Company announcement No. 10/2022

Interim financial report
First quarter 2022

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

Wind. It means the world to us.™

Contents

Information meeting (audiocast)
On Monday 2 May 2022 at 11 a.m. CEST (10 a.m. BST), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com.

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

Europe:	+44 3333 000 804
USA:	+1 6319 131 422
Denmark:	+45 3544 5577

Conference PIN code: 36757623#

Contact details
Vestas Wind Systems A/S, Denmark

Investors/analysts:
Mathias Dalsten, Vice President
Investor Relations
Tel: +45 2829 5383

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

Summary

Summary: For the first quarter of 2022, Vestas' revenue amounted to EUR 2,485m with an EBIT margin before special items of (13.2) percent. Record high combined order backlog of EUR 48.9bn – an increase of 9.4 percent compared to same quarter last year. Full-year guidance updated.

In the first quarter of 2022, Vestas generated revenue of EUR 2,485m – a increase of 27 percent compared to the year-earlier period. EBIT before special items decreased by EUR 251m to EUR (329)m. This resulted in an EBIT margin before special items of (13.2) percent, compared to (3.9) percent in the first quarter of 2021. Adjusted for impairments and warranty provisions related to a review of the offshore activities, the EBIT margin before special items was (6.2) percent.

Free cash flow* amounted to EUR (1,121)m compared to EUR (898)m in the first quarter of 2021.

The quarterly intake of firm and unconditional wind turbine orders amounted to 2,948 MW. The value of the wind turbine order backlog was EUR 18.9bn as at 31 March 2022. In addition to the wind turbine order backlog, at the end of March 2022, Vestas had service agreements with expected contractual future revenue of EUR 30.0bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 48.9bn – an increase of EUR 4.2bn compared to the year-earlier period.

As part of our decision to withdraw from Russia and to address the current business environment, we have made a strategic re-prioritisation of select markets while also making one-time write-downs related to legacy offshore activities.

Based on these circumstances and the revenue and profits forfeited in Ukraine and Russia, Vestas is updating its outlook for 2022.

Revenue for full year 2022 is now expected to range between EUR 14.5bn and 16.0bn (previously EUR 15.0-16.5bn) including Service revenue which is now expected to grow min. 10 percent (previously approx. 5 percent). Vestas expects to achieve an EBIT margin before special items of (5)-0 percent (previously 0-4 percent) with a Service EBIT margin before special items of approx. 23 percent (previously approx. 25 percent). Total investments*) are still expected to amount to approx. EUR 1,000m in 2022.

Group President & CEO Henrik Andersen said: *"In the first quarter of 2022, Vestas achieved a strong order intake and continued to increase prices in a very challenging business environment and unfolding energy crisis. Under these circumstances, our underlying performance was solid with revenue of EUR 2.5bn, a 27 percent increase year-over-year, as well as an average selling price of EUR 1.01m/MW and increased Service revenue and EBIT, but profitability was heavily impacted by highly disrupted supply chains and one-offs. In the quarter, we made one-time write-downs related to the Russian invasion of Ukraine and legacy offshore activities. To address the current business environment, we also made a strategic re-prioritisation of select markets and plans to adjust our manufacturing footprint, which together with the write-downs on Russia, Ukraine, and Offshore impacted our results negatively. Based on these decisions and the uncertain business environment, we are adjusting our financial guidance for the full year. The growing energy crisis, however, also led to stronger political support for renewables to enhance energy independence and keep energy prices low, and we are strengthening our foundation to support governments and customers achieve these goals. Everyone at Vestas continues to do an outstanding job in executing on our strategic priorities in unprecedented and very unpredictable circumstances, and Executive Management wants to thank our customers, colleagues, and partners for their ongoing engagement and support."*

Key highlights

Order intake of 2.9 GW and continued increase in prices
Wind turbine order backlog remains strong at EUR 18.9bn.

Revenue of EUR 2.5bn
Year on year revenue growth of 27 percent despite supply chain disruptions.

Evaluation of business activities
Strategic review and geopolitical events led to manufacturing and technology re-prioritisation.

Profitability hampered by supply chain disruptions and one-offs
Underlying negative EBIT margin of 6.2 percent while reported margin was negative 13.2 percent.

Sustainability-linked bonds issued
Two EUR 500m sustainability-linked bonds with significant oversubscription in a challenging bond market.

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

Financial and operational key figures

mEUR	Q1 2022	Q1 2021[4)]	FY 2021[4)]
FINANCIAL HIGHLIGHTS			
Income statement			
Revenue	2,485	1,962	15,587
Gross profit	22	189	1,556
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	(20)	128	1,341
Operating profit/(loss) (EBIT) before special items	(329)	(78)	429
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	(585)	128	1,250
Operating profit/(loss) (EBIT)	(894)	(78)	290
Net financial items	6	(18)	(101)
Profit/(loss) before tax	(889)	(84)	225
Profit/(loss) for the period	(765)	(64)	144
Balance sheet			
Balance sheet total	20,078	19,060	19,648
Equity	3,899	4,658	4,697
Net working capital	(609)	(380)	(1,049)
Capital employed	5,856	6,106	6,133
Interest-bearing position (net), at the end of the period	58	445	1,200
Cash flow statement			
Cash flow from operating activities	(928)	(754)	956
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(193)	(144)	(773)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(1,121)	(898)	183
Free cash flow	(1,123)	(1,090)	57
FINANCIAL RATIOS[1)]			
Financial ratios			
Gross margin (%)	0.9	9.7	10.0
EBITDA margin (%) before special items	(0.8)	6.5	8.6
EBIT margin (%) before special items	(13.2)	(3.9)	2.8
EBITDA margin (%)	(23.5)	6.5	8.0
EBIT margin (%)	(36.0)	(3.9)	1.9
Return on capital employed (ROCE)[2)] (%) before special items	0.7	12.1	4.5
Net interest-bearing debt / EBITDA before special items[2)]	0.0	(0.3)	(0.9)
Solvency ratio (%)	19.4	24.4	23.9
Return on equity[2)] (%)	(12.5)	20.2	3.0
Share ratios			
Earnings per share[3)] (EUR)	(0.6)	0.8	0.1
Dividend per share (EUR)	-	-	0.05
Pay-out ratio (%)	-	-	36.0
Share price at the end of the period (EUR)	26.9	35.0	26.9
Number of shares at the end of the period (million)	1,010	1,010	1,010
OPERATIONAL KEY FIGURES			
Order intake (bnEUR)	3.0	1.6	11.6
Order intake (MW)	2,948	2,016	13,896
Order backlog – wind turbines (bnEUR)	18.9	19.4	18.1
Order backlog – wind turbines (MW)	22,181	24,814	21,984
Order backlog – service (bnEUR)	30.0	25.3	29.2
Produced and shipped wind turbines (MW)	3,969	4,530	17,845
Produced and shipped wind turbines (number)	951	1,127	4,456
Deliveries (MW)	2,236	1,925	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[1)]

	Q1 2022	Q1 2021	FY 2021
ENVIRONMENTAL			
Utilisation of resources			
Consumption of energy (GWh)	169	214	738
- of which renewable energy (GWh)	59	80	283
- of which renewable electricity (GWh)	49	62	233
Renewable energy (%)	35	37	38
Renewable electricity for own activities (%)	100	100	100
Withdrawal of fresh water (1,000 m^3)	81	100	378
Waste			
Volume of waste from own operations (1,000 t)	14	19	70
- of which collected for recycling (1,000 t)	7	10	35
Recyclability rate of hub and blade[3)] (%)	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.7	2.0	2.0
Carbon emissions adjusted for acquisitions and investments			
Direct emissions of CO_2e (scope 1) (1,000 t)	24	25[2)]	99[2)]
Indirect emissions of CO_2e (scope 2) (1,000 t)	1	1[2)]	3[2)]
Indirect emissions of CO_2e from the supply chain (scope 3)[3)] (million t)	//	//	10.56
Indirect emissions of CO_2e from the supply chain (scope 3)[3)] (kg per MWh generated)	//	//	6.65
Products			
Expected CO_2e avoided over the lifetime of the MW produced and shipped during the period (million t)	118	126	532
Annual CO_2e avoided by the total aggregated installed fleet (million t)	216	192	210
SOCIAL			
Safety			
Total Recordable Injuries (number)	47	49	201
- of which Lost Time Injuries (number)	20	16	67
- of which fatal injuries(number)	0	0	0
Total Recordable Injuries per million working hours (TRIR)	3.1	3.1	3.1
Lost Time Injuries per million working hours (LTIR)	1.3	1.0	1.0
Employees			
Average number of employees (FTEs)	29,325	29,279	29,164
Employees at the end of the period (FTEs)	29,274	29,229	29,427
Diversity and inclusion			
Women in the Board and Executive Management at the end of the period (%)	27	27	27
Women in leadership positions at the end of the period (%)	22	20	21
Human rights			
Community grievances[3)] (number)	//	//	17
Community beneficiaries[3)] (number)	//	//	8,236
Social Due Diligence on projects in scope[3)] (%)	//	//	0
GOVERNANCE			
Whistle-blower system			
EthicsLine compliance cases[3)] (number)	//	//	465
- of which substantiated	//	//	96
- of which unsubstantiated	//	//	292

1) 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.
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_2 emissions and related indicators.
3) Only reported on an annual basis.

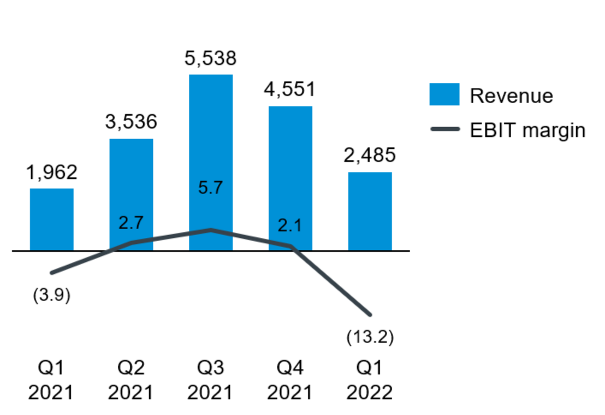
Group financial performance

Income statement

Revenue

Revenue in the first quarter of 2022 amounted to EUR 2,485m, an increase of 26.7 percent compared to EUR 1,962m in the first quarter of 2021. The increase was particularly driven by higher wind turbine deliveries in the USA and Northern Europe. Compared to the foreign exchange rates in the first quarter of 2021, revenue for the first quarter of 2022 reflects a positive impact of approx. EUR 61m from foreign exchange rate translation.

Revenue and EBIT margin before special items
mEUR and percentage



Gross profit

Gross profit amounted to EUR 22m, corresponding to a gross margin of 0.9 percent, which is an 8.8 percentage point decrease compared to the first quarter of 2021. The decrease in the gross margin was mainly attributable to an adjustment related to offshore activities covering EUR 83m impairment losses related to the V164/V174 offshore technology and related assets and as well increased warranty provisions for offshore turbines already installed of EUR 93m. Excluding these effects, the gross profit in the quarter amounted to EUR 134m highlighting that the quarter was also negatively impacted by the continued external cost inflation and supply chain disruptions.

Warranty provisions

Costs for warranty provisions amounted to EUR 195m in the first quarter of 2022, compared to EUR 63m in the first quarter of 2021. This is equivalent to a warranty ratio of 7.8 percent of revenue in the first quarter of 2022. The increase of 4.6 percentage points from 3.2 percent in the first quarter of 2021 was a result of additional warranty provisions totalling EUR 124m, caused by increasing repair and upgrade costs due to external cost inflation and EUR 93m 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 149m, which is an increase of EUR 56m compared to EUR 93m in the first quarter of 2021. The increase was mainly related to the impairment losses recognised on the V164/V174 offshore technology.

Distribution costs amounted to EUR 115m in the first quarter of 2022 compared to EUR 87m in the first quarter of 2021. The increase was mainly due to higher sales activity and increasing depreciation and impairment of transportation equipment.

Administration costs amounted to EUR 87m which is on par with the amount in the first quarter of 2021.

Depreciation, amortisation, and impairment

In the first quarter of 2022, overall depreciation, amortisation, and impairment before special items amounted to EUR 309m. This compares to EUR 206m in the same quarter of 2021. The increases are primarily attributable to higher depreciation of development projects and transportation equipment as well as the impairment of EUR 83m related to V164/V174 offshore technology and related assets as part of the offshore business acquired in 2020.

Operating profit (EBIT) before special items

EBIT before special items amounted to negative EUR 329m in the first quarter of 2022, compared to negative EUR 78m in the first quarter of 2021, and equivalent to an EBIT margin of negative 13.2 percent. The EBIT margin before special items decreased by 9.3 percentage points compared to the first quarter of 2021. The adjustments related to offshore had an impact of EUR 176m, and excluding this, the EBIT margin before special items in the first quarter was negative 6.2 percent equal to a decline of 2.3 percentage points compared to first quarter of 2021, mainly driven by the lower gross profit.

Operating profit (EBIT) after special items

In the first quarter of 2022, EBIT after special items amounted to negative EUR 894m (Q1 2021: negative EUR 78m). The negative EBIT after special items reflects special items costs of EUR 401m recognised in the first quarter of 2022 following Russia's invasion of Ukraine and Vestas' decision to withdraw from the Russian market while stopping all service and construction activities in Ukraine under the current circumstances. Furthermore, special items costs of EUR 183m related to the manufacturing footprint in China and India has been recognised as well as an adjustment of positive EUR 19m related to the footprint change announced in September 2021.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to net negative EUR 1m in the first quarter of 2022, compared to a profit of EUR 12m in the first quarter of 2021. The negative net profit was comprised of a gain from the investment in Copenhagen Infrastructure Partners P/S, offset by a loss from the co-development activities in the USA.

Net financial items

Financial items for the first quarter of 2022 amounted to positive EUR 6m compared to negative EUR 18m in the first quarter of 2021, primarily driven by foreign exchange impacts.

Income tax

Income tax amounted to an income of EUR 124m, equivalent to an effective tax rate of 14 percent, compared to 24 percent in the first quarter of 2021.

Net result for the period

The net result amounted to a loss of EUR 765m in the first quarter of 2022 compared to a loss of EUR 64m in the first quarter of 2021. The decrease in net result was mainly driven by the special items and offshore adjustments recognised in the first quarter of 2022.

Financial ratios

Earnings per share calculated over a 12-month period amounted to negative EUR 0.6 in the first quarter of 2022, a decrease of EUR 1.4 compared to EUR 0.8 in the first quarter of 2021, driven by the lower result in the period.

Return on capital employed (ROCE) before special items was 0.7 percent in the first quarter of 2022, a decline compared to 12.1 percent for the first quarter of 2021 due to the lower EBIT.

Return on equity was negative 12.5 percent in the first quarter of 2022 (Q1 2022: 20.2 percent), a decrease of 32.7 percentage points attributable to the lower net profit.

Working capital and free cash flow

Net working capital

Net working capital amounted to a net liability of EUR 609m as at 31 March 2022, compared to a net liability of EUR 380m as at 31 March 2021. The development was mainly driven by increasing payables offset by contracts assets from the higher activity less down- and milestone payments.

Cash flow from operating activities

Cash flow from operating activities was negative EUR 928m in the first quarter of 2022, down from negative 754m in the first quarter of 2021, primarily due to negative cash flows from the profit in the period, partially offset by a lower negative cash flow from net working capital compared to the first quarter of 2021.

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 193m, compared to EUR 144m in the first quarter of 2021. The EUR 49m increase in the net investment level was driven by investments in property, plant, and equipment (PPE) relating to transport equipment and construction tools.

Free cash flow

Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 1,121m, compared to negative EUR 898m in the first quarter of 2021. The negative development was driven by a negative cash flow from operating activities and purchase of property, plant and equipment in the first quarter of the year.

Capital structure and financing items

Equity and solvency ratio

As at 31 March 2022, total equity amounted to EUR 3,899m, a decrease from the level at the end of March 2021 of EUR 4,658m and mainly attributable to the negative net profit in the first quarter of 2022.

As at 31 March 2022, the solvency ratio was 19.4 percent, which is a decrease of 5 percentage points from the first quarter of 2021. The solvency ratio was negatively impacted by a lower equity.

Net interest-bearing position and cash position

As at 31 March 2022, the net interest-bearing position was positive EUR 58m, a decline of EUR 387m, compared to a positive position of EUR 445m at the end of the first quarter of 2021. This development was a result of an increasing financial debt and a negative free cash flow in the quarter.

Cash and cash equivalents amounted to EUR 1,801m as at 31 March 2022, compared to EUR 1,677m at the end of the first quarter of 2021.

On 15 March 2022, Vestas issued two EUR 500m sustainability-linked bonds to refinance the EUR 500m Green bond redeemed in December 2021 and secure long-term funding. The two bonds will mature in 2029 and 2034, respectively.

The ratio net interest-bearing debt/EBITDA of 0.0 as at 31 March 2022 increased compared to negative 0.3 at the end of the first quarter of 2021. The ratio was negatively impacted by both a lower EBITDA and deteriorated net interest-bearing position.

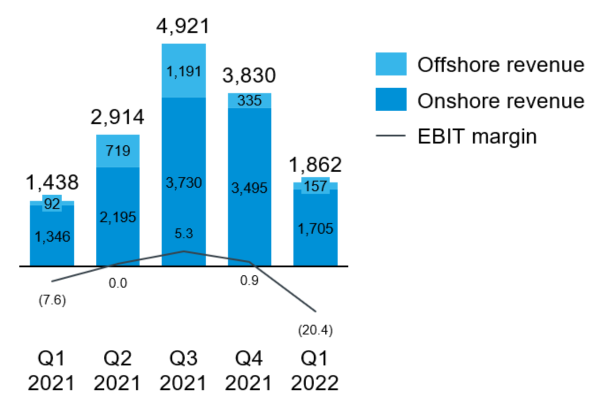
Power Solutions

Result for the period

In the first quarter of 2022, revenue from the Power Solutions business amounted to EUR 1,862, above the revenue in the first quarter of 2021 of EUR 1,438m. The increase was mainly attributable to the markets in the USA and Northern Europe. Offshore contributed with revenue of EUR 157m.

EBIT before special items amounted to negative EUR 380m in the first quarter of 2022, equal to an EBIT margin of negative 20.4 percent. Compared to the first quarter of 2021, this is a deterioration of 12.8 percentage points. The negative development in the EBIT margin was attributable to the offshore adjustment covering impairment losses related to the V164/V174 offshore technology and additional warranty provisions. Excluding this impact, the EBIT margin for the Power Solutions business was negative 11.6 percent highlighting an increased impact from external cost inflation and supply chain disruptions.

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



Wind turbine order intake

In the first quarter of 2022, wind turbine order intake amounted to 2,948 MW, corresponding to a value of EUR 3.0bn. This represents an increase of 46 percent compared to an order intake of 2,016 MW in the first quarter of 2021. The increase was mainly related to two offshore projects in Taiwan, and strong onshore order intake in Latin America, particularly in Brazil and Argentina.

The average price per MW was EUR 1.01m (EUR 0.89m for onshore only) in the first quarter of 2022, compared to EUR 0.80m in the first quarter of 2021 and EUR 0.83m for full year 2021, highlighting continued price increases towards customers to offset the external cost inflation, as well as a relatively higher offshore order intake in the first quarter of 2022 compared to the same quarter last year.

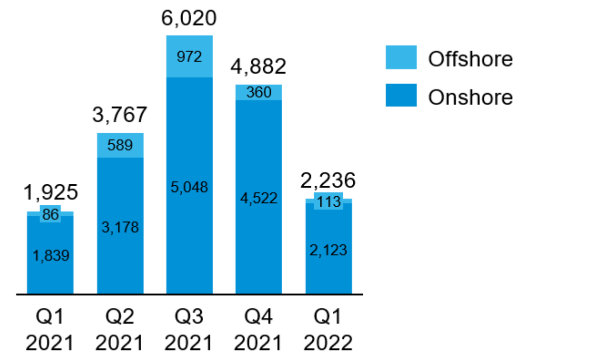
Wind turbine order intake, first quarter 2022
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order intake	1,159	849	321	**2,329**
Offshore order intake	30	-	589	**619**
Total order intake	1,189	849	910	**2,948**

Wind turbine deliveries

Deliveries to customers amounted to 2,236 MW in the first quarter of 2022, compared to 1,925 MW in the first quarter of 2021. The increase was mainly driven by deliveries in the USA and Northern Europe.

Deliveries
MW



By the end of March 2022, Vestas had installed a total capacity of 154 GW in 87 countries.

Deliveries (onshore and offshore)
MW

	Q1 2022	Q1 2021	FY 2021
Finland	233	20	838
Poland	165	50	739
France	128	129	668
United Kingdom	126	109	2,129
Germany	124	147	598
Netherlands	121	63	388
Sweden	70	49	679
Belgium	57	18	90
Spain	35	4	76
Austria	29	11	91
Ukraine	24	-	-
Greece	17	6	40
Faroe Islands	14	-	11
Russian Fed.	13	65	473
Italy	13	11	321
Ireland	11	-	-
Turkey	7	66	88
Egypt	6	4	24
Portugal	2	-	97
South Africa	-	49	330
Jordan	-	33	38
Denmark	-	31	235
Saudi Arabia	-	96	245
Norway	-	1	413
EMEA	**1,195**	**962**	**8,611**
Hereof Offshore	*97*	*86*	*2,007*
Brazil	368	398	1,892
USA	349	89	3,065
Colombia	37	-	41
Chile	33	70	314
Mexico	7	127	200
Bolivia	-	20	39
El Salvador	-	9	9
Panama	-	1	25
Canada	-	-	151
Puerto Rico	(2)*)	-	11
Americas	**792**	**714**	**5,747**
Hereof Offshore	-	-	-
Japan	104	6	170
Australia	73	41	389
India	30	18	157
Vietnam	21	30	1,132
Taiwan	11	-	35
China	7	136	319
New Zealand	5	18	30
South Korea	1	-	1
Sri Lanka	(3)*)	-	3
Asia Pacific	**249**	**249**	**2,236**
Hereof Offshore	*16*	-	-
Total	**2,236**	**1,925**	**16,594**
Hereof Offshore	*113*	*86*	*2,007*

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

Wind turbine order backlog

At the end of the first quarter of 2022, the wind turbine order backlog amounted to 22,181 MW, which corresponds to a value of EUR 18.9bn, of which EUR 3.5bn relates to offshore wind power projects. The onshore order backlog was impacted by a 714 MW write-down of order backlog in Russia and Ukraine corresponding to EUR 0.5bn, due to the war in Ukraine.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	9,709	7,191	2,319	**19,219**
Offshore order backlog	1,661	-	1,301	**2,962**
Total backlog as at 31 March 2022	11,370	7,191	3,620	**22,181**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa decreased 17 percent from end of first quarter of 2021 to 11,370 MW at the end of first quarter 2022. The decrease was driven by the exclusion of Russia and Ukraine and a decrease in the offshore backlog from 2,907 MW in first quarter 2021 to 1,661 MW in first quarter 2022, following a high level of deliveries of offshore wind turbines in 2021.

Americas

The total order backlog for Americas decreased 4 percent from the end of first quarter 2021 to 7,191 MW at the end of first quarter 2022. The decrease was largely driven by the onshore order backlog in the USA and Brazil relating to high deliveries partially offset by increases in Canada and Argentina.

Asia Pacific

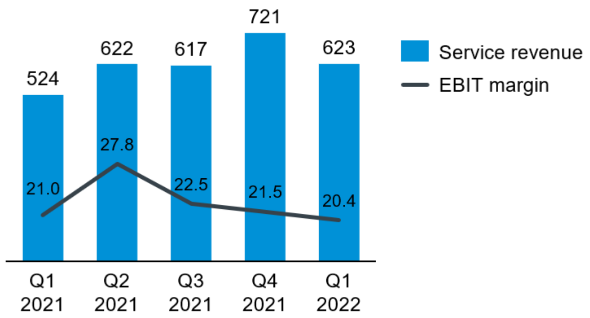
The total order backlog for Asia Pacific at the end of the first quarter 2022 of 3,620 MW was in line with the order backlog end of first quarter 2021. The offshore backlog contributed with an increase to 1,301 MW first quarter of 2022, mainly in Taiwan, offset by a decrease in onshore backlog, mainly in Vietnam.

Service

Result for the period

The Service business generated revenue of EUR 623m in the first quarter of 2022, which corresponds to a 19 percent increase compared to the first quarter of 2021. The increase was mainly driven by higher activity levels overall and within transactional sales as well as inflation mechanisms in contracts.

Service revenue and EBIT margin before special items
mEUR and percentage

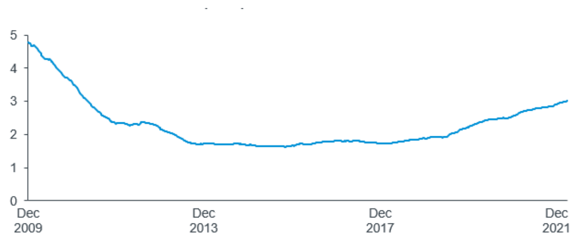


EBIT before special items amounted to EUR 127m in the first quarter of 2022, corresponding to an EBIT margin of 20.4 percent, which is a 0.6 percentage point decrease compared to the same period last year. Excluding the impairment losses related to offshore technology, the EBIT margin before special items was 22.3 percent. The underlying improvement reflects a higher activity level.

Wind turbines under service

At the end of March 2022, Vestas had around 53,500 wind turbines under service, equivalent to 132 GW.

Lost Production Factor*)
Percent



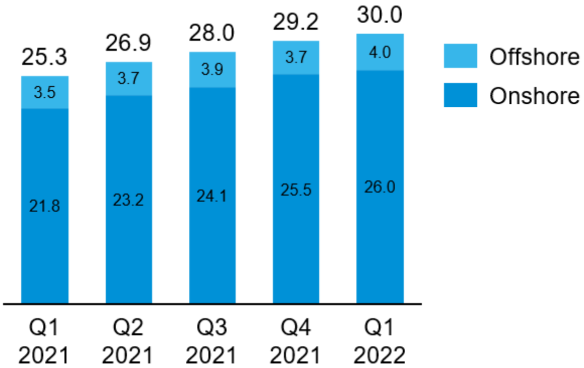
*) Data calculated across approx. 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

At the end of March 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 March 2022, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 30.0bn, an increase of EUR 4.7bn compared to 31 March 2021 from all regions despite negative impact from the write-down of order backlog in Russia and Ukraine of EUR 0.6bn.

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 first quarter of 2022 are expected to avoid 118 million tonnes of CO_2e over the course of their lifetime, while the aggregate installed fleet (all turbines installed since 1981 minus the turbines decommissioned) are estimated to have avoided 216 million tonnes of CO_2e to date.

In the first quarter of 2022, our total scope 1 and 2 emissions decreased by 4 percent compared to the first quarter of 2021. This can be attributed to lower activity levels overall and the installation of a new biomass boiler in our factory in Daimiel, Spain. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

During the first quarter of 2022. we continued to transition to e-mobility in our company car and service vehicle fleet. For company cars, 64 percent of the fleet is now plug-in hybrids or battery electric vehicles. For the service fleet, 16 additional sustainably fueled vehicles were introduced, bringing the total to 263.

Circularity

Following the launch of our Circularity Roadmap in the third quarter of 2021, we now report the material efficiency of our own operations on a quarterly basis. In the first quarter of 2022, our material efficiency improved 15 percent compared to the first quarter of 2021 to 1.7 tonnes of waste per MW produced and shipped. This improvement is primarily due to lower overall waste since last year from factories sold or closed and lower production levels.

Sustainability-linked Bonds

In March 2022, we became the first wind turbines manufacturer and Danish company as such to issue Sustainability-Linked Bonds (SLB's). The two EUR 500m bonds follow last year's completion of a EUR 2bn sustainability-linked revolving credit facility. The bond's fixed rate is directly linked to our sustainability performance and will be adjusted based on yearly defined sustainability targets in the following areas:

- Reducing carbon emissions in our own operations (scope 1 and 2)
- Reducing carbon emissions in our supply chain (scope 3)
- Increasing material efficiency in our own operations

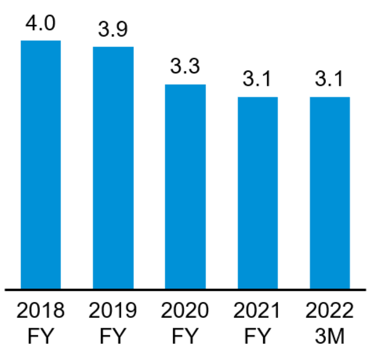
The SLB's are a significant step forward in leading the transition towards a sustainable future by linking our sustainability performance with interest rate margins, and clearly reinforce our commitment to integrate "Sustainability in everything we do."

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 annual reduction from 2019.

In the first quarter of 2022, 47 recordable injuries were registered, resulting in a TRIR of 3.1 which is unchanged from the rate at the end of 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, 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[1]. 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.

[1] 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.

On the back of the strong investment grade credit rating obtained in 2021 (Baa1 from Moody's Investors Service), in the first quarter of 2022 we issued two EUR 500m sustainability-linked bonds. The proceeds will be used for strengthening our liquidity and financial flexibility.

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 at any time.

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. In 2021, we decided not to initiate a share buy-back program, mainly because of the extraordinary impact from cost inflation and general uncertainty in the market.

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

The business environment worsened significantly during the first quarter of 2022 due to Russia's invasion of Ukraine, and the associated ripple effects on global trade and cost inflation. At the same time, we have seen lockdowns in China that will continue to impact the wind power industry throughout 2022, together with increased cost inflation for raw materials, wind turbine components and energy prices.

As part of our decision to withdraw from Russia and to address the current business environment, we have made a strategic re-prioritisation of select markets, while also making one-time write-downs related to legacy offshore activities.

Based on these circumstances and the revenue and profits forfeited in Ukraine and Russia, Vestas is updating its outlook.

Revenue for full year 2022 is now expected to range between EUR 14.5bn and 16.0bn (previously EUR 15.0-16.5bn) including Service revenue which is now expected to grow min. 10 percent (previously approx. 5 percent). Vestas expects to achieve an EBIT margin before special items of (5)-0 percent (previously 0-4 percent) with a Service EBIT margin before special items of approx. 23 percent (previously approx. 25 percent).

Total investments*) are still expected to amount to approx. EUR 1,000m in 2022.

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 outlook	**Initial outlook**
Revenue (bnEUR)	**14.5-16.0**	15.0-16.5
EBIT margin (%) before special items	**(5)-0**	0-4
Total investments*) (mEUR)	approx. 1,000	approx. 1,000

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

Consolidated financial statements 1 January - 31 March

Condensed income statement 1 January - 31 March

mEUR	Note	Q1 2022	Q1 2021[1)]
Revenue	1.1, 1.2	**2,485**	**1,962**
Production costs		(2,463)	(1,773)
Gross profit		**22**	**189**
Research and development costs		(149)	(93)
Distribution costs		(115)	(87)
Administration costs		(87)	(87)
Operating profit/(loss) (EBIT) before special items	1.1	**(329)**	**(78)**
Special items	1.3	(565)	-
Operating profit/(loss) (EBIT)		**(894)**	**(78)**
Income from investments in joint ventures and associates		(1)	12
Net financial items		6	(18)
Profit before/(loss) tax		**(889)**	**(84)**
Income tax		124	20
Profit/(loss) for the period		**(765)**	**(64)**
Profit/(loss) is attributable to:			
Owners of Vestas		(765)	(68)
Non-controlling interests		(0)	4
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic		(0.76)	(0.07)
Earnings per share for the period (EUR), diluted		(0.76)	(0.07)

Condensed statement of comprehensive income 1 January - 31 March

mEUR	Q1 2022	Q1 2021[1)]
Profit/(loss) for the period	**(765)**	**(64)**
Items that may be reclassified to the income statement subsequently:		
Exchange rate adjustments relating to foreign entities	54	71
Fair value adjustments of derivative financial instruments for the period	(69)	(7)
Gain/(loss) on derivative financial instruments transferred to the income statement	(2)	(6)
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	5	3
Tax on items that may be reclassified to the income statement subsequently	20	(2)
Other comprehensive income after tax for the period	8	59
Total comprehensive income for the period	**(757)**	**(5)**

The above condensed statement of comprehensive income 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.

Condensed balance sheet – Assets

mEUR	Note	31 March 2022	31 March 2021[1)]	31 December 2021[1)]
Goodwill		1,510	1,279	1,508
Completed development projects		528	594	618
Software		115	132	123
Other intangible assets		424	504	437
Development projects in progress		412	345	376
Total intangible assets		**2,989**	**2,854**	**3,062**
Land and buildings		454	606	510
Plant and machinery		272	336	323
Other fixtures, fittings, tools and equipment		614	484	599
Right-of-use assets		506	495	523
Property, plant and equipment in progress		120	177	136
Total property, plant and equipment	2.1	**1,966**	**2,098**	**2,091**
Investments in joint ventures and associates		615	595	609
Other investments		81	72	81
Tax receivables		229	201	229
Deferred tax		612	341	378
Other receivables	3.4	221	299	234
Financial investments	3.4	98	216	100
Total other non-current assets		**1,856**	**1,724**	**1,631**
Total non-current assets		**6,811**	**6,676**	**6,784**
Inventories		6,667	6,723	5,673
Trade receivables		1,364	1,317	1,531
Contract assets		1,217	895	1,227
Contract costs		701	537	690
Tax receivables		106	169	102
Other receivables	3.4	1,295	1,066	1,105
Financial investments	3.4	116	-	116
Cash and cash equivalents	3.2	1,801	1,677	2,420
Total current assets		**13,267**	**12,384**	**12,864**
Total assets		**20,078**	**19,060**	**19,648**

The above condensed balance sheet 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.

Condensed balance sheet – Equity and liabilities

mEUR	Note	31 March 2022	31 March 2021[1)]	31 December 2021[1)]
Share capital	3.1	27	27	27
Other reserves		2	(100)	22
Retained earnings		3,855	4,668	4,635
Attributable to owners of Vestas		3,884	4,595	4,684
Non-controlling interests		15	63	13
Total equity		**3,899**	**4,658**	**4,697**
Provisions	2.2	707	625	686
Deferred tax		376	168	362
Financial debts	3.4	1,714	1,225	732
Tax payables		326	331	326
Other liabilities	3.4	74	210	145
Total non-current liabilities		**3,197**	**2,559**	**2,251**
Financial debts	3.4	243	223	704
Contract liabilities		6,675	6,575	6,180
Trade payables		4,148	3,526	4,286
Provisions	2.2	838	634	646
Tax payables		48	68	75
Other liabilities	3.4	1,030	817	809
Total current liabilities		**12,982**	**11,843**	**12,700**
Total liabilities		**16,179**	**14,402**	**14,951**
Total equity and liabilities		**20,078**	**19,060**	**19,648**

The above condensed balance sheet 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.

Condensed statement of changes in equity – three months 2022

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

Condensed statement of changes in equity – three months 2021

mEUR	Share capital	Reserves: Transla-tion reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings [1]	Non-controlling interests	Total[1]
Equity as at 1 January 2021	**27**	**(114)**	**(21)**	**(11)**	**(146)**	**4,742**	**49**	**4,672**
Profit/(loss) for the period	-	-	-	-	-	(68)	4	(64)
Other comprehensive income for the period	-	67	(15)	3	55	-	4	59
Total comprehensive income for the period	-	67	(15)	3	55	(68)	8	(5)
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(9)	-	(9)	-	-	(9)
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	(6)	6	-
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(4)	-	(4)
Total transactions with owners	-	-	-	-	-	(6)	6	-
Equity as at 31 March 2021	**27**	**(47)**	**(45)**	**(8)**	**(100)**	**4,668**	**63**	**4,658**

The above condensed statement of changes in equity 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.

Condensed cash flow statement 1 January - 31 March

mEUR	Note	Q1 2022	Q1 2021[1)]
Profit/(loss) for the period		(765)	(64)
Adjustment for non-cash transactions		514	143
Interest paid / received, net		(0)	(17)
Income tax paid		(68)	(63)
Cash flow from operating activities before change in net working capital		(319)	(1)
Change in net working capital		(609)	(753)
Cash flow from operating activities		**(928)**	**(754)**
Purchase of intangible assets		(88)	(79)
Purchase of property, plant and equipment		(107)	(79)
Disposal of property, plant and equipment		2	-
Dividends from investments in joint ventures and associates		-	14
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(193)**	**(144)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(1,121)**	**(898)**
Purchase of shares in joint ventures and associates		(2)	(186)
Purchase of other non-current financial assets		-	(1)
Purchase of financial investments		-	(116)
Disposal of financial investments		-	111
Cash flow from investing activities		**(195)**	**(336)**
Free cash flow		**(1,123)**	**(1,090)**
Payment of lease liabilities		(36)	(34)
Proceeds from borrowings		1,042	16
Payment of financial debt		(512)	(291)
Cash flow from financing activities		**494**	**(309)**
Net change in cash and cash equivalents		**(629)**	**(1,399)**
Cash and cash equivalents at the beginning of period		2,420	3,063
Exchange rate adjustments of cash and cash equivalents		10	13
Cash and cash equivalents at the end of the period		**1,801**	**1,677**

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
Q1 2022				
Total revenue	**1,862**	**623**	**-**	**2,485**
Total costs	**(2,242)**	**(496)**	**(76)**	**(2,814)**
Operating profit/(loss) (EBIT) before special items	(380)	127	(76)	(329)
Special items	(565)			(565)
Operating profit/(loss) (EBIT)	**(945)**	**127**	**(76)**	**(894)**
Income from investments in joint ventures and associates				(1)
Net financial items				6
Profit/(loss) before tax				**(889)**
Amortisation and depreciation included in total costs	(256)	(40)	(13)	**(309)**

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

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

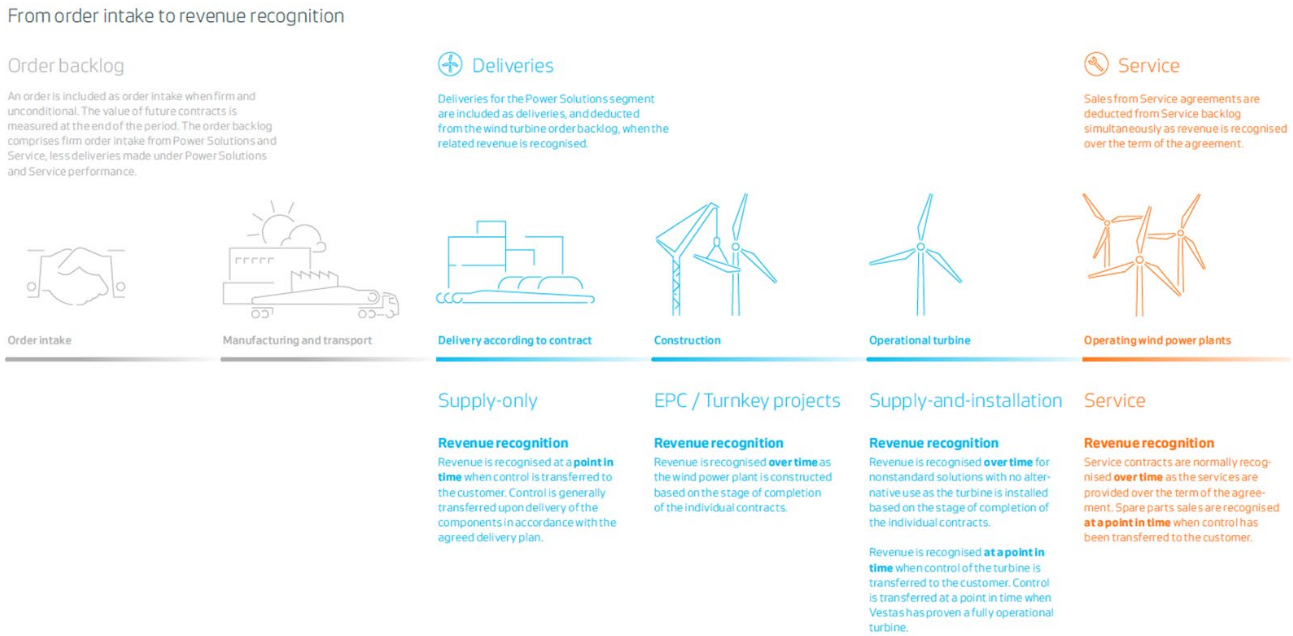
In the first quarter of 2022, impairment losses, write-downs and other costs of EUR 565m relating to the Russian invasion of Ukraine as well as adjustments to the manufacturing footprint have been recognised in special items, impacting the Power Solutions segment. For additional information, refer to note 1.3.

mEUR	Power Solutions	Service	Not allocated	Total Group[1)]
Q1 2021				
Total revenue	**1,438**	**524**	**-**	**1,962**
Total costs	**(1,548)**	**(414)**	**(78)**	**(2,040)**
Operating profit/(loss) (EBIT)	**(110)**	**110**	**(78)**	**(78)**
Income from investments in joint ventures and associates				12
Net financial items				(18)
Profit/(loss) before tax				**(84)**
Amortisation and depreciation included in total costs	(164)	(25)	(17)	**(206)**

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.

1.2 Revenue

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



Disaggregation of revenue

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

mEUR	Power Solutions		Service		Total	
	Q1 2022	**Q1 2021**	**Q1 2022**	**Q1 2021**	**Q1 2022**	**Q1 2021**
Timing of revenue recognition						
Products and services transferred at a point in time	1,082	699	80	72	1,162	771
Products and services transferred over time	780	739	543	452	1,323	1,191
	1,862	1,438	623	524	2,485	1,962
Revenue from contract types						
Supply-only	327	193	-	-	327	193
Supply-and-installation (at a point in time)	755	506	-	-	755	506
Supply-and-installation (over time)	559	538	-	-	559	538
Turnkey (EPC)	221	201	-	-	221	201
Service	-	-	623	524	623	524
	1,862	1,438	623	524	2,485	1,962
Primary geographical markets						
EMEA	1,030	768	313	301	1,343	1,069
Americas	603	459	247	174	850	633
Asia Pacific	229	211	63	49	292	260
	1,862	1,438	623	524	2,485	1,962

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 quarter of 2022, special items of EUR 401m have been recognised including provisions of EUR 160m, write-down of inventories located in Russia and Ukraine of EUR 227m, impairment of tangible assets of EUR 10m and a write-down of VAT receivables of EUR 4m, as directly related to the Russian invasion of Ukraine.

Basis for recognition

The provisions primarily relate to potential risks related to the ceasing of activities in Russia and Ukraine existing at 31 March 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.

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 quarter of 2022, special items of EUR 183m have been recognised including impairment of intangible assets of EUR 27m, impairment of tangible assets of EUR 93m, write-down of inventory of EUR 44m and other costs of EUR 19m.

Furthermore, a reversal of previously recognised impairment losses on tangible assets of EUR 7m, staff costs of EUR 9m and other costs of EUR 3m primarily relating to the factory in Lauchhammer, Germany, was recognised in special items.

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 and 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 157m to EUR 37m reflecting the value that is expected from the disposal of the assets considering costs to sell. Inventory has been written down from EUR 44m 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	31 March 2022	31 March 2021	31 December 2021
Write-down of inventory	(271)	-	-
Provisions	(160)	-	-
Impairment loss on intangible and tangible assets	(123)	-	(68)
Other costs	(20)	-	(10)
Staff costs	9	-	(61)
Special items	**(565)**	**-**	**(139)**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first quarter of 2022, Vestas acquired assets with a cost of EUR 107m mainly related to investments in transport equipment and construction tools, compared to EUR 79m in the first quarter of 2021.

Lease contracts recognised as right-of-use assets during the first quarter amounted to EUR 28m, compared to EUR 85m in the first quarter of 2021.

2.2 Warranty provisions (included in provisions)

mEUR	31 March 2022	31 March 2021	31 December 2021
Warranty provisions, 1 January	1,197	1,189	1,189
Provisions for the period	212	63	748
Warranty provisions consumed during the period	(154)	(117)	(852)
Additions from business combinations	-	-	55
Reclassification	-	57	57
Warranty provisions	**1,255**	**1,192**	**1,197**
The provisions are expected to be payable as follows:			
< 1 year	675	596	655
> 1 year	580	596	542
	1,255	**1,192**	**1,197**

During the first quarter of 2022, net warranty provisions charged to the income statement amounted to EUR 195m, equivalent to 7.8 percent of revenue. The net amount consists of a gross warranty provision of EUR 212m less supplier claims of EUR 17m. The warranty provisions in the first quarter of 2022 included additional warranty provisions of EUR 124m due to increased repair costs caused by external cost inflation, hereof EUR 93m related to offshore projects. Warranty consumption amounted to EUR 154m compared to EUR 117m in the first quarter 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)	31 March 2022	31 March 2021	31 December 2021
Treasury shares as at 1 January	944,632	1,098,495	1,098,495
Purchases for the period	-	-	78,225
Vested treasury shares for the period	-	(128,013)	(232,088)
Treasury shares	**944,632**	**970,482**	**944,632**

Each share has a nominal value of DKK 0.20.

3.2 Cash and cash equivalents

mEUR	31 March 2022	31 March 2021	31 December 2021
Cash and cash equivalents without disposal restrictions	1,775	1,653	2,394
Cash and cash equivalents with disposal restrictions	26	24	26
Cash and cash equivalents	**1,801**	**1,677**	**2,420**

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. Vestas has also a revolving multi-currency credit facility of EUR 2bn available for cash drawing and/or issuance of guarantees.

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 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 31 March 2022, the fair value of financial investments amounted to EUR 214m, equal to book value. Marketable securities amounted to EUR 98m and deposits amounted to EUR 116m.

Derivative financial instruments were negative with a market value of net EUR 104m, equal to book value, and were recognised in other receivables and other liabilities with EUR 470m and EUR 574m, 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 31 March 2021, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 990m and the fair value amounted to EUR 990m.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q1 2022	Q1 2021
Joint ventures		
Revenue for the period	81	13
Proceeds from investments in joint ventures	-	10
Capital contribution	-	21
Receivable as at 31 March	91	34
Received prepayments balance as at 31 March	26	56
Associates		
Revenue for the period	16	-
Proceeds from investments in associates	0	4
Capital contribution	3	-
Payable capital contribution as at 31 March	48	44

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.

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 January - 31 March

mEUR	Q1 2021 Reported	Effect of new policy	Q1 2021 Restated
Research and development costs	(87)	(6)	(93)
Distribution costs	(86)	(1)	(87)
Operating profit (EBIT) before special items	**(71)**	**(7)**	**(78)**
Operating profit (EBIT)	**(71)**	**(7)**	**(78)**
Profit before tax	**(77)**	**(7)**	**(84)**
Profit for the period	**(57)**	**(7)**	**(64)**
Profit is attributable to:			
Owners of Vestas	(61)	(7)	(68)
Non-controlling interests	4	-	4
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic	(0.06)		(0.07)
Earnings per share for the period (EUR), diluted	(0.06)		(0.07)

Condensed statement of comprehensive income extract 1 January - 31 March

mEUR	Q1 2021 Reported	Effect of new policy	Q1 2021 Restated
Profit for the period	**(57)**	**(7)**	**(64)**
Other comprehensive income after tax for the period	59	-	59
Total comprehensive income for the period	**2**	**(7)**	**(5)**

Condensed balance sheet extract – Assets, 31 March

mEUR	31 March 2021 Reported	Effect of new policy	31 March 2021 Restated
Completed development projects	595	(1)	594
Software	149	(17)	132
Development projects in progress	369	(24)	345
Total intangible assets	**2,896**	**(42)**	**2,854**
Deferred tax	337	4	341
Total other non-current assets	**1,720**	**4**	**1,724**
Total non-current assets	**6,714**	**(38)**	**6,676**
Total assets	**19,098**	**(38)**	**19,060**

Condensed balance sheet extract – Equity and liabilities, 31 March

mEUR	31 March 2021 Reported	Effect of new policy	31 March 2021 Restated
Retained earnings	4,706	(38)	4,668
Attributable to owners of Vestas	4,633	(38)	4,595
Total equity	**4,696**	**(38)**	**4,658**
Total equity and liabilities	**19,098**	**(38)**	**19,060**

Condensed cash flow statement extract 1 January - 31 March

mEUR	Q1 2021 Reported	Effect of new policy	Q1 2021 Restated
Profit for the period	(57)	(7)	(64)
Adjustment for non-cash transactions	144	(1)	143
Cash flow from operating activities	**(746)**	**(8)**	**(754)**
Purchase of intangible assets	(87)	8	(79)
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments	**(152)**	**8**	**(144)**
Cash flow from investing activities	**(344)**	**8**	**(336)**

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
Total intangible assets	**2,888**	**(35)**	**2,853**
Deferred tax	335	4	339
Total other non-current assets	**1,003**	**4**	**1,007**
Total non-current assets	**5,913**	**(31)**	**5,882**
Total assets	**18,160**	**(31)**	**18,129**

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
Total equity	**4,703**	**(31)**	**4,672**
Total equity and liabilities	**18,160**	**(31)**	**18,129**

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 31 March 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 31 March 2022 and of the results of Vestas' operations and cash flows for the period 1 January to 31 March 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, 1 May 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

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

Disclaimer and cautionary statement

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

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

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual Report for the year ended 31 December 2021 (available at vestas.com/en/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.