

Company Announcement No. 21/2022

# Interim Financial Report **Third Quarter 2022**



**Wind.** It means the world to us.™

Vestas Wind Systems A/S  
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No.: 10403782

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### Information meeting (audiocast)

On Wednesday 2 November 2022 at 10 am CET (9 am GMT), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via [vestas.com](https://vestas.com).

The meeting will be held in English and questions may be asked through a conference call. The telephone numbers for the conference call are:

Europe: +44 3333 000 804  
USA: +1 6319 131 422  
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Conference PIN code: 52523657#

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## Summary

*Quarterly revenue of EUR 3.9bn with an EBIT margin before special items of (3.2) percent. Continued strong wind turbine backlog of EUR 18.1bn despite lower order intake. Full-year guidance adjusted.*

In the third quarter of 2022, Vestas generated revenue of EUR 3,913m – a decrease of 29 percent compared to the year-earlier period. EBIT before special items amounted to EUR (127)m, resulting in an EBIT margin before special items of (3.2) percent, compared to 5.7 percent in the third quarter of 2021.

Free cash flow\* amounted to EUR (752)m compared to EUR 300m in the third quarter of 2021.

The quarterly intake of firm and unconditional wind turbine orders amounted to 1,895 MW, and the value of the wind turbine order backlog was EUR 18.1bn as at 30 September 2022.

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 32.8bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 50.9bn – an increase of EUR 3.6bn compared to the year-earlier period.

Vestas adjusts the full-year guidance on revenue to EUR 14.5bn-15.5bn (previously EUR 14.5bn-16.0bn), and on EBIT margin before special items to approx. (5) percent (previously (5)-0 percent). Revenue in Service specifically, on the other hand, is now expected to grow min. 20 percent (previously min. 10 percent).

Total investments<sup>\*)</sup> are now expected to amount to approx. EUR 850m in 2022 (previously approx. EUR 1,000m).

Group President & CEO Henrik Andersen said: *“In the third quarter of 2022, Vestas continued to increase the average selling price of our wind energy solutions and build further momentum within offshore wind, although geo-political uncertainty and high inflation impacted execution cost and activity levels in the wind industry. In this environment, we achieved revenue of EUR 3.9bn despite project delays, while our Service business grew more than 30 percent with a solid EBIT margin of 24.5 percent, providing stability during a very challenging period. In the third quarter, our profitability improved along the lines of our expectations but remained heavily impacted by cost inflation and supply chain disruption, which resulted in an EBIT margin of minus 3.2 percent and an adjustment of our guidance. Our growing offshore momentum was highlighted through preferred supplier agreements totaling 3.8 GW across USA, United Kingdom, and Poland, while onshore order intake landed at 1.9 GW and an average selling price of EUR 1.06m/MW, ensuring a high order backlog of EUR 18.1bn. The energy crisis incentivises a faster transition to an energy system built on renewables and ambitious political agreements such as the Inflation Reduction Act in USA strengthen the underlying demand for wind energy solutions, but project development and order intake remain impeded by energy market uncertainties and red tape. Everyone at Vestas remains focused on executing on our strategy and safely delivering on our customer commitments in a very busy fourth quarter, and Executive Management thanks our 28,000 colleagues for their great contribution in a highly uncertain environment.”*

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## Key highlights

### **Average Selling Price continues upward trend**

*Increased prices secure continued high order backlog of EUR 18.1bn despite lower order intake of 1.9 GW.*

### **Offshore momentum building**

*Preferred supplier agreements of 3.8 GW announced over the last quarter.*

### **Revenue of EUR 3.9bn**

*Revenue decreased by 29 percent year-on-year driven by project delays.*

### **Profitability negative but improving**

*EBIT margin of (3.2) percent driven by supply chain disruptions and cost inflation as well as project delays.*

### **Strong performance in Service**

*Revenue increased 32 percent with a 24.5 percent EBIT margin.*

### **Outlook for 2022 adjusted**

*Revenue and EBIT margin negatively impacted by project delays while Service momentum has accelerated.*

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

# Financial and operational key figures

mEUR	Q3 2022	Q3 2021 <sup>4)</sup>	9M 2022	9M 2021 <sup>4)</sup>	FY 2021 <sup>4)</sup>
<b>Financial highlights</b>					
<b>Income statement</b>					
Revenue	3,913	5,538	9,703	11,036	15,587
Gross profit	161	599	280	1,163	1,556
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	101	557	122	998	1,341
Operating profit/(loss) (EBIT) before special items	(127)	318	(638)	334	429
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	103	486	(317)	927	1,250
Operating profit/(loss) (EBIT)	(114)	199	(1,155)	215	290
Net financial items	(65)	(40)	(65)	(70)	(101)
Profit/(loss) before tax	(171)	163	(1,199)	194	225
Profit/(loss) for the period	(147)	116	(1,031)	135	144
<b>Balance sheet</b>					
Balance sheet total	20,447	18,927	20,447	18,927	19,648
Equity	3,727	4,690	3,727	4,690	4,697
Net working capital	93	(526)	93	(526)	(1,049)
Capital employed	6,155	6,092	6,155	6,092	6,133
Interest-bearing position (net), end of the period	(1,195)	692	(1,195)	692	1,200
<b>Cash flow statement</b>					
Cash flow from operating activities	(614)	513	(1,730)	111	956
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(138)	(213)	(505)	(526)	(773)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(752)	300	(2,235)	(415)	183
Free cash flow	(644)	385	(2,148)	(539)	57
<b>Financial ratios<sup>1)</sup></b>					
<b>Financial ratios</b>					
Gross margin (%)	4.1	10.8	2.9	10.5	10.0
EBITDA margin (%) before special items	2.6	10.1	1.3	9.0	8.6
EBIT margin (%) before special items	(3.2)	5.7	(6.6)	3.0	2.8
EBITDA margin (%)	2.6	8.8	(3.3)	8.4	8.0
EBIT margin (%)	(2.9)	3.6	(11.9)	1.9	1.9
Return on capital employed (ROCE) <sup>2)</sup> (%) before special items	(8.2)	9.2	(8.2)	9.2	4.5
Net interest-bearing debt / EBITDA <sup>2)</sup>	2.6	(0.5)	2.6	(0.5)	(0.9)
Solvency ratio (%)	18.2	24.8	18.2	24.8	23.9
Return on equity <sup>2)</sup> (%)	(24.8)	16.0	(24.8)	16.0	3.0
<b>Share ratios</b>					
Earnings per share <sup>3)</sup> (EUR)	(1.0)	0.7	(1.0)	0.7	0.1
Dividend per share (EUR)	-	-	-	-	0.05
Pay-out ratio (%)	-	-	-	-	36.0
Share price at the end of the period (EUR)	19.0	34.6	19.0	34.6	26.9
Number of shares at the end of the period (million)	1,010	1,010	1,010	1,010	1,010
<b>Operational key figures</b>					
Order intake (bnEUR)	2.0	3.0	7.1	9.1	11.6
Order intake (MW)	1,895	3,727	6,996	11,033	13,896
Order backlog – wind turbines (bnEUR)	18.1	19.3	18.1	19.3	18.1
Order backlog – wind turbines (MW)	19,287	24,069	19,287	24,069	21,984
Order backlog – service (bnEUR)	32.8	28.0	32.8	28.0	29.2
Produced and shipped wind turbines (MW)	2,441	3,945	10,168	14,250	17,845
Produced and shipped wind turbines (number)	591	991	2,489	3,563	4,456
Deliveries (MW)	3,569	6,020	8,945	11,712	16,594

1) The ratios have been calculated in accordance with the guidelines from The Danish Finance Society (Recommendations & Financial ratios).

2) Calculated over a 12-month period.

3) Earnings per share has been calculated over a 12-month period and in accordance with IAS 33 on earnings per share.

4) Comparative figures for 2021 have been adjusted following the accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.



# Sustainability key figures

	Q3 2022	Q3 2021	9M 2022	9M 2021	FY 2021
<b>ENVIRONMENTAL</b>					
<b>Utilisation of resources</b>					
Consumption of energy (GWh)	156	158	487	564	738
- of which renewable energy (GWh)	57	66	178	216	283
- of which renewable electricity (GWh)	51	59	152	180	233
Renewable energy (%)	37	42	37	38	38
Renewable electricity for own activities (%)	100	100	100	100	100
Withdrawal of fresh water (1,000 m³)	113	103	274	314	378
<b>Waste</b>					
Volume of waste from own operations (1,000 t)	10	14	36	53	70
- of which collected for recycling (1,000 t)	7	9	20	28	35
Recyclability rate of hub and blade <sup>1)</sup> (%)	//	//	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.1	1.3	1.6	1.8	2.0
<b>Carbon emissions adjusted for acquisitions and divestments</b>					
Direct emissions of CO <sub>2</sub> e (scope 1) (1,000 t)	24	23	72	75 <sup>2)</sup>	99 <sup>2)</sup>
Indirect emissions of CO <sub>2</sub> e (scope 2) (1,000 t)	0.1	0.1	1.1	1.9 <sup>2)</sup>	3 <sup>2)</sup>
Indirect emissions of CO <sub>2</sub> e from the supply chain (scope 3) <sup>1)</sup> (million t)	//	//	//	//	10.56
Indirect emissions of CO <sub>2</sub> e from the supply chain (scope 3) <sup>1)</sup> (kg per MWh generated)	//	//	//	//	6.65
<b>Products</b>					
Expected CO <sub>2</sub> e avoided over the lifetime of the MW produced and shipped during the period (million t)	80	89	304	402	532
Annual CO <sub>2</sub> e avoided by the total aggregated installed fleet (million t)	225	206	225	206	210
<b>SOCIAL</b>					
<b>Safety</b>					
Total Recordable Injuries (number)	50	56	149	156	201
- of which Lost Time Injuries (number)	9	13	52	50	67
- of which fatal injuries (number)	0	0	0	0	0
Total Recordable Injuries per million working hours (TRIR)	3.5	3.4	3.3	3.2	3.1
Lost Time Injuries per million working hours (LTIR)	0.6	0.8	1.1	1.0	1.0
<b>Employees</b>					
Average number of employees (FTEs)	28,387	29,409	28,906	29,262	29,164
Employees at the end of the period (FTEs)	28,286	29,665	28,286	29,665	29,427
<b>Diversity and inclusion</b>					
Women in the Board and Executive Management at the end of the period (%)	27	27	27	27	27
Women in leadership positions at the end of the period (%)	22	21	22	21	21
<b>Human rights<sup>1)</sup></b>					
Community grievances (number)	//	//	//	//	17
Community beneficiaries (number)	//	//	//	//	8,236
Social Due Diligence on projects in scope (%)	//	//	//	//	0
<b>GOVERNANCE</b>					
<b>Whistle-blower system<sup>1)</sup></b>					
EthicsLine compliance cases (number)	//	//	//	//	465
- of which substantiated	//	//	//	//	96
- of which unsubstantiated	//	//	//	//	292

For general definitions and specifications on these sustainability key figures, see the Notes to sustainability key figures in the Annual Report 2021, page 142-143.

1) Data only reported on an annual basis.

2) In alignment with the GHG protocol standard, data for 2021 has retroactively been adjusted for acquisitions and divestments in 2020 and 2021 in accordance with Vestas' policy on baseline adjustments for CO<sub>2</sub> emissions and related indicators.

# Group financial performance

## Income statement

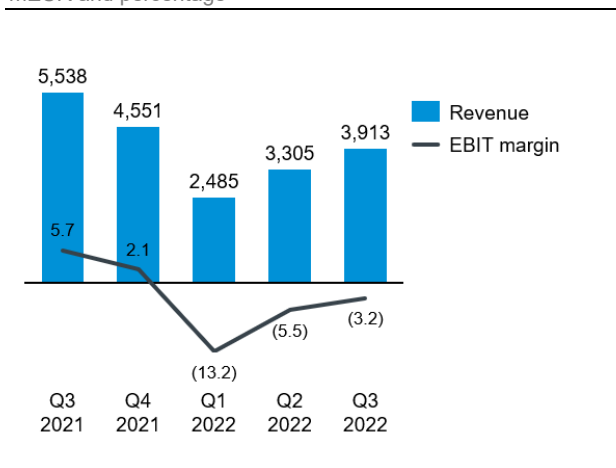
### Revenue

Revenue in the third quarter of 2022 amounted to EUR 3,913m (Q3 2021: EUR 5,538m), a decrease of 29 percent, primarily driven by lower deliveries in Northern Europe and the USA as well as various delays due to transportation and project execution challenges. Vestas' decision to withdraw from the Russian market and pausing activity in Ukraine has also resulted in lower than expected deliveries in those two markets.

For the first nine months of the year, revenue amounted to EUR 9,703m (9M 2021: EUR 11,036m), a decrease of 12 percent, primarily driven by a lower level of wind turbine deliveries resulting from the same challenges as observed in the third quarter of 2022, partly offset by increasing service activity. Revenue for the first nine months of 2022 reflected a positive impact of approx. EUR 345m from foreign exchange rate translation compared to 2021.

### Revenue and EBIT margin before special items

mEUR and percentage



### Gross profit

Gross profit amounted to EUR 161m in the third quarter of 2022, corresponding to a gross margin of 4.1 percent (Q3 2021: EUR 599m; 10.8 percent), which is a 6.7 percentage point decrease compared to the third quarter of 2021. The decrease in the gross margin was mainly attributable to continued external cost inflation and supply chain disruptions in the Power Solutions segment.

Gross profit in the first nine months of 2022 amounted to EUR 280m, equal to a margin of 2.9 percent (9M 2021: EUR 1,163m; 10.5 percent). Besides the same factors impacting the quarter, the decrease in gross margin was attributable to an adjustment related to offshore activities covering impairment losses related to the V164/V174 offshore technology and related assets and as well increased warranty provisions for offshore turbines already installed.

### Warranty provisions

Costs for warranty provisions amounted to EUR 177m in the third quarter of 2022 (Q3 2021: EUR 219m), equivalent to a warranty ratio of 4.5 percent of revenue (Q3 2021: 4.0 percent). Higher warranty provisions in the quarter were caused by increasing repair and upgrade costs due to external cost inflation.

For the first nine months of 2022, warranty costs amounted to 5.1 percent of revenue compared to 3.5 percent in the first nine months of 2021. The higher level of warranties in 2022 was primarily attributable to additional warranty provisions totalling EUR 124m in the first quarter of 2022, caused by increasing repair and upgrade costs due to external cost inflation, of which EUR 93m was related to offshore wind turbines already installed.

### Research and development costs, Distribution costs and Administration costs

Research and development costs recognised in the income statement amounted to EUR 85m for the third quarter of 2022 which is on par with third quarter 2021 (Q3 2021: EUR 86m).

Distribution costs amounted to EUR 117m in the third quarter of 2022 (Q3 2021: EUR 102m). The increase was mainly due to increasing depreciation of transportation equipment.

Administration costs amounted to EUR 86m in the third quarter of 2022 (Q3 2021: EUR 93m). The decrease reflects costs related to offshore integration activities impacting the third quarter of 2021.

### Depreciation, amortisation, and impairment

In the third quarter of 2022, overall depreciation, amortisation, and impairment before special items amounted to EUR 228m (Q3 2021: EUR 239m). The decrease was mainly driven by reduced depreciation on offshore technology and other intangible assets.

### Operating profit (EBIT) before special items

EBIT before special items amounted to negative EUR 127m in the third quarter of 2022, equivalent to an EBIT margin of negative 3.2 percent (Q3 2021: EUR 318m; 5.7 percent) negatively impacted by lower revenue and gross profit.

For the first nine months of 2022, EBIT before special items amounted to negative EUR 638m, equal to an EBIT margin of negative 6.6 percent (9M 2021: EUR 334m; 3.0 percent). The decrease in EBIT before special items was impacted by the adjustments related to the offshore technology, which impacted EBIT negatively by EUR 176m. Excluding this, the EBIT margin before special items in the first nine months of 2022 was negative 4.8 percent, equal to a decline of 7.8 percentage points compared to the first nine months of 2021, mainly driven by lower revenue and gross profit.

### Operating profit (EBIT) after special items

In the third quarter of 2022, EBIT after special items amounted to negative EUR 114m (Q3 2021: EUR 199m). This reflects special items income of EUR 13m, mainly related to an adjustment of the write-down of the Isle of Wight production facility.

EBIT after special items in the first nine months of 2022 amounted to negative EUR 1,155m, equivalent to an EBIT margin after special items of negative 11.9 percent (9M 2021: EUR 215m; 1.9 percent). The negative EBIT after special items reflects special items costs of EUR 358m recognised in the first nine months of 2022 following Russia's invasion of Ukraine and Vestas' decision to withdraw from the Russian market while pausing all service and construction activities in Ukraine. Furthermore, it reflects special items costs of EUR 225m related to the manufacturing footprint in China and India, partly offset by positive adjustments to the footprint changes announced in 2021 of EUR 66m.

### Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 21m in the first nine months of 2022 (9M 2021: EUR 49m). The lower profit compared to 2021 was related to a lower level of co-development activities in the USA, partially offset by higher income from the investment in Copenhagen Infrastructure Partners P/S.

### Net financial items

Financial items amounted to a net loss of EUR 65m in the third quarter of 2022 (Q3 2021: loss of EUR 40m) and net loss of EUR 65m in the first nine months of 2022 (9M 2021: loss of EUR 70m), primarily driven by foreign exchange impacts of EUR 54m from various exposures.

### Income tax

Income tax amounted to an income of EUR 24m in the third quarter and EUR 168m in the first nine months of the year. For both the quarter and the first nine months of the year, income tax represented an effective tax rate of 14 percent, compared to 30 percent in the first nine months of 2021. The effective tax rate was primarily driven by the losses in Russia with limited tax deductibility.

### Net result for the period

The net result amounted to a loss of EUR 147m in the third quarter of 2022 (Q3 2021: profit of EUR 116m), resulting in a loss of EUR 1,031m in the first nine months of 2022 (9M 2021: profit of EUR 135m). The decrease in the net result in the first nine months of 2022 year over year was mainly the result of lower margins and special items.

### Financial ratios

Earnings per share calculated over a 12-month period amounted to negative EUR 1.0 in the third quarter of 2022 (Q3 2021: EUR 0.7). The decrease of EUR 1.7 was driven by the lower result in the period.

Return on capital employed (ROCE) before special items was negative 8.2 percent in the third quarter of 2022 (Q3 2021: 9.2 percent), a decline compared to 2021 driven by the lower EBIT before special items. Return on equity was negative 24.8 percent in the third quarter of 2022 (Q3 2021: 16.0 percent), a decrease of 40.8 percentage points attributable to the lower net profit.

### Working capital and free cash flow

#### Net working capital

Net working capital amounted to a net asset of EUR 93m as at 30 September 2022 (30 September 2021: net liability of EUR 526m). Compared to 2021 the development reflects increasing inventories due to the low level of deliveries in the first nine months of 2022 partially offset by increasing contract liabilities.

#### Cash flow from operating activities

Cash flow from operating activities was negative EUR 614m in the third quarter of 2022 (Q3 2021: positive 513m). The negative development was primarily driven by the negative profit and the development in the net working capital in the period.

#### 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 138m in the third quarter of 2022 (Q3 2021: outflow EUR 213m), primarily reflecting a decrease in purchase of transportation equipment and construction tools as well as cash inflow from the disposal of the Lauchhammer production facility.

#### Free cash flow

Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 752m in the third quarter of 2022 (Q3 2021: positive EUR 300m) and negative EUR 2,235m in the first nine months of 2022 (9M 2021: negative EUR 415m). The negative development year over year was driven by a negative cash flow from operating activities.

### Capital structure and financing items

#### Equity and solvency ratio

As at 30 September 2022, total equity amounted to EUR 3,727m (30 September 2021: EUR 4,690m). The decrease compared to 2021 was mainly attributable to the negative net profit in the first nine months of 2022 also causing the solvency ratio to drop 6.6 percentage points in the same period to 18.2 percent as at 30 September 2022.

#### Net interest-bearing position and cash position

As at 30 September 2022, the net interest-bearing position amounted to negative EUR 1,195m (30 September 2021: EUR 692m). This development compared to 2021 was a result of negative free cash flow and increasing financial debt.

Cash and cash equivalents amounted to EUR 1,139m as at 30 September 2022, compared to EUR 1,878m at the end of the third quarter of 2021.

The ratio net interest-bearing debt/EBITDA was positive 2.6 as at 30 September 2022 compared to negative 0.5 at the end of the third quarter of 2021. The ratio was negatively impacted by both a lower EBITDA and deteriorated net interest-bearing position.



### Result for the period

In the third quarter of 2022, revenue from the Power Solutions segment amounted to EUR 3,096m (Q3 2021: EUR 4,921m). The decrease was mainly attributable to lower offshore deliveries in Northern Europe and onshore deliveries in the USA and a lack of deliveries in Russia and Ukraine. Furthermore, challenges related to transportation and project execution have caused delays in deliveries more broadly.

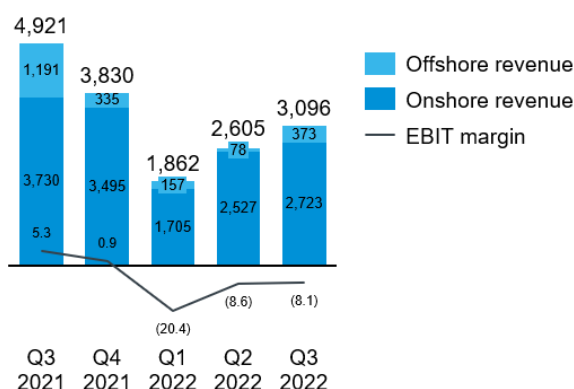
The first nine months of 2022 reflected revenue in the Power Solutions segment of EUR 7,563m, a decrease of 18.4 percent compared to the same period last year (9M 2021: EUR 9,273m), driven by the same challenges as observed in the quarter, partly offset by a positive impact from foreign exchange rate translation compared to 2021 of EUR 272m.

EBIT before special items amounted to negative EUR 252m in the third quarter of 2022, equal to an EBIT margin of negative 8.1 percent (Q3 2021: EUR 263m; 5.3 percent). The negative development in the EBIT margin was attributable to lower revenue, continued external cost inflation and supply chain disruptions.

In the first nine months of 2022, EBIT before special items amounted to negative EUR 857m, equal to an EBIT margin before special items of negative 11.3 percent (9M 2021: EUR 154m; 1.7 percent), a deterioration of 13.0 percentage points compared to same period last year. Besides the same factors impacting the quarter, the negative development in the EBIT margin was driven by an offshore adjustment covering impairment losses related to the V164/V174 offshore technology and additional warranty provisions recognised in the first quarter of 2022. Excluding this impact, the EBIT margin for the Power Solutions segment was negative 9.0 percent.

### Power Solutions revenue and EBIT margin before special items

mEUR and percentage



### Wind turbine order intake

In the third quarter of 2022, wind turbine order intake amounted to 1,895 MW, corresponding to a value of EUR 2.0bn (Q3 2021: 3,727 MW; EUR 3.0bn). This represents a decrease of 49 percent in MW order intake compared to the third quarter of 2021, following the general market decline and with main impacts in the USA and Australia.

The average price per MW was EUR 1.07m (EUR 1.06m for onshore only) in the third quarter of 2022, compared to EUR 0.81m in the third quarter of 2021 and EUR 0.83m for full year 2021, highlighting continued price increases towards customers.

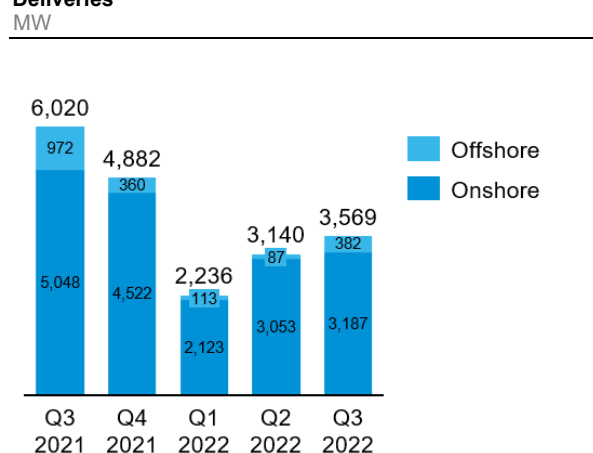
### Wind turbine order intake, third quarter 2022

	EMEA	Americas	Asia Pacific	Total
Onshore order intake	774	1,027	94	1,895
Offshore order intake	0	0	0	0
Total order intake	774	1,027	94	1,895

### Wind turbine deliveries

Deliveries to customers amounted to 3,569 MW in the third quarter of 2022 (Q3 2021: 6,020 MW). The decrease was mainly driven by lower onshore deliveries in the USA and Vietnam and lower offshore deliveries in the UK.

### Deliveries



By the end of September 2022, Vestas had installed a total capacity of 161 GW in 88 countries.

**Deliveries (onshore and offshore)**

MW

	Q3 2022	Q3 2021	FY 2021
United Kingdom	283	1,092	2,129
Finland	257	355	838
Netherlands	224	152	388
France	219	78	668
Sweden	214	263	679
Poland	146	227	739
Germany	145	138	598
Ireland	87	-	-
Greece	73	20	40
Denmark	59	65	235
Austria	56	22	91
Italy	49	40	321
Turkey	24	-	88
Egypt	22	1	24
Latvia	17	-	-
Portugal	14	51	97
Belgium	4	8	90
Spain	1	32	76
South Africa	-	100	330
Russian Fed.	-	194	473
Saudi Arabia	-	19	245
Norway	-	279	413
Jordan	-	-	38
Faroe Islands	-	-	11
<b>EMEA</b>	<b>1,894</b>	<b>3,136</b>	<b>8,611</b>
<i>Hereof Offshore</i>	<i>279</i>	<i>972</i>	<i>2,007</i>
USA	619	1,337	3,065
Brazil	331	609	1,892
Canada	242	143	151
Colombia	28	19	41
Chile	23	140	314
Mexico	-	13	200
Panama	-	4	25
Bolivia	-	1	39
Puerto Rico	-	8	11
El Salvador	-	-	9
<b>Americas</b>	<b>1,243</b>	<b>2,274</b>	<b>5,747</b>
<i>Hereof Offshore</i>	<i>-</i>	<i>-</i>	<i>-</i>
Japan	134	13	170
Australia	104	4	389
Vietnam	80	530	1,132
Taiwan	60	-	35
China	35	33	319
South Korea	9	-	1
India	7	30	157
New Zealand	3	-	30
Sri Lanka	-	-	3
<b>Asia Pacific</b>	<b>432</b>	<b>610</b>	<b>2,236</b>
<i>Hereof Offshore</i>	<i>103</i>	<i>-</i>	<i>-</i>
<b>Total</b>	<b>3,569</b>	<b>6,020</b>	<b>16,594</b>
<i>Hereof Offshore</i>	<i>382</i>	<i>972</i>	<i>2,007</i>

**Wind turbine order backlog**

At the end of the third quarter of 2022, the wind turbine order backlog amounted to 19,287 MW, which corresponds to a value of EUR 18.1bn, of which EUR 3.0bn relates to offshore wind power projects.

**Order backlog per region**

MW

	EMEA	Ameri- cas	Asia Pacific	Total
Onshore order backlog	7,993	7,028	1,755	<b>16,776</b>
Offshore order backlog	1,355	-	1,156	<b>2,511</b>
Total backlog as at 30 Sep 2022	9,348	7,028	2,911	<b>19,287</b>

**Europe, Middle East, and Africa (EMEA)**

The total order backlog for Europe, Middle East, and Africa decreased 30 percent from the end of third quarter of 2021 to 9,348 MW at the end of third quarter 2022. The decrease was driven by the exclusion of Russia and Ukraine, lower order intake following the general market decline and a decrease in the offshore backlog from 2,078 MW at the end of third quarter 2021 to 1,355 MW at the end of third quarter 2022, due to deliveries of offshore wind turbines and low order intake.

**Americas**

The total order backlog for Americas amounted to 7,028 MW at the end of third quarter 2022, which is on par with the order backlog at the end of third quarter 2021. This represents a decrease in order intake in the USA, offset by an increased order intake in Brazil and Argentina.

**Asia Pacific**

The total wind turbine order backlog for Asia Pacific at the end of the third quarter 2022 of 2,911 MW corresponds to a decrease of 20 percent compared to the end of third quarter 2021. The offshore backlog contributed with an increase from 728 MW to 1,156 MW by the end of third quarter of 2022, mainly driven by orders in Taiwan, but more than offset by deliveries in Australia, Japan, and India and low onshore order intake.



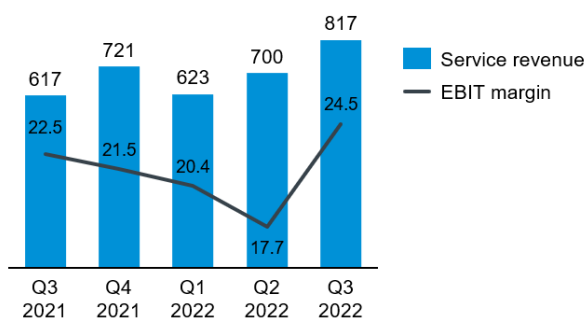
## Service

### Result for the period

The Service segment generated revenue of EUR 817m in the third quarter of 2022 (Q3 2021: EUR 617m), which corresponds to a 32.4 percent increase compared to the third quarter of 2021, driven by higher contract activity and increased transactional sales as well as indexation mechanisms in contracts.

Revenue from the Service segment amounted to EUR 2,140m in the first nine months of 2022 (9M 2021: EUR 1,763m), a 21.4 percent increase compared to the first nine months of 2021 driven by higher contract activity and transactional sales as well as inflation levers in contracts. Revenue for the first nine months of 2022 reflected a positive impact of approx. EUR 74m from foreign exchange rate translation compared to 2021.

### Service revenue and EBIT margin before special items mEUR and percentage



EBIT before special items amounted to EUR 200m in the third quarter of 2022, corresponding to an EBIT margin of 24.5 percent (Q3 2021: EUR 139m; 22.5 percent), which is a 2.0 percentage point increase compared to the same period last year. The increase was driven by higher activity in the third quarter of 2022.

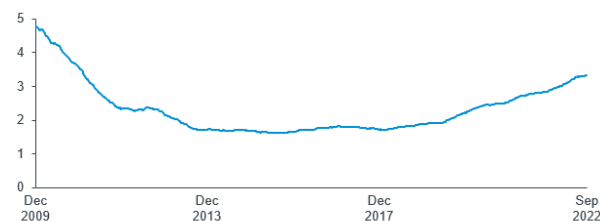
In the first nine months of 2022, EBIT before special items amounted to EUR 451m with an EBIT margin of 21.1 percent (9M 2021: EUR 422m; 23.9 percent), a 2.8 percent point decrease compared to the first nine months of 2021. The development was mainly attributable to impairment losses in first quarter 2022 and lower profitability in certain projects in the USA and Africa in the second quarter.

### Wind turbines under service

At the end of September 2022, Vestas had around 55,700 wind turbines under service, equivalent to 141 GW.

### Lost Production Factor<sup>\*)</sup>

Percent



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

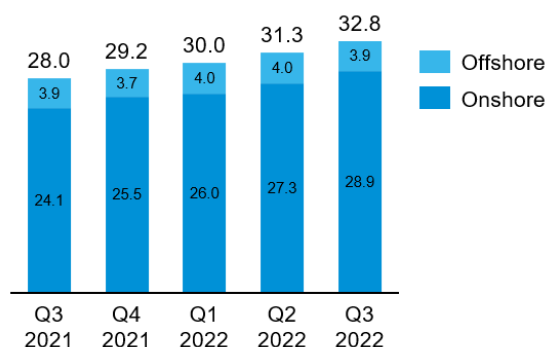
At the end of September 2022, the overall average Lost Production Factor continued to be impacted by the level of extraordinary repairs and upgrades.

### Service order backlog

At the end of September 2022, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 32.8bn, an increase of EUR 4.8bn compared to 30 September 2021 from all regions despite negative impact from a write-down of the order backlog in Russia and Ukraine of EUR 0.6bn during the first quarter of 2022.

### Service order backlog

bnEUR



At the end of the quarter, the average duration in the service order backlog was approx. ten years, unchanged from at the end of 2021.

# Sustainability

## The Vestas Sustainability Strategy

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

## Carbon footprint

Wind turbines produced and shipped in the third quarter of 2022 are expected to avoid 80 million tonnes of CO<sub>2</sub>e over the course of their lifetime, a decrease of 10 percent from the third quarter of 2021 due to a lower amount of MW produced and shipped.

In the third quarter of 2022, our total scope 1 and 2 emissions increased by 4 percent compared to the third quarter of 2021. This can be attributed to a higher activity level in Service. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

## Hydrogen-powered vessel

To help find solutions to decarbonise marine transport, we launched a pilot program of the world's first hydrogen-powered crew transfer vessel (CTV) in July.

The CTV is powered by a dual-fuel solution, capable of being powered by hydrogen in a combination with marine gas oil. Hydrogen fuel contains no carbon, signalling the potential to significantly reduce carbon emissions while maintaining the same power output. The solution will be tested at the Norther Wind Farm until the end of 2022, allowing us to explore a potentially scalable approach to incorporating hydrogen into our operational setup. The goal of the trial will be to collect insights into the opportunities and limitations of hydrogen-powered vessels in daily operations.

Carbon emissions associated with offshore operations currently account for one third of our scope 1 & 2 emissions. Therefore, deploying hydrogen-fuelled vessels will be crucial for our sustainability journey. The new CTV holds the potential to generate a CO<sub>2</sub> saving of 158 tonnes, an estimated saving of 37 percent carbon emissions in comparison to a traditional vessel, and this could drop to near-zero emissions once a source of green hydrogen is readily available.

## Battery charging station

As renewable capacity increases, measures to drive wider electrification must expand alongside it to ensure that we meet energy demand while driving

decarbonisation. Building out charging infrastructure is a key step along this journey.

In September, we installed an innovative battery-charging station at our headquarters in Aarhus, empowering employees to charge their electric or hybrid vehicles with green electricity. This charging solution will also be available for local residents after office hours, supporting the Aarhus Municipality's journey to becoming a carbon neutral city by 2030.

The system, developed in-house by our Storage and Energy Solutions team, is managed by a software platform that enables the battery system to synchronise electric vehicle charging needs with real-time renewable electricity generation from our test turbines in Østerild, ensuring CO<sub>2</sub> free charging.

## Circularity

In the third quarter of 2022, our material efficiency improved 15 percent compared to third quarter of 2021 to 1.1 tonnes of waste per MW produced and shipped. This improvement was due to factories closed or sold, lower activity levels, and one of our blade manufacturing facilities having increased recycling significantly with fiber glass and pultrusion dust now being recycled by a company producing concrete.

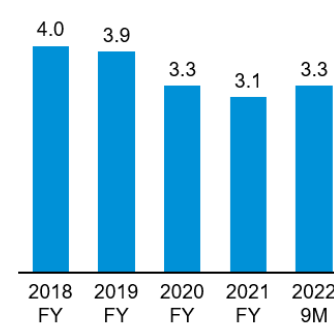
## Safety

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 2022, 50 Recordable Injuries were registered, resulting in a TRIR of 3.5 for the quarter and 3.3 year-to-date, which is an increase from 2021.

## 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.

# Strategy and financial and capital structure targets

(For an extended introduction to the Vestas strategy, please refer to the Annual Report 2021.)

## Accelerating the journey to net zero

We are currently in a climate change crisis, which is the greatest challenge humanity has ever faced. This can only be changed through a new major industrial revolution: the global energy transition and the need to act has never been clearer. Global temperature levels have already increased by 1.2°C and continue to rise, highlighting the urgency with which we must act to stay within the 1.5°C scenario.

An important step towards action was taken at COP26 in Glasgow in November 2021, where climate targets were increased, additional countries announced net zero targets and the phase-out of coal was included for the first time. However, these targets fall short of deploying renewable energy fast enough, according to the International Energy Agency (IEA). Further on the COVID-19 pandemic led to a further deepening of the world's dependence on gas and coal and creating price and supply volatility.

The value of wind turbines and other renewable technologies is already well established. The energy transition though is more than a technology revolution. It also requires a fundamental shift in mindset – thinking and acting across our entire value chain, employing circularity and collaborating across the industry, strengthening of supply chains to ensure flexibility and alleviate challenges. Further on, the industry must become more profitable, with appropriate return measurements on equity and capital. As a leader in sustainable energy solutions, Vestas is deeply committed to ensuring the renewables industry achieves full maturity.

Today, electricity constitutes just 20 percent of the global energy system, and of this wind energy provides around 6 percent. With less than 2 percent of all energy coming from wind turbines, it is clear the growth potential within the electricity system alone is tremendous. For more than 40 years, Vestas has driven the global energy transition. This will remain our key focus. To create a sustainable planet for future generations and continue to provide an economic return to our shareholders, we must, however, also look beyond wind energy. We will continue to invest in solutions that enable both the continued deployment of renewables and allow us to integrate sustainability in everything we do.

## Industry leadership and challenging new fields

For more than 40 years, Vestas has delivered solutions to one of the world's biggest challenges. This commitment has taken us to global wind leadership with a presence in more than 80 countries. During this period, we have made wind energy the cheapest new sources of electricity along solar PV. We have further paved the way for a sustainable energy system but there is still a long way to go.

Solving the climate crisis entails decarbonising the entire energy system. Vestas has the scale, reach, track record, and technological expertise to continue leading the buildout of renewable energy and expand renewable energy through the following core pillars:

- Increasing the renewable energy penetration of electricity
- Driving direct electrification
- Developing and implementing solutions for indirect electrification

As part of our strategy, and as part of our efforts to play a leading role in the energy transition, in 2021 we made significant strides towards achieving our vision of becoming the global leader in sustainable energy solutions. The main ones:

- Finalised the integration of Offshore, establishing one globally aligned organisational footprint for Vestas
- Introduced the offshore V236-15 MW™ offshore turbine
- Launched roadmap to secure full circularity by 2040 and accelerated targets for full rotor recyclability by 2030
- Matured our business across the value chain
- Increased our focus in project development activities, Power-to-X, and Vestas Ventures

In the mid-term, our priorities remain to lead the market in both wind power plant solutions and in service while integrating sustainability in everything we do. We also aim to ensure industry-leading profitability, sustaining our preferred partner status with customers, and attracting the best talent in the energy industry.

To achieve our goals and lead the energy transition, we focus on three strategic business areas: onshore, offshore, and service. For an elaborated version of priorities and ambitions for those three business areas, please refer to the Annual Report 2021.

## Driving industry maturity

To drive our strategic priorities and ensure we focus on the key challenges we face, Vestas runs a yearly strategy cycle and review where we discuss, adjust and optimise our strategy based on market changes and future scenarios. The yearly cycle ensures close alignment on strategic priorities between the Board of Directors and the Executive Management team, providing the organisation with a strong focus and ensuring clear direction for all of our colleagues around the world.



In 2021, our key strategic priorities included among others the following:

- **Sustainability:** To address the climate crisis while meeting the growing expectations of our stakeholders, we have mobilised internal functions to accelerate our sustainability journey. Despite the inclusion of offshore activities, we remain committed to carbon neutrality in our own operations by 2030. We have launched our Circularity Roadmap and accelerated progress towards zero-waste turbines and continue to invest in sustainable mobility.
- **Quality:** A key part of the continued evolution of our industry is to provide quality to ensure resilient energy systems. This includes dealing with issues in an efficient and customer-focused manner. Continued growth through new product introductions, accelerated cost-out and high activity levels have put pressure on the entire Vestas value chain, including our quality. To address these challenges, we have reinforced our quality culture and focus through several initiatives and strengthened and simplified our processes and governance and developed a strong quality community across Vestas. Our aim is to ensure issues are contained and solved close to their origin, while providing best-in-class quality for future customer solutions.
- **Talent & Leadership:** Vestas' growth ambitions require us to attract, recruit, develop, and retain business-critical talents. In order to achieve these talent objectives, we have launched several initiatives to consolidate our position as an attractive employer, improve succession planning and create a more diverse talent pipeline.

### Long-term financial ambitions

Wind power has outcompeted fossil fuel alternatives in most parts of the world, volumes in the global wind turbine market are good, and the prospects for the coming years promising, with wind power's expected central role in the electrification of societies, industries and mobility systems and forecasts of accelerated annual growth of wind power capacity towards 2030<sup>7)</sup>. At the same time, the wind power industry has seen consolidation, giving way for a more stable competitive environment. The profitability, however, is still not at a satisfactory level, and hence this needs to remain a focus area for wind turbine manufacturers in the coming years. Severe supply chain instability and cost inflation has only made this more important.

### Onshore

The demand for onshore wind power globally is expected to remain relatively stable at the current high level the next couple of years. After that, a new phase of growth is expected, driven by new policies, increased electrification, and corporate ambitions and activities. Adding to that, Vestas expects to see increasing contributions from its development activities, as well as growing capabilities within the fast-developing market for Power-to-X and hybrid solutions. On this background, Vestas maintains its long-term ambition for the onshore wind power segment to grow faster than the market and be market leader in revenue.

### Offshore

The projections for the offshore market suggest a development in three phases for Vestas' acquired offshore business. Based on the order backlog, Vestas will see a good activity level in the coming year. Following that, the company expects to see a decline in activity towards 2025, while necessitating to invest heavily both in the organisation, supply chain, and technology. By 2025, upon the steep increase in annual offshore installations and Vestas' new platform gaining traction in the market, Vestas aims to be a leading player in offshore wind power.

Based on these assumptions, Vestas has an ambition to achieve revenue in the offshore business area of EUR +3bn by 2025, with an EBIT margin before special items on par with the Group's overall margin.

### Service

The wind power service market is expected to grow at high single digit rate, and Vestas maintains its ambitions for the long-term for the Service revenue to grow faster than the market. The Service EBIT margin is expected at a level of around 25 percent in the coming years, taking into account the integration of the offshore business, which currently generates lower margins than onshore.

### General ambitions

Despite supply chain instability and a high degree of cost inflation, causing volatility in the demand for wind power, Vestas maintains its ambition on an overall level to grow faster than the market and be market leader in revenue. The company also remains optimistic about reaching a 10 percent EBIT margin before special items. Based on the current market conditions and projections, we now envision this to be achieved by 2025. The introduction of our new offshore turbine platform will impact free cash flow, but Vestas nevertheless expects to generate positive cash flow and to achieve a long-term ROCE of minimum 20 percent over the cycle.

<sup>7)</sup> Source: Wood Mackenzie: Market Outlook Update Q4 2021. November 2021.

## Financial and capital structure targets and priorities

The Board and Executive Management regularly assess whether Vestas' capital structure, i.e. how the company funds its overall operations and growth, is in the shareholders' best interest. The ongoing assessments also include the ways in which it supports our corporate strategy.

### Financial management

In relation to financial management, the objective is to create the necessary flexibility and stability to implement strategic development work, while in the long-term achieving Vestas' financial ambitions. At the same time, we aim to reduce the cost of capital.

### Capital structure targets

As a key player in a market where projects, customers, and wind energy investors are increasing in size and number, we aim to be a strong financial counterpart. We will maintain capital resources to ensure compliance with our capital structure target of net interest-bearing debt to EBITDA below 1x.

### Capital allocation priorities

Vestas applies the following principles to capital allocation:

- Provide the investments and R&D required to realise our corporate strategy and our long-term vision of being the global leader in sustainable energy solutions.
- Make bolt-on 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.
- 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 requirements. Share buy-back programmes, if any, will likely be initiated in the second half of the year based on performance.

The Board and Executive Management consider that Vestas' current capital and share structure serves the interests of shareholders and the company well. It also provides strategic flexibility to pursue our vision of becoming the global leader in sustainable energy solutions.

## Outlook 2022

During the third quarter of 2022, the business environment with supply chain instability and cost inflation did not wane. Additionally, delays on project deliveries lead to higher costs related to executing on customer commitments.

Consequently, Vestas is adjusting the full-year guidance.

Revenue for full year 2022 is now expected to range between EUR 14.5bn and 15.5bn (previously EUR 14.5bn-16.0bn), and the outlook for the EBIT margin before special items is adjusted to approx. (5) percent (previously (5)-0 percent).

Service revenue is now expected to grow min. 20 percent (previously min. 10 percent) due to strong performance and additional repowering activities. The Service EBIT margin before special items is now expected to be approx. 22 percent (previously approx. 23 percent).

Total investments<sup>\*)</sup> are now expected to amount to approx. EUR 850m in 2022 (previously approx. EUR 1,000m).

It should be emphasised that there is greater uncertainty than usual around forecasts related to execution in 2022, and the outlook seeks to take into account the current situation and challenges.

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 2022. Further, the full-year results may also be impacted by movements in exchange rates from current levels.

### Outlook 2022

	Updated guidance	Previous guidance <sup>**) </sup>	Initial guidance
Revenue (bnEUR)	<b>14.5-15.5</b>	14.5-16.0	15-16.5
EBIT margin (%) before special items	<b>approx. (5)</b>	(5)-0	0-4
Total investments <sup>*)</sup> (mEUR)	<b>approx. 850</b>	approx. 1,000	approx. 1,000

<sup>\*)</sup> Excl. acquisitions of subsidiaries, joint ventures, associates, and financial investments.

<sup>\*\*)</sup>  Updated on 1 May 2022.

## Financial calendar 2023

08.02.2023	Disclosure of the Annual Report 2022
28.02.2023	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
10.03.2023	Convening for Annual General Meeting
12.04.2023	Annual General Meeting in Aarhus, Denmark
10.05.2023	Disclosure of the Interim financial report, Q1 2023
09.08.2023	Disclosure of the Interim financial report, Q2 2023
08.11.2023	Disclosure of the Interim financial report, Q3 2023

The financial calendar lists the expected dates of disclosure of financial results and the Annual General Meeting in the financial year 2023 for Vestas Wind Systems A/S.

# Consolidated financial statements 1 January - 30 September

## Condensed income statement 1 January – 30 September

mEUR	Note	Q3 2022	Q3 2021 <sup>1)</sup>	9M 2022	9M 2021 <sup>1)</sup>
<b>Revenue</b>	1.1, 1.2	<b>3,913</b>	<b>5,538</b>	<b>9,703</b>	<b>11,036</b>
Production costs		(3,752)	(4,939)	(9,423)	(9,873)
<b>Gross profit</b>		<b>161</b>	<b>599</b>	<b>280</b>	<b>1,163</b>
Research and development costs		(85)	(86)	(317)	(278)
Distribution costs		(117)	(102)	(339)	(286)
Administration costs		(86)	(93)	(262)	(265)
<b>Operating profit/(loss) (EBIT) before special items</b>	1.1	<b>(127)</b>	<b>318</b>	<b>(638)</b>	<b>334</b>
Special items	1.3	13	(119)	(517)	(119)
<b>Operating profit/(loss) (EBIT)</b>		<b>(114)</b>	<b>199</b>	<b>(1,155)</b>	<b>215</b>
Income from investments in joint ventures and associates		8	4	21	49
Net financial items		(65)	(40)	(65)	(70)
<b>Profit/(loss) before tax</b>		<b>(171)</b>	<b>163</b>	<b>(1,199)</b>	<b>194</b>
Income tax		24	(47)	168	(59)
<b>Profit/(loss) for the period</b>		<b>(147)</b>	<b>116</b>	<b>(1,031)</b>	<b>135</b>
<b>Profit/(loss) is attributable to:</b>					
Owners of Vestas		(147)	115	(1,031)	129
Non-controlling interests		-	1	-	6
<b>Earnings per share (EPS)</b>					
Earnings per share for the period (EUR), basic		(0.15)	0.11	(1.03)	0.13
Earnings per share for the period (EUR), diluted		(0.15)	0.11	(1.02)	0.13

## Condensed statement of comprehensive income 1 January - 30 September

mEUR	Q3 2022	Q3 2021 <sup>1)</sup>	9M 2022	9M 2021 <sup>1)</sup>
<b>Profit/(loss) for the period</b>	<b>(147)</b>	<b>116</b>	<b>(1,031)</b>	<b>135</b>
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	112	31	125	90
Fair value adjustments of derivative financial instruments for the period	155	136	75	159
Gain/(loss) on derivative financial instruments transferred to the income statement	(29)	(27)	(39)	(41)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	3	0	13	3
Tax on items that may be reclassified to the income statement subsequently	(27)	(27)	(0)	(26)
Other comprehensive income after tax for the period	214	113	174	185
<b>Total comprehensive income for the period</b>	<b>67</b>	<b>229</b>	<b>(857)</b>	<b>320</b>

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

<sup>1)</sup> Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.

## Condensed balance sheet – Assets

mEUR	Note	30 September 2022	30 September 2021 <sup>1)</sup>	31 December 2021 <sup>1)</sup>
Goodwill		1,525	1,274	1,508
Completed development projects		473	531	618
Software		97	101	123
Other intangible assets		400	450	437
Development projects in progress		554	457	376
<b>Total intangible assets</b>		<b>3,049</b>	<b>2,813</b>	<b>3,062</b>
Land and buildings		433	514	510
Plant and machinery		222	327	323
Other fixtures, fittings, tools and equipment		585	560	599
Right-of-use assets		503	481	523
Property, plant and equipment in progress		147	141	136
<b>Total property, plant and equipment</b>	2.1	<b>1,890</b>	<b>2,023</b>	<b>2,091</b>
Investments in joint ventures and associates		663	619	609
Other investments		85	74	81
Tax receivables		229	201	229
Deferred tax		623	322	378
Other receivables	3.4	220	252	234
Financial investments	3.4	94	100	100
<b>Total other non-current assets</b>		<b>1,914</b>	<b>1,568</b>	<b>1,631</b>
<b>Total non-current assets</b>		<b>6,853</b>	<b>6,404</b>	<b>6,784</b>
Inventories		7,064	5,903	5,673
Trade receivables		1,422	1,637	1,531
Contract assets		1,285	1,243	1,227
Contract costs		1,101	657	690
Tax receivables		98	144	102
Other receivables	3.4	1,328	945	1,105
Financial investments	3.4	-	116	116
Cash and cash equivalents	3.2	1,139	1,878	2,420
<b>Total current assets</b>		<b>13,437</b>	<b>12,523</b>	<b>12,864</b>
Assets held for sale	2.2	157	-	-
<b>Total assets</b>		<b>20,447</b>	<b>18,927</b>	<b>19,648</b>

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

<sup>1)</sup> Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.



## Condensed balance sheet – Equity and liabilities

mEUR	Note	30 September 2022	30 September 2021 <sup>1)</sup>	31 December 2021 <sup>1)</sup>
Share capital	3.1	27	27	27
Other reserves		150	23	22
Retained earnings		3,536	4,629	4,635
Attributable to owners of Vestas		3,713	4,679	4,684
Non-controlling interests		14	11	13
<b>Total equity</b>		<b>3,727</b>	<b>4,690</b>	<b>4,697</b>
Provisions	2.3	752	598	686
Deferred tax		291	163	362
Financial debts	3.4	2,203	706	732
Tax payables		326	331	326
Other liabilities	3.4	86	119	145
<b>Total non-current liabilities</b>		<b>3,658</b>	<b>1,917</b>	<b>2,251</b>
Financial debts	3.4	225	6,415	704
Contract liabilities		7,155	3,822	6,180
Trade payables		3,927	667	4,286
Provisions	2.3	684	696	646
Tax payables		46	46	75
Other liabilities	3.4	1,025	674	809
<b>Total current liabilities</b>		<b>13,062</b>	<b>12,320</b>	<b>12,700</b>
<b>Total liabilities</b>		<b>16,720</b>	<b>14,237</b>	<b>14,951</b>
<b>Total equity and liabilities</b>		<b>20,447</b>	<b>18,927</b>	<b>19,648</b>

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

<sup>1)</sup> Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.

## Condensed statement of changes in equity – nine months 2022

mEUR	Reserves					Retained earnings	Non-controlling interests	Total
	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves			
<b>Equity as at 1 January 2022</b>	27	14	16	(8)	22	4,635	13	<b>4,697</b>
Impact from change in accounting estimates (IAS 37 amendment)	-	-	-	-	-	(17)	-	(17)
<b>Adjusted equity as at 1 January 2022</b>	<b>27</b>	<b>14</b>	<b>16</b>	<b>(8)</b>	<b>22</b>	<b>4,618</b>	<b>13</b>	<b>4,680</b>
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)
<i>Transaction with owners:</i>								
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)
<b>Equity as at 30 September 2022</b>	<b>27</b>	<b>138</b>	<b>7</b>	<b>5</b>	<b>150</b>	<b>3,536</b>	<b>14</b>	<b>3,727</b>

## Condensed statement of changes in equity – nine months 2021

mEUR	Reserves					Retained earnings <sup>1)</sup>	Non-controlling interests	Total <sup>1)</sup>
	Share capital	Translation reserve	Cash flow hedging reserve	Other reserves	Total reserves			
<b>Equity as at 1 January 2021</b>	27	(114)	(21)	(11)	(146)	4,742	49	<b>4,672</b>
Profit for the period	-	-	-	-	-	129	6	135
Other comprehensive income for the period	-	86	92	3	181	-	4	185
Total comprehensive income for the period	-	86	92	3	181	129	10	320
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(12)	-	(12)	-	-	(12)
<i>Transaction with owners:</i>								
Transactions with non-controlling interests	-	-	-	-	-	(6)	(48)	(54)
Dividends distributed	-	-	-	-	-	(230)	-	(230)
Dividends distributed related to treasury shares	-	-	-	-	-	2	-	2
Acquisition of treasury shares	-	-	-	-	-	(12)	-	(12)
Share-based payments	-	-	-	-	-	9	-	9
Tax on equity transactions	-	-	-	-	-	(5)	-	(5)
Total transactions with owners	-	-	-	-	-	(242)	(48)	(290)
<b>Equity as at 30 September 2021</b>	<b>27</b>	<b>(28)</b>	<b>59</b>	<b>(8)</b>	<b>23</b>	<b>4,629</b>	<b>11</b>	<b>4,690</b>

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

<sup>1)</sup> Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.

## Condensed cash flow statement 1 January – 30 September

mEUR	Note	Q3 2022	Q3 2021 <sup>1)</sup>	9M 2022	9M 2021 <sup>1)</sup>
Profit/(loss) for the period		(147)	116	(1,031)	135
Adjustment for non-cash transactions		254	450	824	641
Interest paid / received, net		4	(36)	(1)	(117)
Income tax paid		(30)	(9)	(120)	(32)
Cash flow from operating activities before change in net working capital		81	521	(328)	627
Change in net working capital		(695)	(8)	(1,402)	(516)
<b>Cash flow from operating activities</b>		<b>(614)</b>	<b>513</b>	<b>(1,730)</b>	<b>111</b>
Purchase of intangible assets		(105)	(85)	(297)	(252)
Purchase of property, plant and equipment		(85)	(130)	(267)	(324)
Disposal of property, plant and equipment		44	1	47	1
Dividends from investments in joint ventures and associates		8	1	12	49
<b>Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments</b>		<b>(138)</b>	<b>(213)</b>	<b>(505)</b>	<b>(526)</b>
<b>Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments</b>		<b>(752)</b>	<b>300</b>	<b>(2,235)</b>	<b>(415)</b>
Purchase of shares in joint ventures and associates		(9)	(10)	(31)	(207)
Purchase of other non-current financial assets		-	-	-	(7)
Disposal of other non-current financial assets		1	-	2	-
Disposal of subsidiary		-	99	-	99
Net cash flow from deconsolidation of subsidiary		-	(4)	-	(4)
Purchase of financial investments		-	-	-	(116)
Disposal of financial investments		116	-	116	111
<b>Cash flow from investing activities</b>		<b>(30)</b>	<b>(128)</b>	<b>(418)</b>	<b>(650)</b>
<b>Free cash flow</b>		<b>(644)</b>	<b>385</b>	<b>(2,148)</b>	<b>(539)</b>
Dividend paid		-	-	(50)	(228)
Payment of lease liabilities		(35)	(31)	(111)	(99)
Proceeds from borrowings		528	47	1,672	82
Payment of financial debt		(58)	(97)	(672)	(388)
Acquisition of treasury shares		-	-	-	(12)
Transaction with non-controlling interest		-	(22)	-	(22)
<b>Cash flow from financing activities</b>		<b>435</b>	<b>(103)</b>	<b>839</b>	<b>(667)</b>
<b>Net change in cash and cash equivalents</b>		<b>(209)</b>	<b>282</b>	<b>(1,309)</b>	<b>(1,206)</b>
Cash and cash equivalents at the beginning of period		1,350	1,596	2,420	3,063
Exchange rate adjustments of cash and cash equivalents		(2)	-	28	21
<b>Cash and cash equivalents at the end of the period</b>	3.2	<b>1,139</b>	<b>1,878</b>	<b>1,139</b>	<b>1,878</b>

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

1) Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.

## Notes

### 1 Result for the period

#### 1.1 Segment information

mEUR	Power Solutions	Service	Not allocated	Total Group
<b>Q3 2022</b>				
<b>Total revenue</b>	<b>3,096</b>	<b>817</b>	<b>-</b>	<b>3,913</b>
<b>Total costs</b>	<b>(3,348)</b>	<b>(617)</b>	<b>(75)</b>	<b>(4,040)</b>
<b>Operating profit/(loss) (EBIT) before special items</b>	<b>(252)</b>	<b>200</b>	<b>(75)</b>	<b>(127)</b>
Special items	13	-	-	13
<b>Operating profit/(loss) (EBIT)</b>	<b>(239)</b>	<b>200</b>	<b>(75)</b>	<b>(114)</b>
Income from investments in joint ventures and associates				8
Net financial items				(65)
<b>Profit/(loss) before tax</b>				<b>(171)</b>
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 Vestas' manufacturing footprint in China of EUR 10m. For additional information, refer to note 1.3.

mEUR	Power Solutions	Service	Not allocated	Total Group <sup>1)</sup>
<b>Q3 2021</b>				
<b>Total revenue</b>	<b>4,921</b>	<b>617</b>	<b>-</b>	<b>5,538</b>
<b>Total costs</b>	<b>(4,658)</b>	<b>(478)</b>	<b>(84)</b>	<b>(5,220)</b>
<b>Operating profit/(loss) (EBIT) before special items</b>	<b>263</b>	<b>139</b>	<b>(84)</b>	<b>318</b>
Special items	(119)	-	-	(119)
<b>Operating profit/(loss) (EBIT)</b>	<b>144</b>	<b>139</b>	<b>(84)</b>	<b>199</b>
Income from investments in joint ventures and associates				4
Net financial items				(40)
<b>Profit/(loss) before tax</b>				<b>163</b>
Amortisation and depreciation included in total costs	(193)	(27)	(19)	(239)

1) Comparative figures for 2021 are adjusted in relation to accounting policy change for configuration and customisation cost in cloud computing arrangements, refer to note 5.3.

## 1.1 Segment information (continued)

mEUR	Power Solutions	Service	Not allocated	Total Group
<b>9M 2022</b>				
<b>Total revenue</b>	<b>7,563</b>	<b>2,140</b>	<b>-</b>	<b>9,703</b>
<b>Total costs</b>	<b>(8,420)</b>	<b>(1,689)</b>	<b>(232)</b>	<b>(10,341)</b>
<b>Operating profit/(loss) (EBIT) before special items</b>	<b>(857)</b>	<b>451</b>	<b>(232)</b>	<b>(638)</b>
Special items	(517)	-	-	(517)
<b>Operating profit/(loss) (EBIT)</b>	<b>(1,374)</b>	<b>451</b>	<b>(232)</b>	<b>(1,155)</b>
Income from investments in joint ventures and associates				21
Net financial items				(65)
<b>Profit/(loss) before tax</b>				<b>(1,199)</b>
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 V164/V174 offshore activity, including technology. Intangible assets of EUR 55m and tangible assets of EUR 28m have been impaired, impacting the Power Solutions segment by EUR 71m and the Service segment by EUR 12m. Additional warranty provisions of EUR 93m was recognised in the first quarter of 2022 related to the mentioned 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. For additional information, refer to note 1.3.

mEUR	Power Solutions	Service	Not allocated	Total Group <sup>1)</sup>
<b>9M 2021</b>				
<b>Total revenue</b>	<b>9,273</b>	<b>1,763</b>	<b>-</b>	<b>11,036</b>
<b>Total costs</b>	<b>(9,119)</b>	<b>(1,341)</b>	<b>(242)</b>	<b>(10,702)</b>
<b>Operating profit/(loss) (EBIT) before special items</b>	<b>154</b>	<b>422</b>	<b>(242)</b>	<b>334</b>
Special items	(119)	-	-	(119)
<b>Operating profit/(loss) (EBIT)</b>	<b>35</b>	<b>422</b>	<b>(242)</b>	<b>215</b>
Income from investments in joint ventures and associates				49
Net financial items				(70)
<b>Profit/(loss) before tax</b>				<b>194</b>
Amortisation and depreciation included in total costs	(534)	(78)	(52)	(664)



## 1.2 Revenue

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

From order intake to revenue recognition

### Order backlog

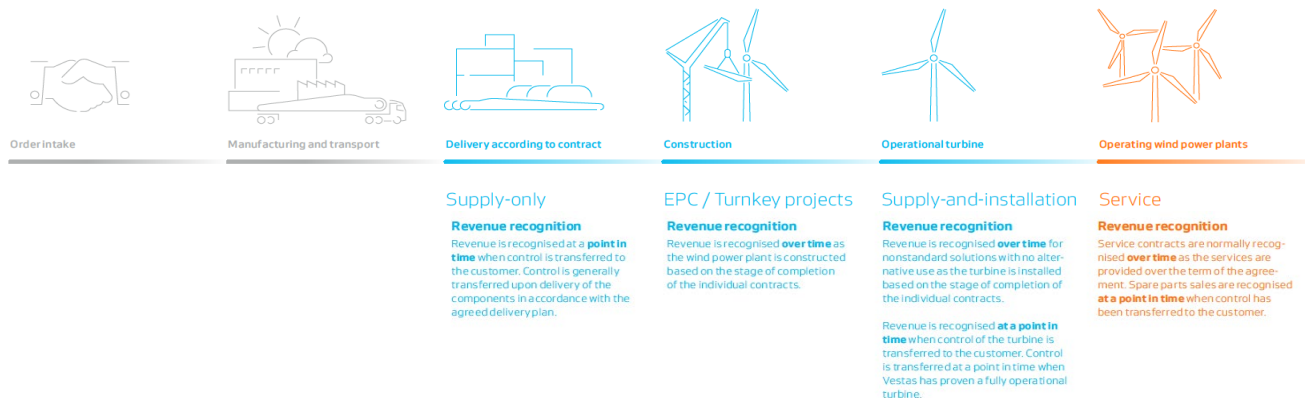
An order is included as order intake when firm and unconditional. The value of future contracts is measured at the end of the period. The order backlog comprises firm order intake from Power Solutions and Service, less deliveries made under Power Solutions and Service performance.

### Deliveries

Deliveries for the Power Solutions segment are included as deliveries, and deducted from the wind turbine order backlog, when the related revenue is recognised.

### Service

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



## 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 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021
<b>Timing of revenue recognition</b>						
Products and services transferred at a point in time	1,996	3,851	132	94	2,128	3,945
Products and services transferred over time	1,100	1,070	685	523	1,785	1,593
	3,096	4,921	817	617	3,913	5,538
<b>Revenue from contract types</b>						
Supply-only	910	1,234	-	-	910	1,234
Supply-and-installation (at a point in time)	1,086	2,618	-	-	1,086	2,618
Supply-and-installation (over time)	916	869	-	-	916	869
Turnkey (EPC)	184	200	-	-	184	200
Service	-	-	817	617	817	617
	3,096	4,921	817	617	3,913	5,538
<b>Primary geographical markets</b>						
EMEA	1,562	2,843	435	280	1,997	3,123
Americas	1,079	1,606	306	249	1,385	1,855
Asia Pacific	455	472	76	88	531	560
	3,096	4,921	817	617	3,913	5,538

mEUR	Power Solutions		Service		Total	
	9M 2022	9M 2021	9M 2022	9M 2021	9M 2022	9M 2021
<b>Timing of revenue recognition</b>						
Products and services transferred at a point in time	4,714	6,552	322	259	5,036	6,811
Products and services transferred over time	2,849	2,721	1,818	1,503	4,667	4,224
	7,563	9,273	2,140	1,762	9,703	11,035
<b>Revenue from contract types</b>						
Supply-only	1,732	2,048	-	-	1,732	2,048
Supply-and-installation (at a point in time)	2,982	4,505	-	-	2,982	4,505
Supply-and-installation (over time)	2,084	2,082	-	-	2,084	2,082
Turnkey (EPC)	765	638	-	-	765	638
Service	-	-	2,140	1,762	2,140	1,762
	7,563	9,273	2,140	1,762	9,703	11,035
<b>Primary geographical markets</b>						
EMEA	4,115	5,273	1,104	986	5,219	6,259
Americas	2,423	2,856	828	593	3,251	3,449
Asia Pacific	1,025	1,144	208	183	1,233	1,327
	7,563	9,273	2,140	1,762	9,703	11,035

### 1.3 Special items

#### Group 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.

#### Russian invasion of Ukraine

Following Russia's invasion of Ukraine in February 2022, Vestas announced on 5 April 2022 that Vestas would withdraw from the Russian market. In order to facilitate the withdrawal from Russia, Vestas continues certain activities during a limited transition period where Vestas will dispose of its Russian assets, wind down operations and end existing contractual relationships. Furthermore, Vestas' activities in Ukraine have been put on hold.

The costs related to the Russian invasion of Ukraine qualify as special items in accordance with Vestas' accounting policy. In the first nine months of 2022, special items of EUR 358m have been recognised including provisions of EUR 117m, write-down of inventories located in Russia and Ukraine of EUR 220m, impairment of tangible assets of EUR 8m, write-down of VAT receivables of EUR 4m, staff costs of EUR 6m and other expenses of EUR 3m, as directly related to the Russian invasion of Ukraine.

In the third quarter of 2022, an income of EUR 9m was recognised in special items including adjustments to the write-down of inventories of EUR 8m and to the provision of EUR 1m.

#### Basis for recognition

The provisions primarily relate to potential risks related to the ceasing of activities in Russia and Ukraine existing at 30 September 2022. The write-down of inventory relates to inventory located in Russia and Ukraine that is not expected to be sold. The impairment loss on tangible assets is primarily related to buildings and equipment located in Russia, which are written down to zero as the assets are not expected to be utilised or sold. The write-down of VAT receivables is related to VAT receivables that are deemed not recoverable. The staff costs are primarily related to severance payments. Other expenses primarily relate to the closing of the factory in Russia.

#### Adjusting manufacturing footprint

Vestas continues to review the product portfolio and adapt the production capacity. As part of this development, Vestas intends to adjust its manufacturing footprint by ceasing production at certain factories in China and India.

This adjustment of the manufacturing footprint qualifies as special items in accordance with Vestas' accounting policy. In the first nine months of 2022, special items of EUR 225m have been recognised including impairment of intangible assets of EUR 27m, impairment of tangible assets of EUR 97m, write-down of inventory of EUR 78m, staff costs of EUR 6m and other costs of EUR 17m.

In the third quarter of 2022, special items of EUR 10m was recognised relating to staff costs of EUR 6m and adjustments to impairment of tangible assets of EUR 3m and write-down of inventory of EUR 1m.

Furthermore, in the first nine months of 2022 a reversal of previously recognised impairment losses on tangible assets of EUR 54m, staff costs of EUR 9m and other costs of EUR 3m was recognised in special items, primarily relating to the factory in Lauchhammer, Germany and the production facility on Isle of Wight, UK.

In the third quarter of 2022, a reversal of previously recognised impairment losses on tangible assets of EUR 14m relating to the facility on Isle of Wight was recognised.

#### Basis for recognition

The impairment loss is primarily related to intangible assets, buildings and production equipment which are written down to fair value less expected cost to sell or value in use, and to inventory which is written down to net realisable value. The intangible assets, buildings and production equipment at the factories have been written down from EUR 164m to EUR 40m reflecting the value that is expected from the disposal of the assets considering costs to sell. Inventory has been written down from EUR 78m to zero as the inventory is expected to be scrapped. Other costs are primarily related to a write-down of VAT and tax receivables that are deemed not recoverable.

mEUR	30 September 2022	30 September 2021	31 December 2021
Write-down of inventory	(298)	-	-
Provisions	(117)	-	-
Impairment loss on intangible and tangible assets	(78)	(48)	(68)
Other costs	(21)	(10)	(10)
Staff costs	(3)	(61)	(61)
<b>Special items</b>	<b>(517)</b>	<b>(119)</b>	<b>(139)</b>

## 2 Other operating assets and liabilities

### 2.1 Property, plant and equipment

In the first nine months of 2022, Vestas acquired assets with a cost of EUR 267m mainly related to manufacturing blade moulds, transport equipment and construction tools, compared to EUR 324m in the first nine months of 2021.

Lease contracts recognised as right-of-use assets during the first nine months of 2022 amounted to EUR 101m, compared to EUR 147m in the first nine months of 2021.

### 2.2 Assets held for sale

Assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sales transaction rather than through continuing use and when the assets are expected to be disposed of within 12 months. Liabilities of a disposal group that are directly related to assets held for sale are presented correspondingly. Assets and liabilities held for sale are presented separately on the balance sheet. Immediately before the initial classification as held for sale, the carrying amounts of the assets and liabilities are measured in accordance with their applicable accounting policy. Assets and liabilities held for sale are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale are not depreciated.

On 9 August 2022, Vestas signed an agreement for the sale of the converters & controls business to KK Wind Solutions. The transaction is expected to close in the first quarter of 2023, subject to receipt of approvals from the relevant regulatory authorities and separation of the converters & controls business. Therefore, it has been classified as held for sale as at 30 September 2022.

Assets held for sale includes property, plant and equipment of EUR 62m and inventory of EUR 95m.

## 2.3 Warranty provisions (included in provisions)

mEUR	30 September 2022	30 September 2021	31 December 2021
Warranty provisions, 1 January	1,197	1,189	1,189
Provisions for the period	509	421	748
Warranty provisions consumed during the period	(471)	(599)	(852)
Additions from business combinations	-	55	55
Reclassification	-	57	57
<b>Warranty provisions</b>	<b>1,235</b>	<b>1,123</b>	<b>1,197</b>
The provisions are expected to be payable as follows:			
< 1 year	720	554	655
> 1 year	515	569	542
	<b>1,235</b>	<b>1,123</b>	<b>1,197</b>

During the first nine months of 2022, net warranty provisions charged to the income statement amounted to EUR 495m (EUR 177m in the third quarter of 2022), equivalent to 5.1 percent of revenue. The net amount consists of a gross warranty provision of EUR 509m less supplier claims of EUR 14m. The warranty provisions in the first nine months of 2022 included additional warranty provisions made in the first quarter of 2022 of EUR 124m due to increased repair costs caused by external cost inflation, hereof EUR 93m related to offshore projects. Warranty consumption amounted to EUR 471m compared to EUR 599m in the first nine months of 2021.

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 5 April 2022, 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 2022	30 September 2021	31 December 2021
Treasury shares as at 1 January	944,632	1,098,495	1,098,495
Purchases for the period	-	78,225	78,225
Vested treasury shares for the period	(206,692)	(232,088)	(232,088)
<b>Treasury shares</b>	<b>737,940</b>	<b>944,632</b>	<b>944,632</b>

Each share has a nominal value of DKK 0.20.

### 3.2 Cash and cash equivalents

mEUR	30 September 2022	30 September 2021	31 December 2021
Cash and cash equivalents without disposal restrictions	1,113	1,852	2,394
Cash and cash equivalents with disposal restrictions	26	26	26
<b>Cash and cash equivalents</b>	<b>1,139</b>	<b>1,878</b>	<b>2,420</b>

### 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 2021, note 4.1 (Financial risk management), pages 99-102. The risks in 2022 remain similar in nature.

On 15 March 2022, Vestas issued two EUR 500m sustainability-linked bonds to both refinance the EUR 500m Green bond (early redeemed in December 2021) and secure long-term funding. The two bonds will mature in 2029 and 2034 respectively, and their interest rates are linked to Vestas' sustainability KPIs.

On 13 May 2022, Vestas has amended and restated the EUR 2bn multicurrency sustainability-linked revolving and bonding facility agreement originally dated 28 April 2021. The sustainability KPIs have been updated and annual targets have been set until final maturity. The facility will mature in 2027 after exercise of the first one-year extension option and can be extended to 2028 with the exercise of the second one-year extension option.

On 17 July 2022, Vestas drew EUR 475m under the green loan facility with the European Investment Bank (EIB) signed on 28 June 2022, cf. Vestas' Investor News of 5 July 2022. The facility will mature in 2032.

### 3.4 Financial instruments

Financial instruments measured at fair value have been categorised into level 1, 2, and 3 as addressed in the Annual Report 2021, note 4.1, page 106. Other than the two EUR 500m sustainability-linked bonds and the green loan with EIB described above, no significant new financial instruments have been recognised compared to 2021 and there have been no transfers between fair value levels.

Financial investments consist of interest-bearing investments which do not meet the definition for cash and cash equivalents. As at 30 September 2022, the fair value of financial investments comprising marketable securities amounted to EUR 94m, equal to book value.

Derivative financial instruments were negative with a market value of net EUR 18m, equal to book value, and were recognised in other receivables and other liabilities with EUR 480m and EUR 498m, respectively.

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 2021 and with no significant changes in fair values.

As at 30 September 2022, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 990m and the fair value amounted to EUR 832m.

## 4 Other disclosures

### 4.1 Related party transactions

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

mEUR	Q3 2022	Q3 2021	9M 2022	9M 2021
<b>Joint ventures</b>				
Revenue for the period	8	48	91	61
Proceeds from sale of projects	-	-	-	10
Capital increase	1	1	21	22
Proceeds from investments in Joint ventures	2	-	2	-
Trade receivable as at 30 September	29	-	29	-
Other assets as at 30 September	51	-	51	-
Other receivables as at 30 September	-	6	-	6
Other liabilities as at 30 September	2	-	2	-
Prepayments balance as at 30 September (asset)	-	148	-	148
<b>Associates</b>				
Revenue	(2)	-	(7)	-
Proceeds from investments in associates	6	1	10	11
Capital increase	3	-	4	3
Contract assets as at 30 September	59	-	59	-
Payable capital contribution as at 30 September	40	46	40	46



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 2021, note 6.3, page 113.

## 4.2 Subsequent events

Other than the events recognised or disclosed in the interim financial report, no events have occurred subsequent to 30 September 2022 which could have a significant impact on the interim financial 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 2021 of Vestas (except for the changes described below in note 5.3) and additional Danish disclosure requirements for interim financial reporting of listed companies.

This interim financial report does not include all the notes included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 December 2021 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 Key accounting estimates and judgements

When preparing the interim financial reporting of Vestas, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of Vestas' assets and liabilities. The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances.

Reference is made to the consolidated financial statements in the Annual Report 2021, note 7.3, page 120 for further description of Vestas' key accounting estimates and judgements.

#### **Estimate regarding recognition of contract elements**

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.

#### **Estimate regarding measurement of warranty provisions**

Measurement of warranty provisions is associated with significant estimation uncertainty and arises from component defects and functional errors. Warranty provisions made also include wind turbines sold in prior years, but where serial defects are identified later and comprise management's best estimate of the costs required to settle the obligation from such defects and functional errors.

#### **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 provision for the potential risks 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 cost reflect management's best estimate based on the current expectations.

### 5.3 Changes in accounting policy and disclosures

Except for the changes below, the accounting policies remain unchanged compared to the annual report for the year ended 31 December 2021, to which reference is made.

#### IAS 38, Configuration or customisation costs in a cloud computing arrangement

As announced in Vestas' Annual Report 2021, as of 1 January 2022, Vestas has changed its accounting policy on configuration and customisation costs related to cloud computing arrangements, also referred to as Software as a Service (SaaS).

Previously, Vestas had capitalised costs related to the implementation of cloud computing arrangements as intangible assets. Under the new policy, implementation costs including costs to configure and customise the cloud provider's application software are recognised as operating expenses when the services are received.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements as follows:

#### Condensed income statement extract 1 July - 30 September

mEUR	Q3 2021 Reported	Effect of new policy	Q3 2021 Restated
Production costs	(4,938)	(1)	(4,939)
<b>Operating profit (EBIT) before special items</b>	<b>600</b>	<b>(1)</b>	<b>599</b>
Research and development costs	(81)	(5)	(86)
Distribution costs	(101)	(1)	(102)
Administration cost	(93)	-	(93)
<b>Operating profit (EBIT) before special items</b>	<b>325</b>	<b>(7)</b>	<b>318</b>
<b>Operating profit (EBIT)</b>	<b>206</b>	<b>(7)</b>	<b>199</b>
<b>Profit before tax</b>	<b>170</b>	<b>(7)</b>	<b>163</b>
<b>Profit for the period</b>	<b>123</b>	<b>(7)</b>	<b>116</b>
<b>Profit is attributable to:</b>			
Owners of Vestas	122	(7)	115
Non-controlling interests	1	-	1
<b>Earnings per share (EPS)</b>			
Earnings per share for the period (EUR), basic	0.12		0.11
Earnings per share for the period (EUR), diluted	0.12		0.11

#### Condensed statement of comprehensive income extract 1 July - 30 September

mEUR	Q3 2021 Reported	Effect of new policy	Q3 2021 Restated
<b>Profit for the period</b>	<b>123</b>	<b>(7)</b>	<b>116</b>
Other comprehensive income after tax for the period	113	-	113
<b>Total comprehensive income for the period</b>	<b>236</b>	<b>(7)</b>	<b>229</b>

## Condensed income statement extract 1 January - 30 September

mEUR	9M 2021 Reported	Effect of new policy	9M 2021 Restated
Production costs	(9,871)	(2)	(9,873)
<b>Gross profit</b>	<b>1,165</b>	(2)	1,163
Research and development costs	(262)	(16)	(278)
Distribution costs	(283)	(3)	(286)
Administration cost	(265)	-	(265)
<b>Operating profit (EBIT) before special items</b>	<b>355</b>	(21)	334
<b>Operating profit (EBIT)</b>	<b>236</b>	(21)	215
<b>Profit before tax</b>	<b>215</b>	(21)	194
<b>Profit for the period</b>	<b>156</b>	(21)	135
<b>Profit is attributable to:</b>			
Owners of Vestas	150	(21)	129
Non-controlling interests	6	-	6
<b>Earnings per share (EPS)</b>			
Earnings per share for the period (EUR), basic	0.15		0.13
Earnings per share for the period (EUR), diluted	0.15		0.13

## Condensed statement of comprehensive income extract 1 January - 30 September

mEUR	9M 2021 Reported	Effect of new policy	9M 2021 Restated
<b>Profit for the period</b>	156	(21)	135
Other comprehensive income after tax for the period	185	-	185
<b>Total comprehensive income for the period</b>	341	(21)	320

## Condensed balance sheet extract – Assets, 30 September

mEUR	30 September 2021 Reported	Effect of new policy	30 September 2021 Restated
Completed development projects	532	(1)	531
Software	118	(17)	101
Development projects in progress	495	(38)	457
<b>Total intangible assets</b>	<b>2,869</b>	(56)	2,813
Deferred tax	318	4	322
<b>Total other non-current assets</b>	<b>1,564</b>	4	1,568
<b>Total non-current assets</b>	<b>6,456</b>	(52)	6,404
<b>Total assets</b>	<b>18,979</b>	(52)	18,927

### Condensed balance sheet extract – Equity and liabilities, 30 September

mEUR	30 September 2021 Reported	Effect of new policy	30 September 2021 Restated
Retained earnings	4,681	(52)	4,629
Attributable to owners of Vestas	4,731	(52)	4,679
<b>Total equity</b>	<b>4,742</b>	<b>(52)</b>	<b>4,690</b>
<b>Total equity and liabilities</b>	<b>18,979</b>	<b>(52)</b>	<b>18,927</b>

### Condensed cash flow statement extract 1 July - 30 September

mEUR	Q3 2021 Reported	Effect of new policy	Q3 2021 Restated
Profit for the period	123	(7)	116
Adjustment for non-cash transactions	453	(3)	450
<b>Cash flow from operating activities</b>	<b>523</b>	<b>(10)</b>	<b>513</b>
Purchase of intangible assets	(95)	10	(85)
<b>Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments</b>	<b>(223)</b>	<b>10</b>	<b>(213)</b>
<b>Cash flow from investing activities</b>	<b>(138)</b>	<b>10</b>	<b>(128)</b>

### Condensed cash flow statement extract 1 January - 30 September

mEUR	9M 2021 Reported	Effect of new policy	9M 2021 Restated
Profit for the period	156	(21)	135
Adjustment for non-cash transactions	646	(5)	641
<b>Cash flow from operating activities</b>	<b>137</b>	<b>(26)</b>	<b>111</b>
Purchase of intangible assets	(278)	26	(252)
<b>Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments</b>	<b>(552)</b>	<b>26</b>	<b>(526)</b>
<b>Cash flow from investing activities</b>	<b>(676)</b>	<b>26</b>	<b>(650)</b>

### Condensed balance sheet extract – Assets, 31 December

mEUR	31 December 2020 Reported	Effect of new policy	31 December 2020 Restated
Completed development projects	621	(1)	620
Software	164	(17)	147
Development projects in progress	317	(17)	300
<b>Total intangible assets</b>	<b>2,888</b>	<b>(35)</b>	<b>2,853</b>
Deferred tax	335	4	339
<b>Total other non-current assets</b>	<b>1,003</b>	<b>4</b>	<b>1,007</b>
<b>Total non-current assets</b>	<b>5,913</b>	<b>(31)</b>	<b>5,882</b>
<b>Total assets</b>	<b>18,160</b>	<b>(31)</b>	<b>18,129</b>

## Condensed balance sheet extract – Equity and liabilities, 31 December

mEUR	31 December 2020 Reported	Effect of new policy	31 December 2020 Restated
Retained earnings	4,773	(31)	4,742
Attributable to owners of Vestas	4,654	(31)	4,623
<b>Total equity</b>	<b>4,703</b>	<b>(31)</b>	<b>4,672</b>
<b>Total equity and liabilities</b>	<b>18,160</b>	<b>(31)</b>	<b>18,129</b>

Had the change in accounting policy not been made, operating costs for third quarter 2022 would have been EUR 5m lower, cash flow from operating activities would be EUR 5m higher and cash flow from investing activities would be EUR 5m lower.

Similarly, without the change in accounting policy, for the first nine months of 2022, operating costs would be EUR 20m lower, and intangible assets EUR 20m higher at the end of the period. Cash flow from operating activities would increase by EUR 20m and cash flow from investing activities would have been EUR 20m lower.

### IAS 37, Cost of fulfilling a contract

As of 1 January 2022, Vestas adopted the amendment to IAS 37 relating to onerous contracts. The amendment specifies that an allocation of directly related production costs, such as depreciations of production plants, machinery and equipment, should be included in the cost of fulfilling a contract when applying IAS 37. Historically, Vestas' accounting policy has not included an allocation of such costs in the cost of fulfilling a contract.

The application of the amendment resulted in the recognition of an increased provision for onerous contracts related to prior years of EUR 22m with a net impact of EUR 17m on retained earnings as at 1 January 2022. Vestas has applied the amendment using the cumulative effect method. Under this method, the comparative information is not restated.

# 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 2022.

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 2021 (except for the changes described in note 5.3) 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 2022 and of the results of Vestas' operations and cash flows for the period 1 January to 30 September 2022.

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 2021.

Aarhus, Denmark, 2 November 2022

## Executive Management

Henrik Andersen  
*Group President & CEO*

Hans Martin Smith  
*Executive Vice President & CFO*

## Board of Directors

Bert Nordberg  
*Chairman*

Anders Runevad  
*Deputy Chairman*

Lena Olving

Eva Merete Søfelde Berneke

Bruce Grant

Helle Thorning-Schmidt

Kentaro Hosomi

Karl-Henrik Sundström

Michael Abildgaard Lisbjerg\*)

Sussie Dvinge\*)

Pia Kirk Jensen\*)

Claus Skov Christensen\*)

\*) Employee representative





### 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 2021 (available at [vestas.com/en/investor](https://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.