Vestas

Company announcement No. 14/2022

Interim Financial Report
Second 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 Wednesday 10 August 2022 at 10 am CEST (9 am BST), Vestas will host an information meeting via an audiocast. The audiocast will be accessible via vestas.com.

The meeting will be held in English and questions may be asked through a conference call. 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: 88041990#

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Summary

Quarterly revenue of EUR 3,305m with an EBIT margin before special items of (5.5) percent. Wind turbine order intake of 2.2 GW with a continued strong backlog of EUR 18.9bn at higher pricing. Full-year guidance maintained.

In the second quarter of 2022, Vestas generated revenue of EUR 3,305m – a decrease of 7 percent compared to the year-earlier period. EBIT before special items amounted to EUR (182)m, resulting in an EBIT margin before special items of (5.5) percent, compared to 2.7 percent in the second quarter of 2021.

Free cash flow* amounted to EUR (362)m compared to EUR 183m in the second quarter of 2021.

The quarterly intake of firm and unconditional wind turbine orders amounted to 2,153 MW, and the value of the wind turbine order backlog was EUR 18.9bn as at 30 June 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 31.3bn. Thus, the value of the combined backlog of wind turbine orders and service agreements stood at EUR 50.2bn – an increase of EUR 2.1bn compared to the year-earlier period.

Group President & CEO Henrik Andersen said: *"The first half of 2022 was characterised by geo-political uncertainty and supply chain disruptions that have caused costs to increase and an energy crisis to unfold. This development underlines the urgent need for a sustainable energy transition and drives stronger policy support for renewables across the globe but also creates a highly challenging business environment that negatively impacts Vestas' financial results. In this environment, we achieved a revenue of EUR 3.3bn in the second quarter of 2022, and in accordance with our guidance for the full year, profitability remained challenged with an EBIT margin of (5.5) percent. In the quarter, our Service revenue grew 12.5 percent year-on-year, but was negatively impacted by one-offs related to a few projects in specific geographical areas. We reinforced our onshore leadership with an order intake of 2.2 GW and an average selling price on onshore wind turbines of EUR 0.96m/MW, a 22 percent increase year-on-year. The sustained price increases show we maintain the discipline to protect value creation and pave the way towards our profitability target. We continue to execute on our strategy to ensure Vestas continues to lead the energy transition and is ready to profitably grasp future growth. Everyone at Vestas is doing a great job in very tough circumstances, and we remain thankful for the ongoing support from our customers and partners."*

Key highlights

Sustained price increases continue to pave the way towards profitability target
Maintaining the discipline to protect value creation.

Order intake of 2.2 GW
Wind turbine order backlog remains high at EUR 18.9bn.

Revenue of EUR 3.3bn
Revenue decreased by 7 percent year-on-year caused by delay of offshore project.

Profitability negative in accordance with outlook revised on 1 May
EBIT margin of (5.5) percent driven by supply chain disruptions and cost inflation.

Positive policy development in the USA and Europe
Despite evidence of an energy crisis, still a lack of permitting progress.

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

Financial and operational key figures

mEUR	Q2 2022	Q2 2021[4)]	H1 2022	H1 2021[4)]	FY 2021[4)]
Financial highlights					
Income statement					
Revenue	3,305	3,536	5,790	5,498	15,587
Gross profit	97	375	119	564	1,556
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA) before special items	41	313	(21)	441	1,341
Operating profit/(loss) (EBIT) before special items	(182)	94	(511)	16	429
Operating profit/(loss) before amortisation, depreciation and impairment (EBITDA)	42	313	(420)	441	1,250
Operating profit/(loss) (EBIT)	(147)	94	(1,041)	16	290
Net financial items	(6)	(12)	0	(30)	(101)
Profit/(loss) before tax	(139)	115	(1,028)	31	225
Profit/(loss) for the period	(119)	83	(884)	19	144
Balance sheet					
Balance sheet total	20,458	19,512	20,458	19,512	19,648
Equity	3,658	4,477	3,658	4,477	4,697
Net working capital	(488)	(616)	(488)	(616)	(1,049)
Capital employed	5,635	5,956	5,635	5,956	6,133
Interest-bearing position (net), end of the period	(415)	334	(415)	334	1,200
Cash flow statement					
Cash flow from operating activities	(188)	352	(1,116)	(402)	956
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments	(174)	(169)	(367)	(313)	(773)
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments	(362)	183	(1,483)	(715)	183
Free cash flow	(381)	166	(1,504)	(924)	57
Financial ratios[1)]					
Financial ratios					
Gross margin (%)	2.9	10.6	2.1	10.3	10.0
EBITDA margin (%) before special items	1.2	8.9	0.4	8.0	8.6
EBIT margin (%) before special items	(5.5)	2.7	(8.8)	0.3	2.8
EBITDA margin (%)	1.3	8.9	(7.3)	8.0	8.0
EBIT margin (%)	(4.4)	2.7	(18.0)	0.3	1.9
Return on capital employed (ROCE)[2)] (%) before special items	(2.9)	12.2	(2.9)	12.2	4.5
Net interest-bearing debt / EBITDA[2)]	0.5	(0.2)	0.5	(0.2)	(0.9)
Solvency ratio (%)	17.9	22.9	17.9	22.9	23.9
Return on equity[2)] (%)	(17.8)	21.4	(17.8)	21.4	3.0
Share ratios					
Earnings per share[3)] (EUR)	(0.8)	0.9	(0.8)	0.9	0.1
Dividend per share (EUR)	-	-	-	-	0.05
Pay-out ratio (%)	-	-	-	-	36.0
Share price at the end of the period (EUR)	20.2	32.9	20.2	32.9	26.9
Number of shares at the end of the period (million)	1,010	1,010	1,010	1,010	1,010
Operational key figures					
Order intake (bnEUR)	2.1	4.5	5.1	6.1	11.6
Order intake (MW)	2,153	5,290	5,101	7,306	13,896
Order backlog – wind turbines (bnEUR)	18.9	21.2	18.9	21.2	18.1
Order backlog – wind turbines (MW)	20,945	26,334	20,945	26,334	21,984
Order backlog – service (bnEUR)	31.3	26.9	31.3	26.9	29.2
Produced and shipped wind turbines (MW)	3,758	5,775	7,727	10,305	17,845
Produced and shipped wind turbines (number)	947	1,445	1,898	2,572	4,456
Deliveries (MW)	3,140	3,767	5,376	5,692	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

	Q2 2022	Q2 2021	H1 2022	H1 2021	FY 2021
ENVIRONMENTAL					
Utilisation of resources					
Consumption of energy (GWh)	162	192	331	406	738
- of which renewable energy (GWh)	62	70	121	150	283
- of which renewable electricity (GWh)	52	59	101	121	233
Renewable energy (%)	38	36	37	37	38
Renewable electricity for own activities (%)	100	100	100	100	100
Withdrawal of fresh water (1,000 m^3)	80	111	161	211	378
Waste					
Volume of waste from own operations (1,000 t)	12	20	26	39	70
- of which collected for recycling (1,000 t)	6	9	13	19	35
Recyclability rate of hub and blade[1)] (%)	//	//	//	//	42
Material efficiency (tonnes of waste excl. recycled per MW produced and shipped)	1.7	1.9	1.7	1.9	2.0
Carbon emissions adjusted for acquisitions and investments					
Direct emissions of CO_2e (scope 1) (1,000 t)	24	27[2)]	48	51[2)]	99[2)]
Indirect emissions of CO_2e (scope 2) (1,000 t)	0.2	0.5[2)]	1	2[2)]	3[2)]
Indirect emissions of CO_2e from the supply chain (scope 3)[1)] (million t)	//	//	//	//	10.56
Indirect emissions of CO_2e from the supply chain (scope 3)[1)] (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)	105	167	223	298	532
Annual CO_2e avoided by the total aggregated installed fleet (million t)	221	201	221	201	210
SOCIAL					
Safety					
Total Recordable Injuries (number)	50	51	97	100	201
- of which Lost Time Injuries (number)	20	21	42	37	67
- of which fatal injuries(number)	0	0	0	0	0
Total Recordable Injuries per million working hours (TRIR)	3.1	3.1	3.1	3.1	3.1
Lost Time Injuries per million working hours (LTIR)	1.2	1.3	1.3	1.1	1.0
Employees					
Average number of employees (FTEs)	29,004	29,097	29,165	29,188	29,164
Employees at the end of the period (FTEs)	28,729	29,081	28,729	29,081	29,427
Diversity and inclusion					
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	20	22	20	21
Human rights[1)]					
Community grievances (number)	//	//	//	//	17
Community beneficiaries (number)	//	//	//	//	8,236
Social Due Diligence on projects in scope (%)	//	//	//	//	0
GOVERNANCE					
Whistle-blower system[1)]					
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_2 emissions and related indicators.

Group financial performance

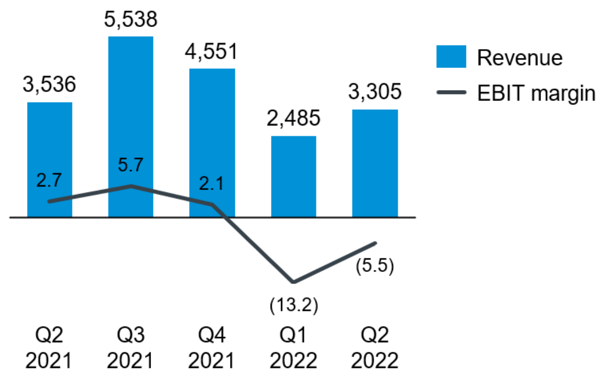
Income statement

Revenue

Revenue in the second quarter of 2022 amounted to EUR 3,305m (Q2 2021: EUR 3,536m), a decrease of 6.5 percent, primarily driven by lower offshore deliveries in Northern Europe.

For the first half of the year, revenue amounted to EUR 5,790m (H1 2021: EUR 5,498m), an increase of 5 percent, primarily driven by wind turbine deliveries in the USA and Northern Europe as well as increasing service activity. Revenue for the first half of 2022 reflected a positive impact of approx. EUR 120m 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 97m in the second quarter of 2022, corresponding to a gross margin of 2.9 percent (Q2 2021: EUR 375m; 10.6 percent), which is an 7.7 percentage point decrease compared to the second quarter of 2021. The decrease in the gross margin was mainly attributable to continued external cost inflation and supply chain disruptions.

Gross profit in the first half of 2022 amounted to EUR 119m equal to a margin of 2.1 percent of revenue (H1 2021: EUR 564m; 10.3 percent). 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 first half of 2022 amounted to EUR 295m highlighting that the first half of 2022 was negatively impacted by continued external cost inflation and supply chain disruptions.

Warranty provisions

Costs for warranty provisions amounted to EUR 123m in the second quarter of 2022 (Q2 2021: EUR 109m). This was equivalent to a warranty ratio of 3.7 percent of revenue in the second quarter of 2022 (Q2 2021: 3.1 percent).

For the first half of 2022, warranty costs amounted to 5.5 percent of revenue compared to 3.1 percent in the first half of 2021. The higher warranty in 2022 was primarily attributable to additional warranty provisions totalling EUR 124m, caused by increasing repair and upgrade costs due to external cost inflation and EUR 93m 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 83m (Q2 2021: EUR 99m). The decrease was mainly driven by lower depreciation, following the impairment of V164/V174 technology as well as lower research and development activities in the second quarter of 2022 following the high level of activity in the preceding quarter.

Distribution costs amounted to EUR 107m in the second quarter of 2022 (Q2 2021: EUR 97m). The increase was mainly due to higher sales activity and increasing depreciation of transportation equipment.

Administration costs amounted to EUR 89m which is on par with the amount in the second quarter of 2021.

Depreciation, amortisation, and impairment

In the second quarter of 2022, overall depreciation, amortisation, and impairment before special items amounted to EUR 223m, which is on par with the second quarter of 2021.

Operating profit (EBIT) before special items

EBIT before special items amounted to negative EUR 182m in the second quarter of 2022, equivalent to an EBIT margin of negative 5.5 percent (Q2 2021: EUR 94m; 2.7 percent). For the first half of 2022, EBIT before special items amounted to negative EUR 511m, equal to an EBIT margin of negative 8.8 percent (H1 2021: EUR 16m; 0.3 percent). The decrease in EBIT before special items was mainly attributable to the adjustments related to offshore which had an impact of EUR 176m. Excluding this, the EBIT margin before special items in the first half of 2022 was negative 5.8 percent equal to a decline of 6.1 percentage points compared to first half of 2021, mainly driven by the lower gross profit.

Operating profit (EBIT) after special items

In the second quarter of 2022, EBIT after special items amounted to negative EUR 147m (Q2 2021: EUR 94m). The EBIT after special items reflects special items income of EUR 35m related to a reversal of previously recognised impairment losses of EUR 33m on factories in Lauchhammer and Esbjerg, and adjustments to the provisions related to Russia's invasion of Ukraine amounting to net EUR 34m, partially offset by negative adjustments to the manufacturing footprint change in China amounting to EUR 32m.

EBIT after special items in the first half of 2022 amounted to negative EUR 1,041m, equivalent to an EBIT margin after special items of negative 18.0 percent (H1 2021: EUR 16m; 0.3 percent). The negative EBIT after special items reflects special items costs of EUR 367m recognised in the first half 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. Furthermore, it reflects special items costs of EUR 215m related to the manufacturing footprint in China and India, as well as adjustments to the footprint change announced in September 2021 amounting to positive EUR 52m.

Income from investments in joint ventures and associates

Income from investments in joint ventures and associates amounted to a profit of EUR 14m in the second quarter of 2022 (Q2 2021: EUR 33m). 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 EUR 6m in the second quarter of 2022 (Q2 2021: loss of EUR 12m) and net EUR 0m in the first half of 2022 (H1 2021: loss of EUR 30m), driven by interests, fees, and foreign exchange impacts.

Income tax

Income tax amounted to an income of EUR 20m in the second quarter and EUR 144m in the first half of the year. For both the quarter and first half of the year, income tax represented an effective tax rate of 14 percent, compared to 39 percent in the first half of 2021. The low 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 119m in the second quarter of 2022 (Q2 2021: profit of EUR 83m). The decrease in net result was mainly due to the lower gross profit in the second quarter of 2022. The net result for the first half of 2022 amounted to a loss of EUR 884m (H1 2021: profit of EUR 19m). The decrease in net result was mainly the result of the special items, warranty costs and impairment losses recognised in the first half of 2022.

Financial ratios

Earnings per share calculated over a 12-month period amounted to negative EUR 0.8 in the second quarter of 2022 (Q2 2021: EUR 0.9). 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 2.9 percent in the second quarter of 2022 (Q2 2021: 12.2 percent), a decline compared to 2021 driven by the lower EBIT before special items. Return on equity was negative 17.8 percent in the second quarter of 2022 (Q2 2021: 21.4 percent), a decrease of 39.2 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 488m as at 30 June 2022 (30 June 2021: net liability of EUR 616m). The development reflects increasing receivables compared to 2021 while increasing inventory and contract assets was offset by increasing prepayments and trade payables.

Cash flow from operating activities

Cash flow from operating activities was negative EUR 188m in the second quarter of 2022 (Q2 2021: positive 352m). 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 174m in the second quarter of 2022 which is on par with the investments in the same quarter of 2021.

Free cash flow

Free cash flow before acquisition of subsidiaries, joint ventures, associates, and financial investments amounted to negative EUR 362m in the second quarter of 2022 (Q2 2021: positive EUR 183m) and negative EUR 1,483m in the first half of 2022 (H1 2021: negative EUR 715m). 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 June 2022, total equity amounted to EUR 3,658m (30 June 2021: EUR 4,477). The decrease compared to 2021 was mainly attributable to the negative net profit in the first half of 2022 also causing the solvency ratio to drop 5 percentage points in the same period to 17.9 percent as at 30 June 2022.

Net interest-bearing position and cash position

As at 30 June 2022, the net interest-bearing position amounted to negative EUR 415m (30 June 2021 EUR 334m). This development compared to 2021 was a result of negative free cash flow and increasing financial debt.

Cash and cash equivalents amounted to EUR 1,350m as at 30 June 2022, compared to EUR 1,596m at the end of the second quarter of 2021.

The ratio net interest-bearing debt/EBITDA was 0.5 as at 30 June 2022 compared to negative 0.2 at the end of the second 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

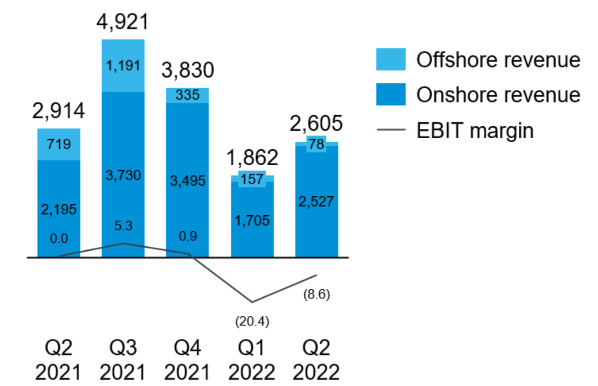
In the second quarter of 2022, revenue from the Power Solutions business amounted to EUR 2,605m (Q2 2021: EUR 2,914m). The decrease was mainly attributable to lower offshore deliveries in Northern Europe partially offset by higher onshore deliveries. Offshore contributed with EUR 78m of revenue in the second quarter of 2022 (Q2 2021: EUR 719m).

The first half of 2022 reflected revenue in the Power Solutions segment of EUR 4,467m, an increase of 2.7 percent compared to the same period last year (H1 2021: EUR 4,352m), mainly driven by the USA and Northern Europe.

EBIT before special items amounted to negative EUR 225m in the second quarter of 2022, equal to an EBIT margin of negative 8.6 percent (Q2 2021: EUR 1m; 0 percent). The negative development in the EBIT margin was attributable to continued external cost inflation and supply chain disruptions.

In the first half of 2022, EBIT before special items amounted to negative EUR 605m, equal to an EBIT margin before special items of negative 13.5 percent (H1 2021: EUR (109)m; (2.5) percent), a deterioration of 11.0 percentage points compared to same period last year. 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 9.6 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 second quarter of 2022, wind turbine order intake amounted to 2,153 MW, corresponding to a value of EUR 2.1bn (Q2 2021: 5,290 MW; EUR 4.5bn) This represents a decrease of 59 percent in MW order intake compared to the second quarter of 2021, mainly related to strong order intake in Northern Europe and Asia Pacific in 2021.

The average price per MW was EUR 0.97m (EUR 0.96m for onshore only) in the second quarter of 2022, compared to EUR 0.84m in the second quarter of 2021 and EUR 0.83m for full year 2021, highlighting continued price increases towards customers.

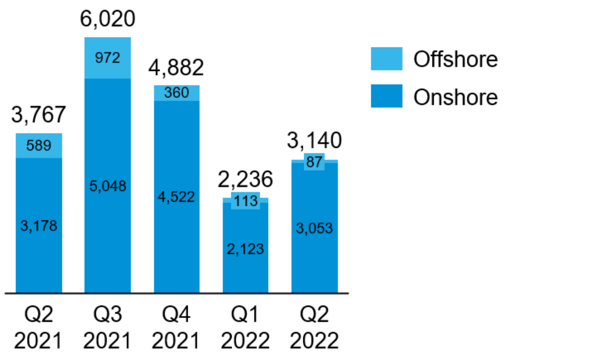
Wind turbine order intake, second quarter 2022
MW

	EMEA	Ameri-cas	Asia Pacific	Total
Onshore order intake	896	1,199	28	**2,123**
Offshore order intake	30	-	-	**30**
Total order intake	926	1,199	28	**2,153**

Wind turbine deliveries

Deliveries to customers amounted to 3,140 MW in the second quarter of 2022 (Q2 2021: 3,767 MW). The decrease was mainly driven by lower offshore deliveries in the UK due to a delayed offshore project.

Deliveries
MW



By the end of June 2022, Vestas had installed a total capacity of 158 GW in 88 countries.

Deliveries (onshore and offshore)
MW

	Q2 2022	Q2 2021	FY 2021
Finland	426	142	838
Poland	322	130	739
Germany	251	120	598
France	226	118	668
Sweden	108	130	679
Italy	104	43	321
United Kingdom	70	661	2,129
Belgium	54	45	90
Turkey	54	22	88
Spain	48	2	76
Latvia	42	-	-
Austria	24	4	91
Netherlands	23	38	388
Ireland	14	-	-
Greece	12	13	40
Egypt	12	-	24
Portugal	5	46	97
South Africa	4	13	330
Denmark	4	29	235
Russian Fed.	-	185	473
Saudi Arabia	-	110	245
Norway	-	2	413
Jordan	-	5	38
Faroe Islands	-	-	11
EMEA	**1,803**	**1,858**	**8,611**
Hereof Offshore	*60*	*589*	*2,007*
Brazil	437	396	1,892
USA	394	621	3,065
Colombia	45	4	41
Chile	41	97	314
Mexico	-	45	200
Panama	-	19	25
Bolivia	-	15	39
Canada	-	-	151
Puerto Rico	-	-	11
El Salvador	-	-	9
Americas	**917**	**1,197**	**5,747**
Hereof Offshore	-	-	-
Japan	117	143	170
India	93	15	157
Australia	86	47	389
Vietnam	53	336	1,132
Taiwan	51	28	35
China	7	128	319
South Korea	6	-	1
New Zealand	4	12	30
Sri Lanka	3	3	3
Asia Pacific	**420**	**712**	**2,236**
Hereof Offshore	*27*	-	-
Total	**3,140**	**3,767**	**16,594**
Hereof Offshore	*87*	*589*	*2,007*

Wind turbine order backlog

At the end of the second quarter of 2022, the wind turbine order backlog amounted to 20,945 MW, which corresponds to a value of EUR 18.9bn, of which EUR 3.5bn relates to offshore wind power projects.

Order backlog per region
MW

	EMEA	Americas	Asia Pacific	Total
Onshore order backlog	8,832	7,235	1,985	**18,052**
Offshore order backlog	1,634	-	1,259	**2,893**
Total backlog as at 30 June 2022	10,466	7,235	3,244	**20,945**

Europe, Middle East, and Africa (EMEA)

The total order backlog for Europe, Middle East, and Africa decreased 32 percent from the end of second quarter of 2021 to 10,466 MW at the end of second quarter 2022. The decrease was driven by the exclusion of Russia and Ukraine and a decrease in the offshore backlog from 3,050 MW in second quarter 2021 to 1,634 MW in second quarter 2022, following the deliveries of offshore wind turbines in 2021.

Americas

The total order backlog for Americas decreased 5 percent from the end of second quarter 2021 to 7,235 MW at the end of second quarter 2022. The decrease was largely driven by high onshore deliveries in the USA and Brazil, partially offset by an increased order intake in Canada and Argentina.

Asia Pacific

The total wind turbine order backlog for Asia Pacific at the end of the second quarter 2022 of 3,244 MW corresponds to a decrease of 5 percent compared to end of second quarter 2021. The offshore backlog contributed with an increase from 728 MW to 1,259 MW by the end of second quarter of 2022, mainly driven by orders in Taiwan, but offset by a decrease in the onshore order backlog.

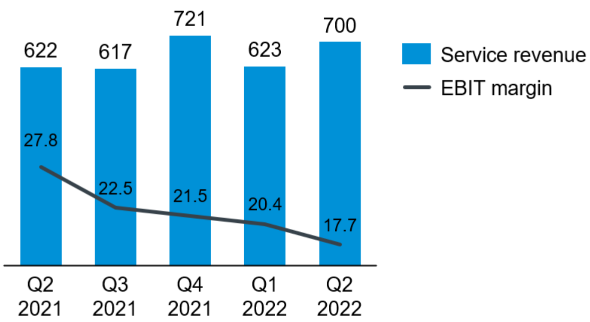
Service

Result for the period

The Service business generated revenue of EUR 700m in the second quarter of 2022 (Q2 2021: EUR 622m), which corresponds to a 12.5 percent increase compared to the second quarter of 2021.

Revenue from the Service business amounted to EUR 1,323m in the first half of 2022 (H1 2021: EUR 1,146m), a 15.4 percent increase compared to the first half of 2021 driven by higher contract activity and transactional sales.

Service revenue and EBIT margin before special items
mEUR and percentage



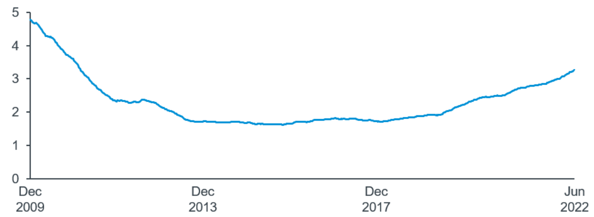
EBIT before special items amounted to EUR 124m in the second quarter of 2022, corresponding to an EBIT margin of 17.7 percent (Q2 2021: EUR 173m; 27.8 percent), which is a 9.9 percentage point decrease compared to the same period last year. The decrease was driven by lower profitability on certain projects in the USA and Africa.

In the first half of 2022, EBIT before special items amounted to EUR 251m with an EBIT margin of 19 percent (H1 2021: 283m; 24.6 percent), a 5.7 percent point decrease compared to the first half of 2021. The development was mainly attributable to impairment losses in first quarter 2022 and the same factors impacting the second quarter.

Wind turbines under service

At the end of June 2022, Vestas had around 55,200 wind turbines under service, equivalent to 138 GW.

Lost Production Factor*)
Percent



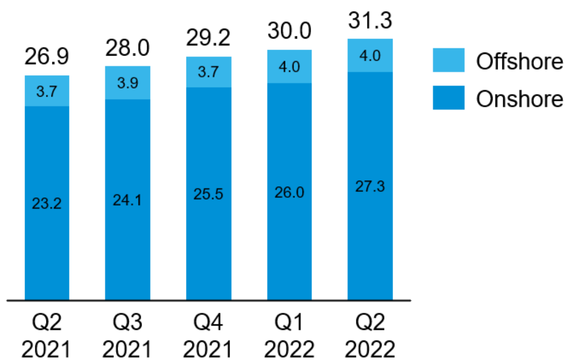
*) Data calculated across approx. 35,000 Vestas wind turbines under full-scope service. The lost production factor includes both onshore and offshore turbines.

At the end of June 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 June 2022, Vestas had service contracts in the order backlog with expected contractual future revenue of EUR 31.3bn, an increase of EUR 4.4bn compared to 30 June 2021 from all regions despite negative impact from a write-down of wind turbine 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 second quarter of 2022 are expected to avoid 105 million tonnes of CO_2e over the course of their lifetime, a decrease of 37 percent from the second quarter of 2021 due to a lower amount of MW produced and shipped in the period compared to last year.

In the second quarter of 2022, our total scope 1 and 2 emissions decreased by 12 percent compared to the second quarter of 2021. This can be attributed to lower activity levels overall and the installation of a new biomass boiler in our Daimiel factory. Scope 3 emissions are reported annually in the Vestas Sustainability Report.

Circularity

Following the launch of our Circularity Roadmap in third quarter of 2021, we now report the material efficiency of our own operations on a quarterly basis. In the second quarter of 2022, our material efficiency improved 11 percent compared to second 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.

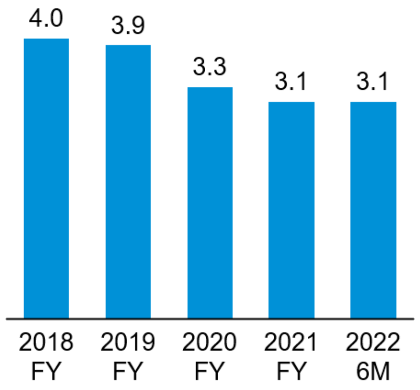
Safety

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 second quarter of 2022, 50 Recordable Injuries were registered, resulting in a TRIR of 3.1 both for the quarter and year-to-date, which is unchanged 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[*)]. 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.

[*)] 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

As expected when announcing the updated financial guidance for full year on 1 May 2022, the business environment with supply chain instability and cost inflation has subequently continued to impact the wind power industry, and hence Vestas maintains this outlook.

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

Total investments*) are 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)**

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

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

**) Updated on 1 May 2022.

Consolidated financial statements 1 January - 30 June

Condensed income statement 1 January – 30 June

mEUR	Note	Q2 2022	Q2 2021[1)]	H1 2022	H1 2021[1)]
Revenue	1.1, 1.2	**3,305**	**3,536**	**5,790**	**5,498**
Production costs		(3,208)	(3,161)	(5,671)	(4,934)
Gross profit		**97**	**375**	**119**	**564**
Research and development costs		(83)	(99)	(232)	(192)
Distribution costs		(107)	(97)	(222)	(184)
Administration costs		(89)	(85)	(176)	(172)
Operating profit/(loss) (EBIT) before special items	1.1	**(182)**	**94**	**(511)**	**16**
Special items	1.3	35	-	(530)	-
Operating profit/(loss) (EBIT)		**(147)**	**94**	**(1,041)**	**16**
Income from investments in joint ventures and associates		14	33	13	45
Net financial items		(6)	(12)	0	(30)
Profit/(loss) before tax		**(139)**	**115**	**(1,028)**	**31**
Income tax		20	(32)	144	(12)
Profit/(loss) for the period		**(119)**	**83**	**(884)**	**19**
Profit/(loss) is attributable to:					
Owners of Vestas		(119)	82	(884)	14
Non-controlling interests		0	1	0	5
Earnings per share (EPS)					
Earnings per share for the period (EUR), basic		(0.12)	0.08	(0.88)	0.01
Earnings per share for the period (EUR), diluted		(0.12)	0.08	(0.88)	0.01

Condensed statement of comprehensive income 1 January - 30 June

mEUR	Q2 2022	Q2 2021[1)]	H1 2022	H1 2021[1)]
Profit/(loss) for the period	**(119)**	**83**	**(884)**	**19**
Items that may be reclassified to the income statement subsequently:				
Exchange rate adjustments relating to foreign entities	(41)	(9)	13	63
Fair value adjustments of derivative financial instruments for the period	(11)	30	(80)	23
Gain/(loss) on derivative financial instruments transferred to the income statement	(8)	(8)	(10)	(14)
Exchange rate adjustments relating to joint ventures	-	-	-	3
Share of fair value adjustments of derivatives financial instruments of joint ventures and associates	5	-	10	-
Tax on items that may be reclassified to the income statement subsequently	7	4	27	1
Other comprehensive income after tax for the period	(48)	17	(40)	76
Total comprehensive income for the period	**(167)**	**100**	**(924)**	**95**

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	30 June 2022	30 June 2021[1)]	31 December 2021[1)]
Goodwill		1,518	1,276	1,508
Completed development projects		492	570	618
Software		103	117	123
Other intangible assets		416	480	437
Development projects in progress		492	396	376
Total intangible assets		**3,021**	**2,839**	**3,062**
Land and buildings		419	528	510
Plant and machinery		257	303	323
Other fixtures, fittings, tools and equipment		606	514	599
Right-of-use assets		534	500	523
Property, plant and equipment in progress		149	197	136
Total property, plant and equipment	2.1	**1,965**	**2,042**	**2,091**
Investments in joint ventures and associates		652	589	609
Other investments		82	75	81
Tax receivables		228	201	229
Deferred tax		560	325	378
Other receivables	3.4	206	265	234
Financial investments	3.4	96	217	100
Total other non-current assets		**1,824**	**1,672**	**1,631**
Total non-current assets		**6,810**	**6,553**	**6,784**
Inventories		7,132	7,002	5,673
Trade receivables		1,396	1,355	1,531
Contract assets		1,223	1,059	1,227
Contract costs		952	692	690
Tax receivables		138	182	102
Other receivables	3.4	1,300	962	1,105
Financial investments	3.4	116	-	116
Cash and cash equivalents	3.2	1,350	1,596	2,420
Total current assets		**13,607**	**12,848**	**12,864**
Assets held for sale	2.2	**41**	111	**-**
Total assets		**20,458**	**19,512**	**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	30 June 2022	30 June 2021[1)]	31 December 2021[1)]
Share capital	3.1	27	27	27
Other reserves		(67)	(100)	22
Retained earnings		3,685	4,509	4,635
Attributable to owners of Vestas		3,645	4,436	4,684
Non-controlling interests		13	41	13
Total equity		**3,658**	**4,477**	**4,697**
Provisions	2.3	758	642	686
Deferred tax		317	184	362
Financial debts	3.4	1,739	737	732
Tax payables		326	331	326
Other liabilities	3.4	148	136	145
Total non-current liabilities		**3,288**	**2,030**	**2,251**
Financial debts	3.4	238	742	704
Contract liabilities		7,179	6,989	6,180
Trade payables		4,211	3,860	4,286
Provisions	2.3	745	537	646
Tax payables		38	37	75
Other liabilities	3.4	1,101	837	809
Total current liabilities		**13,512**	**13,002**	**12,700**
Liabilities associated with assets held for sale	2.2	-	3	-
Total liabilities		**16,800**	**15,035**	**14,951**
Total equity and liabilities		**20,458**	**19,512**	**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 – six months 2022

mEUR	Share capital	Reserves Transla-tion reserve	Cash flow hedging reserve	Other reserves	Total reserves	Retained earnings	Non-controlling interests	Total
Equity as at 1 January 2022	**27**	**14**	**16**	**(8)**	**22**	**4,635**	**13**	**4,697**
Impact from change in accounting estimates (IAS 37 amendment)	-	-	-	-	-	(17)	-	(17)
Adjusted equity as at 1 January 2022	**27**	**14**	**16**	**(8)**	**22**	**4,618**	**13**	**4,680**
Profit/(loss) for the period	-	-	-	-	-	(884)	(0)	(884)
Other comprehensive income for the period	-	13	(63)	10	(40)	-	0	(40)
Total comprehensive income for the period	-	13	(63)	10	(40)	(884)	0	(924)
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(49)	-	(49)	-	-	(49)
Transaction with owners:								
Dividends distributed	-	-	-	-	-	(50)	-	(50)
Dividends distributed related to treasury shares	-	-	-	-	-	0	-	0
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(3)	-	(3)
Total transactions with owners	-	-	-	-	-	(49)	-	(49)
Equity as at 30 June 2022	**27**	**27**	**(96)**	**2**	**(67)**	**3,685**	**13**	**3,658**

Condensed statement of changes in equity – six 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 for the period	-	-	-	-	-	14	5	19
Other comprehensive income for the period	-	59	10	3	72	-	4	76
Total comprehensive income for the period	-	59	10	3	72	14	9	95
Transfer of cash flow hedge reserve to the initial carrying amount of hedged items	-	-	(26)	-	(26)	-	-	(26)
Transaction with owners:								
Transactions with non-controlling interests	-	-	-	-	-	(5)	(17)	(22)
Dividends distributed	-	-	-	-	-	(230)	-	(230)
Dividends distributed related to treasury shares	-	-	-	-	-	2	-	2
Acquisition of treasury shares	-	-	-	-	-	(12)	-	(12)
Share-based payments	-	-	-	-	-	4	-	4
Tax on equity transactions	-	-	-	-	-	(6)	-	(6)
Total transactions with owners	-	-	-	-	-	(247)	(17)	(264)
Equity as at 30 June 2021	**27**	**(55)**	**(37)**	**(8)**	**(100)**	**4,509**	**41**	**4,477**

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 – 30 June

mEUR	Note	Q2 2022	Q2 2021[1)]	H1 2022	H1 2021[1)]
Profit/(loss) for the period		(119)	83	(884)	19
Adjustment for non-cash transactions		56	48	570	191
Interest paid / received, net		(5)	(6)	(5)	(23)
Income tax paid		(22)	(18)	(90)	(81)
Cash flow from operating activities before change in net working capital		(90)	107	(409)	106
Change in net working capital		(98)	245	(707)	(508)
Cash flow from operating activities		**(188)**	**352**	**(1,116)**	**(402)**
Purchase of intangible assets		(104)	(88)	(192)	(167)
Purchase of property, plant and equipment		(75)	(115)	(182)	(194)
Disposal of property, plant and equipment		1		3	-
Dividends from investments in joint ventures and associates		4	34	4	48
Cash flow from investing activities before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(174)**	**(169)**	**(367)**	**(313)**
Free cash flow before acquisitions of subsidiaries, joint ventures, associates and financial investments		**(362)**	**183**	**(1,483)**	**(715)**
Purchase of shares in joint ventures and associates		(20)	(11)	(22)	(197)
Purchase of other non-current financial assets		-	(6)	-	(7)
Disposal of other non-current financial assets		1	-	1	-
Disposal of investment in joint ventures and associates		-	-	-	-
Purchase of financial investments		-	-	-	(116)
Disposal of financial investments		-	-	-	111
Cash flow from investing activities		**(193)**	**(186)**	**(388)**	**(522)**
Free cash flow		**(381)**	**166**	**(1,504)**	**(924)**
Dividend paid		(50)	(228)	(50)	(228)
Payment of lease liabilities		(40)	(34)	(76)	(68)
Proceeds from borrowings		102	19	1,144	35
Payment of financial debt		(102)	-	(614)	(291)
Acquisition of treasury shares		-	(12)	-	(12)
Cash flow from financing activities		**(90)**	**(255)**	**404**	**(564)**
Net change in cash and cash equivalents		**(471)**	**(89)**	**(1,100)**	**(1,488)**
Cash and cash equivalents at the beginning of period		1,801	1,677	2,420	3,063
Exchange rate adjustments of cash and cash equivalents		20	8	30	21
Cash and cash equivalents at the end of the period	3.2	**1,350**	**1,596**	**1,350**	**1,596**

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
Q2 2022				
Total revenue	**2,605**	**700**	**-**	**3,305**
Total costs	**(2,830)**	**(576)**	**(81)**	**(3,487)**
Operating profit/(loss) (EBIT) before special items	**(225)**	**124**	**(81)**	**(182)**
Special items	35			35
Operating profit/(loss) (EBIT)	**(190)**	**124**	**(81)**	**(147)**
Income from investments in joint ventures and associates				14
Net financial items				6
Profit/(loss) before tax				**(139)**
Amortisation and depreciation included in total costs	(183)	(29)	(11)	**(223)**

In the second quarter of 2022, an income of EUR 35m was recognised in special items impacting the Power Solutions segment. The income relates to a reversal of previously recognised impairment losses relating to the factory in Lauchhammer of EUR 26m and the factory in Esbjerg of EUR 7m and adjustments to the provision relating to the Russian invasion of Ukraine of EUR 42m, offset by adjustments to the manufacturing footprint in China of EUR 32m as well as staff costs and other costs totalling EUR 8m relating to the Russian invasion of Ukraine. For additional information, refer to note 1.3.

mEUR	Power Solutions	Service	Not allocated	Total Group[1)]
Q2 2021				
Total revenue	**2,914**	**622**	**-**	**3,536**
Total costs	**(2,913)**	**(449)**	**(80)**	**(3,442)**
Operating profit/(loss) (EBIT)	**1**	**173**	**(80)**	**94**
Income from investments in joint ventures and associates				33
Net financial items				(12)
Profit/(loss) before tax				**115**
Amortisation and depreciation included in total costs	(177)	(26)	(16)	(219)

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
H1 2022				
Total revenue	**4,467**	**1,323**	**-**	**5,790**
Total costs	**(5,072)**	**(1,072)**	**(157)**	**(6,301)**
Operating profit/(loss) (EBIT) before special items	**(605)**	**251**	**(157)**	**(511)**
Special items	(530)	-	-	(530)
Operating profit/(loss) (EBIT)	**(1,135)**	**251**	**(157)**	**(1,041)**
Income from investments in joint ventures and associates				13
Net financial items				0
Profit/(loss) before tax				**(1,028)**
Amortisation and depreciation included in total costs	(439)	(69)	(24)	(532)

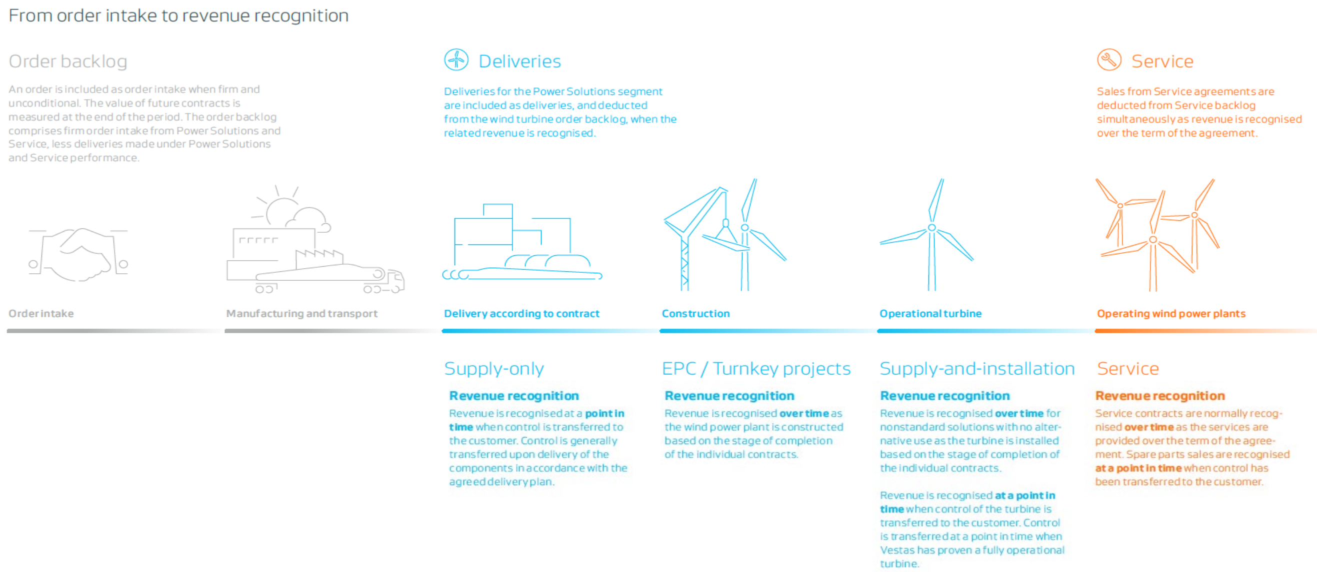
In the first half of 2022, Vestas recognised an impairment loss relating to the V164/V174 offshore activity, including technology. Intangible assets of EUR 55m and tangible assets of EUR 28m have been impaired, impacting the Power Solutions segment by EUR 71m and the Service segment by EUR 12m. Additional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

In the first half of 2022, impairment losses, write-downs and other costs of EUR 530m relating to the Russian invasion of Ukraine as well as adjustments to the manufacturing footprint have been recognised in special items, impacting the Power Solutions segment. For additional information, refer to note 1.3.

mEUR	Power Solutions	Service	Not allocated	Total Group[1)]
H1 2021				
Total revenue	**4,352**	**1,146**	**-**	**5,498**
Total costs	**(4,461)**	**(863)**	**(158)**	**(5,482)**
Operating profit/(loss) (EBIT)	**(109)**	**283**	**(158)**	**16**
Income from investments in joint ventures and associates				45
Net financial items				(30)
Profit/(loss) before tax				**31**
Amortisation and depreciation included in total costs	(341)	(51)	(33)	(425)

1.2 Revenue

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



Disaggregation of revenue

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

mEUR	Power Solutions		Service		Total	
	Q2 2022	**Q2 2021**	**Q2 2022**	**Q2 2021**	**Q2 2022**	**Q2 2021**
Timing of revenue recognition						
Products and services transferred at a point in time	1,636	2,002	110	93	1,746	2,095
Products and services transferred over time	969	912	590	529	1,559	1,441
	2,605	2,914	700	622	3,305	3,536
Revenue from contract types						
Supply-only	495	621	-	-	495	621
Supply-and-installation (at a point in time)	1,141	1,381	-	-	1,141	1,381
Supply-and-installation (over time)	609	675	-	-	609	675
Turnkey (EPC)	360	237	-	-	360	237
Service	-	-	700	622	700	622
	2,605	2,914	700	622	3,305	3,536
Primary geographical markets						
EMEA	1,523	1,662	356	406	1,879	2,068
Americas	741	791	275	170	1,016	961
Asia Pacific	341	461	69	46	410	507
	2,605	2,914	700	622	3,305	3,536

mEUR	Power Solutions		Service		Total	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Timing of revenue recognition						
Products and services transferred at a point in time	2,718	2,701	190	165	2,908	2,866
Products and services transferred over time	1,749	1,651	1,133	981	2,882	2,632
	4,467	4,352	1,323	1,146	5,790	5,498
Revenue from contract types						
Supply-only	822	814	-	-	822	814
Supply-and-installation (at a point in time)	1,896	1,887	-	-	1,896	1,887
Supply-and-installation (over time)	1,168	1,213	-	-	1,168	1,213
Turnkey (EPC)	581	438	-	-	581	438
Service	-	-	1,323	1,146	1,323	1,146
	4,467	4,352	1,323	1,146	5,790	5,498
Primary geographical markets						
EMEA	2,553	2,430	669	707	3,222	3,137
Americas	1,344	1,250	522	344	1,866	1,594
Asia Pacific	570	672	132	95	702	767
	4,467	4,352	1,323	1,146	5,790	5,498

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 half of 2022, special items of EUR 367m have been recognised including provisions of EUR 118m, write-down of inventories located in Russia and Ukraine of EUR 228m, 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 second quarter of 2022, an income of EUR 34m was recognised relating to adjustments of EUR 42m to the provision initially recognised in the first quarter of 2022, offset by staff costs of EUR 4m and other costs of EUR 3m.

Basis for recognition

The provisions primarily relate to potential risks related to the ceasing of activities in Russia and Ukraine existing at 30 June 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 half of 2022, special items of EUR 215m have been recognised including impairment of intangible assets of EUR 27m, impairment of tangible assets of EUR 94m, write-down of inventory of EUR 77m and other costs of EUR 17m.

In the second quarter of 2022, special items of EUR 32m was recognised including impairment of tangible assets of EUR 1m, write-down of inventory of EUR 33m and other adjustments (income) of EUR 2m.

Furthermore, a reversal of previously recognised impairment losses on tangible assets of EUR 40m, staff costs of EUR 9m and other costs of EUR 3m primarily relating to the factory in Lauchhammer, Germany, was recognised in special items in the first half of 2022, of which a reversal of impairment losses on tangible assets of EUR 33m was recognised in the second quarter of 2022.

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 158m 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 77m 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 June 2022	30 June 2021	31 December 2021
Write-down of inventory	(305)	-	-
Provisions	(118)	-	-
Impairment loss on intangible and tangible assets	(89)	-	(68)
Other costs	(21)	-	(10)
Staff costs	3	-	(61)
Special items	**(530)**	**-**	**(139)**

2 Other operating assets and liabilities

2.1 Property, plant and equipment

In the first half of 2022, Vestas acquired assets with a cost of EUR 182m mainly related to manufacturing blade moulds, transport equipment and construction tools, compared to EUR 194m in the first half of 2021.

Lease contracts recognised as right-of-use assets during the first half of 2022 amounted to EUR 87m, compared to EUR 126m in the first half 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.

Assets held for sale are related to land and buildings. On 30 June 2022, Vestas signed an agreement for the disposal of Vestas' blades factory in Lauchhammer, Germany. Transfer of title to the factory to the buyer will be completed in third quarter of 2022 and therefore it has been classified as held for sale as at 30 June 2022.

2.3 Warranty provisions (included in provisions)

mEUR	30 June 2022	30 June 2021	31 December 2021
Warranty provisions, 1 January	1,197	1,189	1,189
Provisions for the period	334	187	748
Warranty provisions consumed during the period	(313)	(353)	(852)
Additions from business combinations	-	55	55
Reclassification	-	57	57
Warranty provisions	**1,218**	**1,135**	**1,197**
The provisions are expected to be payable as follows:			
< 1 year	728	522	655
> 1 year	490	613	542
	1,218	**1,135**	**1,197**

During the first half of 2022, net warranty provisions charged to the income statement amounted to EUR 318m (EUR 123m in the second quarter of 2022), equivalent to 5.5 percent of revenue. The net amount consists of a gross warranty provision of EUR 334m less supplier claims of EUR 16m. The warranty provisions in the first half 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 313m compared to EUR 353m in the first half 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 June 2022	30 June 2021	31 December 2021
Treasury shares as at 1 January	944,632	1,098,495	1,098,495
Purchases for the period	0	78,225	78,225
Vested treasury shares for the period	(206,692)	(232,088)	(232,088)
Treasury shares	**737,940**	**944,632**	**944,632**

Each share has a nominal value of DKK 0.20.

3.2 Cash and cash equivalents

mEUR	30 June 2022	30 June 2021	31 December 2021
Cash and cash equivalents without disposal restrictions	1,324	1,572	2,394
Cash and cash equivalents with disposal restrictions	26	24	26
Cash and cash equivalents	**1,350**	**1,596**	**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.

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 27 June 2022, Vestas has signed a EUR 475m green loan facility with the European Investment Bank (EIB) to fund its research, development, and innovation (RDI) activities until the end of 2025. As at 30 June 2022, the facility was unused.

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 30 June 2022, the fair value of financial investments amounted to EUR 212m, equal to book value. Marketable securities amounted to EUR 96m and deposits amounted to EUR 116m.

Derivative financial instruments were negative with a market value of net EUR 139m, equal to book value, and were recognised in other receivables and other liabilities with EUR 420m and EUR 558m, 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 June 2022, the carrying amount of the sustainability-linked bonds issued by Vestas amounted to EUR 990m and the fair value amounted to EUR 873m.

4 Other disclosures

4.1 Related party transactions

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

mEUR	Q2 2022	Q2 2021	H1 2022	H1 2021
Joint ventures				
Revenue for the period	2	-	83	13
Proceeds from sale of projects	-	-	-	10
Capital increase	20	-	20	21
Trade receivable as at 30 June	50	6	50	6
Other receivables as at 30 June	5	-	5	-
Prepayments balance as at 30 June (asset)	43	55	43	55
Associates				
Revenue	(21)	-	(5)	-
Proceeds from investments in associates	-	6	-	10
Capital increase	(2)	3	1	3
Contract assets as at June 30	-	-	59	-
Payable capital contribution as at 30 June	48	45	48	45

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

On 17 July 2022, Vestas drew EUR 475m under a new green loan facility with the European Investment Bank (EIB), cf. Vestas' Investor News of 5 July 2022.

As announced on 10 August 2022, Vestas has 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, at which point the transaction will be reflected in Vestas' financial accounts.

Other than the events recognised or disclosed in the interim financial report, no events have occurred subsequent to 30 June 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 April - 30 June

mEUR	Q2 2021 Reported	Effect of new policy	Q2 2021 Restated
Production costs	(3,160)	(1)	(3,161)
Operating profit (EBIT) before special items	**376**	**(1)**	**375**
Research and development costs	(94)	(5)	(99)
Distribution costs	(96)	(1)	(97)
Administration cost	(85)		(85)
Operating profit (EBIT) before special items	**101**	**(7)**	**94**
Operating profit (EBIT)	**101**	**(7)**	**94**
Profit before tax	**122**	**(7)**	**115**
Profit for the period	**90**	**(7)**	**83**
Profit is attributable to:			
Owners of Vestas	89	(7)	82
Non-controlling interests	1	-	1
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic	0.09		0.08
Earnings per share for the period (EUR), diluted	0.09		0.08

Condensed statement of comprehensive income extract 1 April - 30 June

mEUR	Q2 2021 Reported	Effect of new policy	Q2 2021 Restated
Profit for the period	**90**	**(7)**	**83**
Other comprehensive income after tax for the period	17	-	17
Total comprehensive income for the period	**107**	**(7)**	**100**

Condensed income statement extract 1 January - 30 June

mEUR	H1 2021 Reported	Effect of new policy	H1 2021 Restated
Production costs	(4,933)	(1)	(4,934)
Operating profit (EBIT) before special items	565	**(1)**	**564**
Research and development costs	(181)	(11)	(192)
Distribution costs	(182)	(2)	(184)
Administration cost	(172)	-	(172)
Operating profit (EBIT) before special items	**30**	**(14)**	**16**
Operating profit (EBIT)	**30**	**(14)**	**16**
Profit before tax	**45**	**(14)**	**31**
Profit for the period	**33**	**(14)**	**19**
Profit is attributable to:			
Owners of Vestas	28	(14)	14
Non-controlling interests	5	-	5
Earnings per share (EPS)			
Earnings per share for the period (EUR), basic	0.03		0.01
Earnings per share for the period (EUR), diluted	0.03		0.01

Condensed statement of comprehensive income extract 1 January - 30 June

mEUR	H1 2021 Reported	Effect of new policy	H1 2021 Restated
Profit for the period	**33**	**(14)**	**19**
Other comprehensive income after tax for the period	76	-	76
Total comprehensive income for the period	**109**	**(14)**	**95**

Condensed balance sheet extract – Assets, 30 June

mEUR	30 June 2021 Reported	Effect of new policy	30 June 2021 Restated
Completed development projects	571	(1)	570
Software	134	(17)	117
Development projects in progress	427	(31)	396
Total intangible assets	**2,888**	**(49)**	**2,839**
Deferred tax	321	4	325
Total other non-current assets	**1,668**	**4**	**1,672**
Total non-current assets	**6,598**	**(45)**	**6,553**
Total assets	**19,557**	**(45)**	**19,512**

Condensed balance sheet extract – Equity and liabilities, 30 June

mEUR	30 June 2021 Reported	Effect of new policy	30 June 2021 Restated
Retained earnings	4,554	(45)	4,509
Attributable to owners of Vestas	4,481	(45)	4,436
Total equity	**4,522**	**(45)**	**4,477**
Total equity and liabilities	**19,557**	**(45)**	**19,512**

Condensed cash flow statement extract 1 April - 30 June

mEUR	Q2 2021 Reported	Effect of new policy	Q2 2021 Restated
Profit for the period	90	(7)	83
Adjustment for non-cash transactions	49	(1)	48
Cash flow from operating activities	**360**	**(8)**	**352**
Purchase of intangible assets	(96)	8	(88)
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments	**(177)**	**8**	**(169)**
Cash flow from investing activities	**(194)**	**8**	**(186)**

Condensed cash flow statement extract 1 January - 30 June

mEUR	H1 2021 Reported	Effect of new policy	H1 2021 Restated
Profit for the period	33	(14)	19
Adjustment for non-cash transactions	193	(2)	191
Cash flow from operating activities	**(386)**	**(16)**	**(402)**
Purchase of intangible assets	(183)	16	(167)
Cash flow from investing activities before acquisition of subsidiaries, joint ventures, associates and financial investments	**(329)**	**16**	**(313)**
Cash flow from investing activities	**(538)**	**16**	**(522)**

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 30 June 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 June 2022 and of the results of Vestas' operations and cash flows for the period 1 January to 30 June 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, 10 August 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*)

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Disclaimer and cautionary statement

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

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

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual Report for the year ended 31 December 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.