.5
EBIT margin (%) b. s. i.	**0-2**	(2)-3
Total investments[1)] (bnEUR)	**approx. 0.8**	approx. 1

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

Financial calendar 2024

07.02.2024	Disclosure of the Annual Report 2023
26.02.2024	Deadline for the company's shareholders to submit a written request to the Board of Directors that a specific matter be included in the agenda for the Annual General Meeting
08.03.2024	Convening for Annual General Meeting
09.04.2024	Annual General Meeting in Aarhus, Denmark
02.05.2024	Disclosure of the Interim financial report, Q1 2024
14.08.2024	Disclosure of the Interim financial report, Q2 2024
05.11.2024	Disclosure of the Interim financial report, Q3 2024

The financial calendar lists the expected dates of disclosure of financial results and the Annual General Meeting in the financial year 2024 for Vestas Wind Systems A/S.

Consolidated financial statements 1 January – 30 September

Condensed income statement 1 January – 30 September

mEUR	Note	Q3 2023	Q3 2022	9M 2023	9M 2022
Revenue	1.1, 1.2	**4,353**	**3,913**	**10,611**	**9,703**
Production costs		(4,002)	(3,752)	(9,851)	(9,423)
Gross profit		**351**	**161**	**760**	**280**
Research and development costs		(97)	(85)	(271)	(317)
Distribution costs		(117)	(117)	(335)	(339)
Administration costs		(81)	(86)	(300)	(262)
Sale of technology	1.3	-	-	147	-
Income from investments in joint ventures and associates		14	-	39	-
Operating profit/(loss) (EBIT) before special items	1.1	**70**	**(127)**	**40**	**(638)**
Special items	1.4	(1)	13	27	(517)
Operating profit/(loss) (EBIT)		**69**	**(114)**	**67**	**(1,155)**
Income from investments in joint ventures and associates		(9)	8	(14)	21
Net financial items		(32)	(65)	(124)	(65)
Profit/(loss) before tax		**28**	**(171)**	**(71)**	**(1,199)**
Income tax		0	24	0	168
Profit/(loss) for the period		**28**	**(147)**	**(71)**	**(1,031)**
Profit/(loss) is attributable to:					
Owners of Vestas		29	(147)	(71)	(1,031)
Non-controlling interests		(1)	0	0	0
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		0.03	(0.15)	(0.07)	(1.03)
Earnings per share for the period (EUR), diluted		0.03	(0.15)	(0.07)	(1.02)

Condensed statement of comprehensive income 1 January – 30 September

mEUR	Q3 2023	Q3 2022	9M 2023	9M 2022
Profit/(loss) for the period	**28**	**(147)**	**(71)**	**(1,031)**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	26	112	(36)	125
Fair value adjustments of derivative financial instruments for the period	90	155	144	75
Gain/(loss) on derivative financial instruments transferred to the income statement	(19)	(29)	(105)	(39)
Share of fair value adjustments of derivative financial instruments of joint ventures and associates	1	3	0	13
Tax on items that may be reclassified to the income statement subsequently	(14)	(27)	(10)	(0)
Other comprehensive income after tax for the period	84	214	(7)	174
Total comprehensive income for the period	**112**	**67**	**(78)**	**(857)**

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

Condensed balance sheet – Assets

mEUR	Note	30 September 2023	30 September 2022	31 December 2022
Goodwill		1,511	1,525	1,514
Completed development projects		353	473	448
Software		115	97	115
Other intangible assets		347	400	376
Development projects in progress		801	554	612
Total intangible assets		**3,127**	**3,049**	**3,065**
Land and buildings		411	433	405
Plant and machinery		207	222	206
Other fixtures, fittings, tools and equipment		488	585	553
Right-of-use assets		539	503	438
Property, plant and equipment in progress		224	147	150
Total property, plant and equipment	2.1	**1,869**	**1,890**	**1,752**
Investments in joint ventures and associates		598	663	646
Other investments		93	85	88
Tax receivables		89	229	100
Deferred tax		677	623	497
Other receivables	3.4	281	220	219
Financial investments	3.4	96	94	95
Total other non-current assets		**1,834**	**1,914**	**1,645**
Total non-current assets		**6,830**	**6,853**	**6,462**
Inventories		7,007	7,064	6,373
Trade receivables		1,262	1,422	1,280
Contract assets		1,814	1,285	1,399
Contract costs		791	1,101	753
Tax receivables		83	98	51
Other receivables	3.4	1,370	1,328	1,221
Financial investments	3.4	4	-	-
Cash and cash equivalents	3.2	1,696	1,139	2,378
Assets held for sale	2.2	-	157	173
Total current assets		**14,027**	**13,594**	**13,628**
Total assets		**20,857**	**20,447**	**20,090**

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

Condensed balance sheet – Equity and liabilities

mEUR	Note	30 September 2023	30 September 2022	31 December 2022
Share capital	3.1	27	27	27
Other reserves		6	150	15
Retained earnings		2,933	3,536	3,002
Attributable to owners of Vestas		**2,966**	**3,713**	**3,044**
Non-controlling interests		15	14	16
Total equity		**2,981**	**3,727**	**3,060**
Provisions	2.3	1,181	752	944
Deferred tax		202	291	158
Financial debts	3.4	2,741	2,203	2,179
Tax payables		170	326	177
Other liabilities	3.4	81	86	59
Total non-current liabilities		**4,375**	**3,658**	**3,517**
Financial debts	3.4	677	225	248
Contract liabilities		7,153	7,155	6,937
Trade payables		3,655	3,927	4,089
Provisions	2.3	752	684	829
Tax payables		119	46	58
Other liabilities	3.4	1,145	1,025	1,349
Liabilities held for sale	2.2	-	-	3
Total current liabilities		**13,501**	**13,062**	**13,513**
Total liabilities		**17,876**	**16,720**	**17,030**
Total equity and liabilities		**20,857**	**20,447**	**20,090**

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

Condensed statement of changes in equity – nine months 2023

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total reserves	Retained earnings	Non-control-ling interests	Total
Equity as at 1 January 2023	27	10	(1)	6	15	3,002	16	**3,060**
Profit/(loss) for the period	-	-	-	-	-	(72)	1	(71)
Other comprehensive income for the period	-	(34)	29	0	(5)	-	(2)	(7)
Total comprehensive income for the period	**-**	**(34)**	**29**	**0**	**(5)**	**(72)**	**(1)**	**(78)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(4)	-	(4)	-	-	(4)
Transactions with owners:								
Acquisition of treasury shares	-	-	-	-	-	(11)	-	(11)
Share-based payments	-	-	-	-	-	17	-	17
Tax on equity transactions	-	-	-	-	-	(3)	-	(3)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**
Equity as at 30 September 2023	**27**	**(24)**	**24**	**6**	**6**	**2,933**	**15**	**2,981**

Condensed statement of changes in equity – nine months 2022

mEUR	Share capital	Reserves: Transla-tion reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Total reserves	Retained earnings	Non-control-ling interests	Total
Equity as at 1 January 2022	27	14	16	(8)	22	4,635	13	**4,697**
Impact from change in accounting estimates (IAS 37 amendment)	-	-	-	-	-	(17)	-	(17)
Adjusted equity as at 1 January 2022	**27**	**14**	**16**	**(8)**	**22**	**4,618**	**13**	**4,680**
Profit/(loss) for the period	-	-	-	-	-	(1,031)	-	(1,031)
Other comprehensive income for the period	-	124	36	13	173	-	1	174
Total comprehensive income for the period	**-**	**124**	**36**	**13**	**173**	**(1,031)**	**1**	**(857)**
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(45)	-	(45)	-	-	(45)
Transactions with owners:								
Dividends distributed	-	-	-	-	-	(50)	-	(50)
Dividends distributed related to treasury shares	-	-	-	-	-	(0)	-	(0)
Share-based payments	-	-	-	-	-	3	-	3
Tax on equity transactions	-	-	-	-	-	(4)	-	(4)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(51)**	**-**	**(51)**
Equity as at 30 September 2022	**27**	**138**	**7**	**5**	**150**	**3,536**	**14**	**3,727**

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

Condensed cash flow statement 1 January – 30 September

mEUR	Note	Q3 2023	Q3 2022	9M 2023	9M 2022
Profit/(loss) for the period		28	(147)	(71)	(1,031)
Adjustment for non-cash transactions		350	254	888	824
Interest paid / received, net		(7)	4	(8)	(1)
Income tax paid		(34)	(30)	(87)	(120)
Cash flow from operating activities before change in net working capital		**337**	**81**	**722**	**(328)**
Change in net working capital		(368)	(695)	(1,679)	(1,402)
Cash flow from operating activities		**(31)**	**(614)**	**(957)**	**(1,730)**
Purchase of intangible assets		(103)	(105)	(291)	(297)
Purchase of property, plant and equipment		(124)	(85)	(295)	(267)
Sale of intangible assets		-	-	2	-
Disposal of property, plant and equipment		-	44	56	47
Dividends from investments in joint ventures and associates		7	8	13	12
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(220)**	**(138)**	**(515)**	**(505)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(251)**	**(752)**	**(1,472)**	**(2,235)**
Purchase of shares in joint ventures and associates		(4)	(9)	(10)	(31)
Purchase of other non-current financial assets		-	-	(5)	-
Disposal of other non-current financial assets		-	1	-	2
Disposal of investments in joint ventures and associates		20	-	65	-
Purchase of financial investments		(4)	-	(4)	-
Disposal of financial investments		-	116	-	116
Net cash flow from deconsolidation of subsidiary		-	-	(8)	-
Cash flow from investing activities		**(208)**	**(30)**	**(477)**	**(418)**
Free cash flow		**(239)**	**(644)**	**(1,434)**	**(2,148)**
Dividend paid		-	-	-	(50)
Payment of lease liabilities		(50)	(35)	(126)	(111)
Proceeds from borrowings		511	528	1,098	1,672
Payment of financial debt		(27)	(58)	(177)	(672)
Acquisition of treasury shares		-	-	(11)	-
Cash flow from financing activities		**434**	**435**	**784**	**839**
Net change in cash and cash equivalents		**195**	**(209)**	**(650)**	**(1,309)**
Cash and cash equivalents at the beginning of period		1,504	1,350	2,378	2,420
Exchange rate adjustments of cash and cash equivalents		(3)	(2)	(32)	28
Cash and cash equivalents at the end of the period	3.2	**1,696**	**1,139**	**1,696**	**1,139**

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

Notes

1 Result for the period

1.1 Segment information

mEUR	Power Solutions	Service	Not allocated	Total Group
Q3 2023				
Revenue	3,415	938	-	4,353
Income from investments in joint ventures and associates	14	-	-	14
Total income	**3,429**	**938**	**-**	**4,367**
Total costs	**(3,467)**	**(741)**	**(89)**	**(4,297)**
Operating profit/(loss) (EBIT) before special items	**(38)**	**197**	**(89)**	**70**
Special items	(1)	-	-	(1)
Operating profit/(loss) (EBIT)	**(39)**	**197**	**(89)**	**69**
Income from investments in joint ventures and associates				(9)
Net financial items				(32)
Profit/(loss) before tax				**28**
Amortisation and depreciation included in total costs	(147)	(37)	(10)	**(194)**

mEUR	Power Solutions	Service	Not allocated	Total Group
Q3 2022				
Revenue	3,096	817	-	3,913
Income from investments in joint ventures and associates	-	-	-	-
Total income	**3,096**	**817**	**-**	**3,913**
Total costs	**(3,348)**	**(617)**	**(75)**	**(4,040)**
Operating profit/(loss) (EBIT) before special items	**(252)**	**200**	**(75)**	**(127)**
Special items	13	-	-	13
Operating profit/(loss) (EBIT)	**(239)**	**200**	**(75)**	**(114)**
Income from investments in joint ventures and associates				8
Net financial items				(65)
Profit/(loss) before tax				**(171)**
Amortisation and depreciation included in total costs	(185)	(31)	(12)	**(228)**

In the third quarter of 2022, an income of EUR 13m was recognised in special items impacting the Power Solutions segment. The income relates to a reversal of previously recognised impairment losses of EUR 14m relating to the production facility on Isle of Wight and adjustments to the write-downs and provisions relating to the Russian invasion of Ukraine of EUR 9m, offset by adjustments to the impairment related to the manufacturing footprint in China of EUR 10m.

1.1 Segment information (continued)

mEUR	Power Solutions	Service	Not allocated	Total Group
9M 2023				
Revenue	7,963	2,648	-	10,611
Sales of technology	147	-	-	147
Income from investments in joint ventures and associates	39	-	-	39
Total income	**8,149**	**2,648**	**-**	**10,797**
Total costs	**(8,416)**	**(2,070)**	**(271)**	**(10,757)**
Operating profit/(loss) (EBIT) before special items	**(267)**	**578**	**(271)**	**40**
Special items	27	-	-	27
Operating profit/(loss) (EBIT)	**(240)**	**578**	**(271)**	**67**
Income from investments in joint ventures and associates				(14)
Net financial items				(124)
Profit/(loss) before tax				**(71)**
Amortisation and depreciation included in total costs	(450)	(110)	(32)	**(592)**

In the first nine months of 2023, a net income of EUR 27m was recognised in special items relating to the adjustment of the manufacturing footprint in India as well as the Russian invasion of Ukraine, impacting the Power Solutions segment. For additional information, refer to note 1.4.

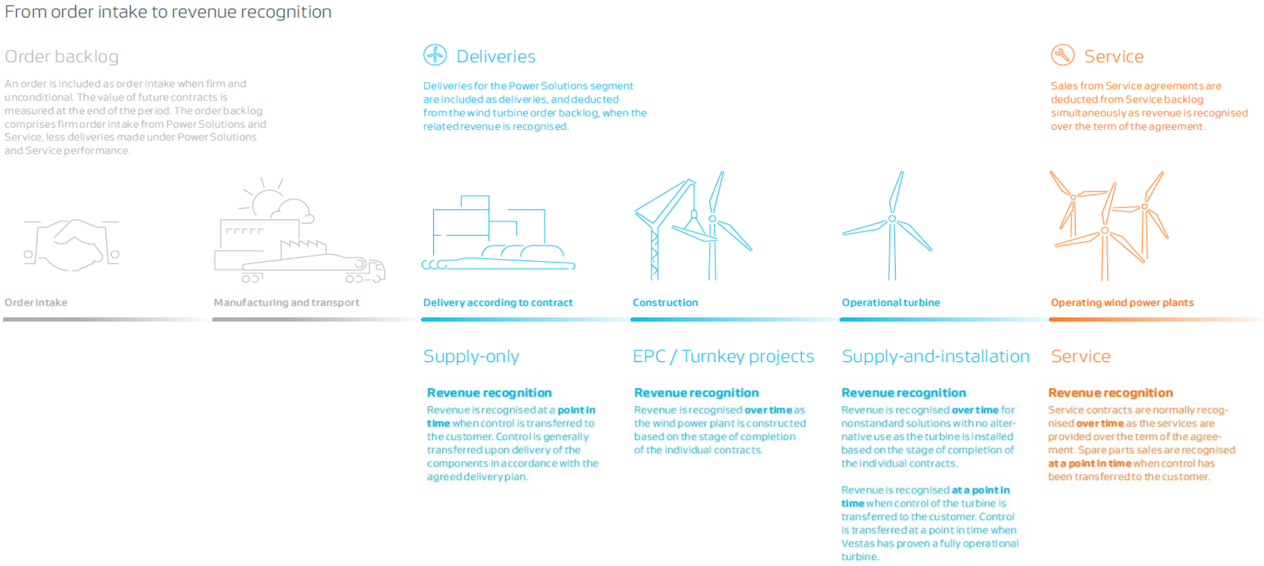
mEUR	Power Solutions	Service	Not allocated	Total Group
9M 2022				
Revenue	7,563	2,140	-	9,703
Sales of technology	-	-	-	-
Income from investments in joint ventures and associates	-	-	-	-
Total income	**7,563**	**2,140**	**-**	**9,703**
Total costs	**(8,420)**	**(1,689)**	**(232)**	**(10,341)**
Operating profit/(loss) (EBIT) before special items	**(857)**	**451**	**(232)**	**(638)**
Special items	(517)	-	-	(517)
Operating profit/(loss) (EBIT)	**(1,374)**	**451**	**(232)**	**(1,155)**
Income from investments in joint ventures and associates				21
Net financial items				(65)
Profit/(loss) before tax				**(1,199)**
Amortisation and depreciation included in total costs	(624)	(100)	(36)	**(760)**

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

In the first nine months of 2022, impairment losses, write-downs and other costs of EUR 517m relating to the Russian invasion of Ukraine as well as adjustments to the manufacturing footprint have been recognised in special items, impacting the Power Solutions segment.

1.2 Revenue

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



Disaggregation of revenue

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

mEUR	Power Solutions		Service		Total	
	Q3 2023	Q23 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Timing of revenue recognition						
Products and services transferred at a point in time	2,515	1,996	121	132	2,636	2,128
Products and services transferred over time	900	1,100	817	685	1,717	1,785
	3,415	3,096	938	817	4,353	3,913
Revenue from contract types						
Supply-only	780	910	-	-	780	910
Supply-and-installation (at a point in time)	1,735	1,086	-	-	1,735	1,086
Supply-and-installation (over time)	694	916	-	-	694	916
Turnkey (EPC)	206	184	-	-	206	184
Service	-	-	938	817	938	817
	3,415	3,096	938	817	4,353	3,913
Primary geographical markets						
EMEA	1,554	1,562	516	435	2,070	1,997
Americas	1,313	1,079	345	306	1,658	1,385
Asia Pacific	548	455	77	76	625	531
	3,415	3,096	938	817	4,353	3,913

1.2 Revenue (continued)

mEUR	Power Solutions		Service		Total	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Timing of revenue recognition						
Products and services transferred at a point in time	5,304	4,714	332	322	5,636	5,036
Products and services transferred over time	2,659	2,849	2,316	1,818	4,975	4,667
	7,963	7,563	2,648	2,140	10,611	9,703
Revenue from contract types						
Supply-only	1,430	1,732	-	-	1,430	1,732
Supply-and-installation (at a point in time)	3,874	2,982	-	-	3,874	2,982
Supply-and-installation (over time)	2,142	2,084	-	-	2,142	2,084
Turnkey (EPC)	517	765	-	-	517	765
Service	-	-	2,648	2,140	2,648	2,140
	7,963	7,563	2,648	2,140	10,611	9,703
Primary geographical markets						
EMEA	4,098	4,115	1,403	1,104	5,501	5,219
Americas	2,751	2,423	1,023	828	3,774	3,251
Asia Pacific	1,114	1,025	222	208	1,336	1,233
	7,963	7,563	2,648	2,140	10,611	9,703

1.3 Sale of technology

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

Basis for recognition

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

1.4 Special items

Russian invasion of Ukraine

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

In the first nine months of 2023, a net expense of EUR 5m was recognised in special items, including a gain of EUR 2m from the deconsolidation.

Basis for recognition

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

Adjusting manufacturing footprint

In the first nine months of 2023, a net income of EUR 32m was recognised in special items relating to the adjustment of the manufacturing footprint in India, including a reversal of a previously recognised write-down of inventories of EUR 34m and of a previously recognised impairment loss on tangible assets of EUR 4m, partly offset by other costs of EUR 6m.

1.4 Special items (continued)

Basis for recognition

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

mEUR	30 September 2023	30 September 2022	31 December 2022
Write-down of inventory	30	(298)	(260)
Provisions	(1)	(117)	(87)
Impairment loss on intangible and tangible assets	4	(78)	(69)
Other costs	(7)	(21)	(23)
Staff costs	(1)	(3)	(5)
Derecognition of net assets in Russia	2	-	-
Special items	**27**	**(517)**	**(444)**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first nine months of 2023, Vestas acquired assets with a cost of EUR 295m mainly related to manufacturing blade moulds, acquisition of land, transport equipment, and construction tools, compared to EUR 267m in the first nine months of 2022.

Lease contracts recognised as right-of-use assets during the first nine months of 2023 amounted to EUR 212m, compared to EUR 101m in the first nine months of 2022.

2.2 Assets held for sale

On 9 August 2022, Vestas signed an agreement for the sale of the converters and controls business to KK Wind Solutions and consequently, the converters and controls business was classified as held for sale as at 31 December 2022. On 28 February 2023, the transaction closed and a total gain of EUR 154m was recognised, hereof EUR 147m recognised in sale of technology and EUR 7m recognised in production costs.

2.3 Warranty provisions (included in provisions)

mEUR	30 September 2023	30 September 2022	31 December 2022
Warranty provisions, 1 January	1,490	1,197	1,197
Provisions for the period	564	509	926
Warranty provisions consumed during the period	(366)	(471)	(633)
Warranty provisions	**1,688**	**1,235**	**1,490**
The provisions are expected to be payable as follows:			
< 1 year	692	515	725
> 1 year	996	720	765
	1,688	**1,235**	**1,490**

During the first nine months of 2023, net warranty provisions charged to the income statement amounted to EUR 546m (EUR 262m in the third quarter of 2023), equivalent to 5.1 percent of revenue. The net amount consists of a gross warranty provision of EUR 564m less supplier claims of EUR 18m. Warranty consumption amounted to EUR 366m compared to EUR 471m in the first nine months of 2022.

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

3 Capital structure and financing items

3.1 Share capital

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

Treasury shares

Nominal value (DKK)	30 September 2023	30 September 2022	31 December 2022
Treasury shares as at 1 January	737,940	944,632	944,632
Purchases for the period	79,785	-	-
Vested treasury shares for the period	(139,004)	(206,692)	(206,692)
Treasury shares	**678,721**	**737,940**	**737,940**

Each share has a nominal value of DKK 0.20.

3.2 Cash and cash equivalents

mEUR	30 September 2023	30 September 2022	31 December 2022
Cash and cash equivalents without disposal restrictions	1,666	1,113	2,352
Cash and cash equivalents with disposal restrictions	30	26	26
Cash and cash equivalents	**1,696**	**1,139**	**2,378**

3.3 Financial risks

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

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

On 16 March 2023, Vestas signed a EUR 750m revolving credit facility with six banks. The facility will mature in 2024 and includes a six-month extension option.

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

Vestas has committed credit facilities of EUR 2,750m and uncommitted credit facilities of EUR 475m. As at 30 September 2023, EUR 771m of the committed credit facilities was converted into ancillary bank guarantee issuance facilities and EUR 500m was drawn under the committed credit facilities, leaving EUR 1,954m available for cash drawing.

3.4 Financial instruments

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. As at 30 September 2023, the fair value of financial investments comprising marketable securities amounted to EUR 96m, equal to book value.

Derivative financial instruments were positive with a market value of net EUR 97m, equal to book value, and were recognised in other receivables and other liabilities with EUR 527m and EUR 430m, respectively.

As at 30 September 2023, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 1,489m and the fair value amounted to EUR 1,329m.

3.4 Financial instruments (continued)

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

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

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q3 2023	Q3 2022	9M 2023	9M 2022
Joint ventures				
Revenue for the period	30	8	157	91
Proceeds from investments in joint ventures	7	2	12	2
Capital increase	1	1	5	21
Trade receivables as at 30 September	20	29	20	29
Other assets as at 30 September	11	51	11	51
Other liabilities as at 30 September	-	2	-	2
Associates				
Revenue for the period	-	(2)	2	(7)
Proceeds from investments in associates	0	6	1	10
Capital increase	-	3	2	4
Contract assets as at 30 September	-	59	-	59
Other assets as at 30 September	26	-	26	-
Contract liabilities as at 30 September	5	-	5	-
Payable capital contribution as at 30 September	8	40	8	40

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

4.2 Subsequent events

Other than the events recognised or disclosed in the Interim Financial Report, no events have occurred subsequent to 30 September 2023, which could have a significant impact on the report.

5 Basis for preparation

5.1 General accounting policies

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

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

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

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

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

5.2 Implementation of new and amended standards

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

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

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

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

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

Management's statement

The Executive Management and the Board of Directors have today discussed and approved the interim financial report of Vestas Wind Systems A/S for the period 1 January to 30 September 2023.

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

In our opinion the accounting policies used are appropriate and the interim financial report gives a true and fair view of Vestas' assets, liabilities, and financial position as at 30 September 2023 and of the results of Vestas' operations and cash flows for the period 1 January to 30 September 2023.

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

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

Aarhus, Denmark, 8 November 2023

Executive Management

Henrik Andersen
Group President & CEO

Hans Martin Smith
Executive Vice President & CFO

Board of Directors

Anders Runevad
Chair

Karl-Henrik Sundström
Deputy Chair

Lena Olving

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Kentaro Hosomi

Michael Abildgaard Lisbjerg*)

Sussie Dvinge*)

Pia Kirk Jensen*)

Claus Skov Christensen*)

*) Employee representative

Vestas Wind Systems A/S
Hedeager 42, 8200 Aarhus N, Denmark
Tel: +45 9730 0000
vestas@vestas.com, vestas.com

Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections, and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, include (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual Report for the year ended 31 December 2022 (available at vestas.com/en/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.